Keegan, Linscott & Kenon, PC
Certified Public Accountants
Certified Fraud Examiners
Certified Insolvency & Restructuring Advisors
3443 N Campbell Ave • Suite 115 • Tucson, AZ 85719
(520) 884-0176 • www.KLKCPA.com

OUR FAMILY SERVICES, INC.

AUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2016)

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT .... 1 – 2

AUDITED FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSIITION 4

STATEMENT OF ACTIVITIES 5

STATEMENT OF FUNCTIONAL EXPENSES 2017 6

STATEMENT OF FUNCTIONAL EXPENSES 2016 7

STATEMENTS OF CASH FLOWS 8

NOTES TO FINANCIAL STATEMENTS .... 9 – 24

Keegan, Linscott & Kenon, PC

Certified Public Accountants | Certified Fraud Examiners | Certified Insolvency and Restructuring Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Our Family Services, Inc.
Tucson, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Our Family Services, Inc., an Arizona nonprofit corporation (the "Organization"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

3443 N. Campbell Ave, Suite 115 • Tucson, Arizona 85719 • PHN 520.884.0176 • FAX 520.884.8767 • www.KLKCPA.com

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Our Family Services, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
The financial statements of the Organization, as of and for the year ended June 30, 2016, were audited by other auditors, whose report, dated November 30, 2016, expressed an unmodified opinion on those statements.

Report on Summarized Comparative Information
Other auditors previously audited the Organization's June 30, 2016 financial statements and expressed an unmodified audit opinion on those audited financial statements in their report dated November 30, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 our report dated November 1, 2017 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Keegan, Linscott & Kenon, PC

Tucson, Arizona
November 1, 2017

AUDITED FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30,

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 763,558	$ 582,351
Contracts receivable,net	465,933	691,087
Prepaid and other current assets	81,059	99,317
Total current assets	1,310,550	1,372,755
Property and equipment, net	4,238,658	4,333,363
Beneficial interest in funds held by others	322,566	302,083
Total assets	$ 5,871,774	$ 6,008,201
Liabilities		
Current liabilities		
Accounts payable	$ 67,661	$ 129,062
Accrued expenses	133,023	113,439
Deferred revenue	-	-
Other current liabilities	14,177	21,192
Current maturities of notes payable	104,262	99,192
Total current liabilities	319,123	362,885
Notes payable, long-term portion, net of unamortized discounts	616,546	722,533
Total liabilities	935,669	1,085,418
Net Assets		
Unrestricted	4,252,264	4,320,154
Temporarily restricted	417,332	336,340
Permanently restricted	266,509	266,289
Total net assets	4,936,105	4,922,783
Total liabilities and net assets	$ 5,871,774	$ 6,008,201

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Summarized Total 2016
Revenues and Other Support					
Government grants and contracts	$ 3,578,949	$ -	$ -	$ 3,578,949	$ 3,881,123
Contributions, bequests, and foundation grants	249,086	617,850	-	866,936	690,151
Program income	451,056	-	-	451,056	372,116
Donated materials and services	219,016	-	-	219,016	137,611
United Way	103,031	-	-	103,031	98,690
Special events, net of $17,766 direct donor benefit costs	47,487	-	-	47,487	63,901
Distribution from CPI	-	-	-	-	608,825
Other revenue and support	11,596	-	-	11,596	13,751
Gain on disposal of property and equipment	-	-	-	-	29,316
Investment income (loss), net	127	31,737	220	32,084	(9,677)
Net assets released from restriction	568,595	(568,595)	-	-	-
Total revenue and other support	5,228,943	80,992	220	5,310,155	5,885,807
Expenses					
Program services					
Clinical services	506,817	-	-	506,817	451,542
Community services	306,425	-	-	306,425	402,984
Senior services	280,788	-	-	280,788	281,566
Family housing	2,087,585	-	-	2,087,585	2,535,206
Homeless youth services	934,887	-	-	934,887	910,674
Total program services	4,116,502	-	-	4,116,502	4,581,972
Fundraising	336,197	-	-	336,197	280,925
Management and general	844,134	-	-	844,134	865,311
Total expenses	5,296,833	-	-	5,296,833	5,728,208
Change in net assets	(67,890)	80,992	220	13,322	157,599
Net assets, beginning of year	4,320,154	336,340	266,289	4,922,783	4,765,184
Net assets, end of year	$ 4,252,264	$ 417,332	$ 266,509	$ 4,936,105	$ 4,922,783

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Clinical Services	Community Services	Senior Services	Family Housing	Homeless Youth Services	Total Program Services	Fundraising	Management and General	Total
Expenses									
Contract employees and personnel costs	$ 408,103	$ 190,520	$ 84,034	$ 815,568	$ 383,732	$ 1,881,957	$ 202,441	$ 618,580	$ 2,702,978
Total personnel	408,103	190,520	84,034	815,568	383,732	1,881,957	202,441	618,580	2,702,978
Advertising and public relations	-	155	383	71,470	-	72,008	65,425	150	137,583
Bad debt	12,526	245	-	2,818	111	15,700	-	399	16,099
Bank fees	769	561	13	1,166	38	2,547	2,342	4,948	9,837
Client housing	-	-	-	421,990	348,607	770,597	-	-	770,597
Equipment	3,537	4,383	1,561	9,720	10,907	30,108	2,319	(492)	31,935
Facilities	9,029	3,838	2,305	155,374	8,525	179,071	4,254	33,620	216,945
Insurance	8,514	2,572	1,458	21,600	6,104	40,248	4,217	12,202	56,667
Membership, dues and licensing	1,472	1,738	185	3,022	1,311	7,728	3,036	10,395	21,159
Miscellaneous	154	655	535	2,258	389	3,991	153	5,154	9,298
Office supplies	1,575	5,439	847	4,268	1,978	14,107	13,159	14,321	41,587
Other client expenses	7,656	59,446	3,050	220,826	95,896	386,874	4,032	9,534	400,440
Professional and outside services	23,503	25,978	4,615	94,312	43,838	192,246	20,327	60,155	272,728
Recruitment and staff development	1,557	713	342	3,884	787	7,283	4,143	9,502	20,928
Subrecipient payments	-	-	-	88,531	-	88,531	-	-	88,531
Telephone	4,386	1,689	1,245	13,789	4,587	25,696	1,559	7,267	34,522
Travel and auto	10,761	3,201	1,121	17,202	16,965	49,250	1,569	4,976	55,795
Volunteer	-	-	175,811	10	-	175,821	-	-	175,821
Total expenses before interest and depreciation	493,542	301,133	277,505	1,947,808	923,775	3,943,763	328,976	790,711	5,063,450
Interest expense	3,933	1,583	975	8,410	3,260	18,161	2,145	16,374	36,680
Depreciation	9,342	3,709	2,308	131,367	7,852	154,578	5,076	37,049	196,703
Total expenses	$ 506,817	$ 306,425	$ 280,788	$ 2,087,585	$ 934,887	$ 4,116,502	$ 336,197	$ 844,134	$ 5,296,833

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Clinical Services	Community Services	Senior Services	Family Housing	Homeless Youth Services	Total Program Services	Fundraising	Management and General	Total
Expenses									
Contract employees and personnel costs	$ 368,887	$ 272,309	$ 85,774	$ 959,588	$ 362,288	$ 2,048,846	$ 194,635	$ 637,162	$ 2,880,643
Total personnel	368,887	272,309	85,774	959,588	362,288	2,048,846	194,635	637,162	2,880,643
Advertising and public relations	-	6,679	9	47,734	-	54,422	7,778	150	62,350
Bad debt	2,464	416	-	3,974	431	7,285	-	-	7,285
Bank fees	602	385	-	1,541	-	2,528	2,864	4,326	9,718
Client housing	-	-	-	581,250	404,184	985,434	-	-	985,434
Equipment	3,019	4,445	1,811	12,601	6,528	28,404	5,468	10,541	44,413
Facilities	7,995	7,630	2,527	210,265	11,316	239,733	5,874	37,005	282,612
Insurance	7,156	6,018	1,701	22,290	6,859	44,024	3,883	11,160	59,067
Membership, dues and licensing	2,529	3,754	616	8,347	4,118	19,364	6,256	15,064	40,684
Miscellaneous	2,619	(1,364)	(156)	5,558	(7,874)	(1,217)	(7,474)	18,032	9,341
Office supplies	2,390	6,443	750	9,940	3,285	22,808	16,052	6,563	45,423
Other client expenses	2,475	24,056	7,643	254,967	77,648	366,789	11	2,461	369,261
Professional and outside services	20,721	40,444	4,925	94,958	19,749	180,797	29,875	43,652	254,324
Recruitment and staff development	2,943	13,507	1,292	12,065	2,873	32,680	2,519	9,937	45,136
Subrecipient payments	-	-	-	124,021	-	124,021	-	-	124,021
Telephone	3,230	3,396	934	12,823	4,137	24,520	1,396	6,052	31,968
Travel and auto	12,254	4,688	407	29,667	11,039	58,055	615	12,127	70,797
Volunteer	-	293	169,791	-	-	170,084	43	-	170,127
Total expenses before interest and depreciation	439,284	393,099	278,024	2,391,589	906,581	4,408,577	269,795	814,232	5,492,604
Interest expense	4,533	3,605	1,378	11,152	1,228	21,896	5,678	20,420	47,994
Depreciation	7,725	6,280	2,164	132,465	2,865	151,499	5,452	30,659	187,610
Total expenses	$ 451,542	$ 402,984	$ 281,566	$ 2,535,206	$ 910,674	$ 4,581,972	$ 280,925	$ 865,311	$ 5,728,208

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	$ 13,322	$ 157,599
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	196,703	187,610
Gain on disposal of property and equipment	-	(29,316)
Net realized and unrealized (gain) loss on beneficial interest in funds held by others	(30,184)	9,837
Interest expense to amortize deferred loan costs	433	433
Contributions restricted for permanent investment	(220)	(3,962)
Changes in operating assets and liabilities		
Contracts receivable, net	225,154	(222,698)
Prepaid and other current assets	18,258	(41,072)
Accounts payable	(61,401)	(28,695)
Accrued expenses	19,584	(112,960)
Other current liabilities	(7,015)	4,198
Net cash provided by (used in) operating activities	374,634	(79,026)
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	-	42,741
Purchases of property and equipment	(101,998)	(189,143)
Distributions from beneficial interest in funds held by others	15,261	11,083
Contributions and reinvestments in beneficial interest in funds held by others	(5,560)	(3,962)
Net cash used in investing activities	(92,297)	(139,281)
Cash Flows from Financing Activities		
Collection of contributions restricted for investment in endowment	220	3,962
Proceeds from line of credit	-	100,000
Payments on line of credit	-	(100,000)
Payments on notes payable	(101,350)	(96,349)
Net cash used in financing activities	(101,130)	(92,387)
Net change in cash and cash equivalents	181,207	(310,694)
Cash and cash equivalents, beginning of year	582,351	893,045
Cash and cash equivalents, end of year	763,558	582,351
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	36,247	47,561
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Payoff of note payable from proceeds from sale of property	$ -	$ 26,851

NOTES TO FINANCIAL STATEMENTS

1. Organization

Our Family Services, Inc. (the "Organization") is a private non-profit organization incorporated in Arizona to provide counseling, community services, and services to teens in transition, families and senior/older and disabled adults in Southern Arizona. Funding is received principally from government grants and vendor contracts, as well as foundation grants and contributions. The Organization was formed July 1, 2012, as a result of a merger of two nonprofit entities.

The Organization has the following program categories:

Family Housing programs, which include:

Emergency Shelter Services – This 120-day program is the first part of a multi-phase program to help families achieve financial self-sufficiency. The average family enters the shelter after weeks or months of homelessness. During this crisis phase, Our Organization provides clients with all their basic needs.

Transitional and Affordable Housing – This program offers safe, affordable housing for low-income families and individuals who qualify.

Homeless Prevention – Prevents families from becoming homeless by engaging them in a case management and preventing eviction and covering costs (utility shut offs, daycare, food, car repairs, etc.) that could lead to a family to become homeless.

United Way/Siemer Project – Our Organization works with 3 area elementary schools to prevent families from becoming homeless and moving their children to another school. Provides case management and some financial assistance to clients.

Rapid Rehousing – Provides short-term rental assistance and/or utility assistance to homeless families to obtain apartments with their own leases, moving quickly from homelessness to stable housing.

Homeless Youth programs, which include:

Homeless Youth Services – Helps homeless and near-homeless youth ages 13 to 21 stay in school and gain the life skills they need through case management, counseling, education and career planning, shelter, housing and help with basic skills.

Community Services programs, which include:

Clinical Services – General mental health counseling, psycho-educational groups, life skills, and parenting services help to strengthen families and youth.

Community Services – Group and educational-based programs to build skills, resiliency, resources and connections within our community. Services include Information and Referral, The Center for Community Dialogue and our Prevention program.

Senior Services – Supports vulnerable elders and helps them to live independently for as long as is safely possible through the services of trained senior volunteers.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies

Basis of Presentation
The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("U.S. GAAP") that the Organization follows to ensure the consistent reporting of its financial condition, changes in net assets and cash flows. References to U.S. GAAP issued by the FASB are to the FASB Accounting Standards Codification ("ASC").

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with the provisions of ASC 958, *Not-for-Profit Entities*. Under this authoritative guidance, the Organization is required to provide financial statements which are prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

- **Unrestricted** – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

- **Temporarily Restricted** – Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire through the passage of time.

- **Permanently Restricted** – Net assets that are subject to donor-imposed stipulations such that assets must be maintained permanently by the Organization. The donors of these assets permit the Organization to use all or part of the investment return of these assets on continuing operations which may be subject to certain restrictions.

Expenses are generally reported as decreases in unrestricted net assets. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. Contributions of long-lived assets not having donor-imposed purpose or time restrictions are reported as unrestricted contributions in amounts equal to the fair value of the contributed assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Endowment Funds
The Organization's endowments were established to support, further and enhance the mission of the Organization. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. The Organization has two endowment funds that are held and managed at the Jewish Community Foundation of Southern Arizona (the "JCFSA") and are comprised of donor specified beneficiary funds. Donor specified beneficiary funds represent permanently restricted contributions made to JCFSA for the benefit of The Organization (i.e., donor has specified the Organization as the beneficiary).

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Endowment Funds (continued)
The Organization has interpreted the "Management of Charitable Funds Act" (Arizona's version of the Uniform Prudent Management of Institutional Funds Act or UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) if applicable, accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the law.

The Organization has no formally adopted investment policies for its endowment assets; however, the Organization is subject to JCFSA's investment and spending policies for endowment assets. These policies attempt to preserve the purchasing power of the investments after withdrawals are taken, while increasing the value of the fund over time. The financial objectives have been established in conjunction with a comprehensive review of the current and projected financial requirements of the JCFSA with consideration of the requirements imposed by the Management of Charitable Funds Act. While there cannot be complete assurance that this objective will be realized, it is believed the likelihood of its realization is reasonably high based upon JCFSA's investment policy and historical performance. The objective is based on a ten-year investment horizon, so that interim fluctuations should be viewed with appropriate perspective. Accumulated earnings on these endowments are released as appropriations from temporarily restricted net assets when distributed by JCFSA and the related restriction (if any) has been met. JCFSA has adopted a spending policy of appropriating for distribution each year between 3.5% and 5% of its endowment value.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or current law requires The Organization to retain for a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2017 and 2016, respectively.

Revenue Recognition
Government Grants and Contracts
The Organization accounts for its government funded grant and contract revenues as exchange transactions. Revenue under cost reimbursement grants and contracts are recognized when costs are incurred or agreed-upon work is performed in accordance with the applicable agreements. A receivable is recorded to the extent revenue recognized exceeds payment received; conversely, advances in excess of costs incurred or work performed under government funded grants and contracts are deferred and recognized as revenue when the related cost is incurred.

Contributions, Bequests and Foundation Grants
Contributions are recorded upon the Organization receiving notification of an unconditional promise to give. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. Time and purpose restrictions are

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions, Bequests and Foundation Grants (continued)

reported as temporarily restricted support and then reclassified to unrestricted net assets upon expiration of the time or purpose restriction. Bequests are recognized in the period in which the Organization receives notification that a will or trust has been enacted, the court has deemed the will or trust valid, the amount is known or can be reasonably estimated, and all conditions have been substantially met. Foundation grants are accounted for as either exchange transactions or as contributions depending on the nature of the grant.

Program Income

Program income consists of client service fees and rental income. The Organization recognizes program income for client service fees when services are rendered and rental income as rents become due. Rental payments received in advance are deferred until earned.

Donated Goods, Facilities and Services

Donated goods and facilities are recognized as contributions at fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated services are recognized as contributions at fair value when the services are received and (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donation. The Organization utilizes the services of many outside volunteers to perform a variety of tasks that assist the Organization. Although the Organization utilizes the services of many outside volunteers, the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under U.S. GAAP.

Cash and Cash Equivalents

For financial statement reporting purposes, the Organization considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents. The carrying amount of cash equivalents approximates their fair values and is classified as Level 1 inputs in the fair value hierarchy. The Organization places its cash and cash equivalents with high credit quality institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit (see Note 17). The Organization has not experienced any losses and does not believe it is exposed to any significant credit risk on cash balances. All such accounts are monitored by management to mitigate risk.

Contracts Receivable, Net

Contracts receivable are stated at the amount that the Organization expects to collect from various governmental entities and other funding sources on outstanding balances, net of an allowance for doubtful accounts. The allowance for doubtful accounts reflects management's best estimate of the amounts that will not be collected and is based on management's assessment of the collectability of specific accounts and the aging of the receivable. It is the Organization's policy to charge off uncollectible receivables when

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Contracts Receivable, Net (continued)

management determines the receivable will not be collected. Recoveries of receivables previously written off are recorded when received. As of June 30, 2017 and 2016, management estimated an allowance for uncollectible accounts of $10,458 and $0, respectively.

Property and Equipment, Net

Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful life of the assets as follows:

Buildings and improvements	7 – 40 years
Furniture, fixtures and equipment	3 – 7 years
Vehicles	5 years

The Organization capitalizes all expenditures for property and equipment, including repairs or betterments that materially prolong the useful lives of assets, in excess of $1,000 with a useful life greater than one year. Repairs and maintenance for normal upkeep are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is recognized.

In accordance with ASC 360-10, *Property, Plant and Equipment*, the Organization periodically reviews the carrying value of long-lived assets held and used, and assets to be disposed of, for possible impairment when events and circumstances warrant such a review. Through June 30, 2017, the Organization had not experienced impairment losses on its long-lived assets.

Beneficial Interest in Funds Held by Others

In accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, the Organization measures the fair value of donor specified beneficiary funds held at the JCFSA using the fair value of the underlying assets. Annual distributions from the funds are reported as investment income. Investment income, gains and losses are reported in the accompanying statement of activities as increases or decreases in net assets.

The JCFSA on behalf of the Organization invests in professionally managed portfolios that contain equity and fixed income securities. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the accompanying financial statements.

Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Organization employs a systematic methodology on an annual basis that considers available quantitative and qualitative evidence in evaluating potential impairment of its investments. If the cost of an investment exceeds its fair value, the Organization evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and its intent and ability to hold the investment. The Organization also considers specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, operational and financing cash flow factors, and rating agency actions. Once a decline in fair value is determined to be other-then-temporary, an impairment charge is recorded and a new cost basis in the investment is established.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Income Tax

The Organization is exempt from federal and state income taxes under the Federal Internal Revenue Code ("IRC") Section 501(c)(3) and Arizona income tax laws, and is classified as other than a private foundation under IRC Section 509(a)(1). The Organization also qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(a). Accordingly, no provision for federal or state income taxes is recorded in the accompanying financial statements; however, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income.

Management has considered its tax positions in accordance with the accounting standard for uncertainty in income taxes and believes that all positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. In addition, Management is not aware of any matters which would cause the Organization to lose its tax-exempt status. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Should the Organization ever be subject to interest and penalties related to unrecognized tax benefits, they would be classified in management and general expenses in its accompanying financial statements. During the years ended June 30, 2017 and 2016, the Organization did not recognize any interest and penalties.

Advertising

The Organization expenses advertising costs as incurred.

Functional Allocation of Expenses

The cost of providing the various program services and supporting activities of the Organization have been summarized on a functional basis in the statement of activities. Expenses that can be identified with a specific program are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated by other reasonablemethods.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation, with no effect on net assets.

NOTES TO FINANCIAL STATEMENTS

3. Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist which raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and annual and interim periods thereafter, with early adoption permitted. The adoption of ASU 2014-15 did not have an effect on the Organization's financial statements or disclosures.

In April 2015, the FASB issued ASU 2015-03, *Interest— Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted, and retrospective application is required. The adoption of this ASU as described above primarily impacted the presentation of the Organization's deferred loan costs on the accompanying statement of financial position.

Not Adopted as of June 30, 2017

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606): An Amendment of the FASB Accounting Standards Codification*. The amendments in this ASU affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance, and creates a Topic 606 *Revenue from Contracts with Customers*. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either the full retrospective or retrospective with cumulative effect transition method.

In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted with certain restrictions. The Organization has not yet selected a transition method and is currently evaluating the effect this standard will have on the financial statements.

In March 2016, the FASB has issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. The amendments relate to when another party, along with the entity, is involved in providing a good or service to a customer. Topic 606 *Revenue from Contracts with Customers* requires an entity to determine whether the nature of its promise is to provide that good or service to the customer (i.e., the entity is a principal) or to arrange for the good or service to be provided to the customer by the other party (i.e., the entity is an agent). The amendments amend certain existing illustrative examples and add additional illustrative examples to assist in the application of the guidance. The effective date and transition of these amendments is the same as the effective date and transition of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

NOTES TO FINANCIAL STATEMENTS

Recent Accounting Pronouncements (continued)

Not Adopted as of June 30, 2017 (continued)
In April 2016, the FASB has issued Accounting Standards Update No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. The amendments clarify the following two aspects of Topic 606: (a) identifying performance obligations; and (b) the licensing implementation guidance. The amendments do not change the core principle of the guidance in Topic 606. The effective date and transition of these amendments is the same as the effective date and transition of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

In May and December 2016, the FASB issued Accounting Standards Updates No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients* and No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. The amendments do not change the core revenue recognition principle in Topic 606. The amendments provide clarifying guidance in certain narrow areas and add some practical expedients. The effective dates and transition of these amendments is the same as the effective date and transition of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* The amendments in ASU 2016-01 primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The ASU requires the Organization to segregate in tabular form as of the balance sheet date, the aggregate related fair values of investments with unrealized losses, and the aggregate amount of unrealized losses by those investments that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for longer than 12 months. ASU 2016-01 is effective for fiscal years beginning after December 15, 2018, and interim periods within the fiscal years beginning after December 15, 2019. The adoption of ASU 2016-01 is not expected to have a material effect on the Organization's financial statement disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities 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, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the effect this standard will have on the financial statements and disclosures.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in ASU 2016-14 change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: Net Asset Classes; Investment Return; Expenses; Liquidity

NOTES TO FINANCIAL STATEMENTS

Recent Accounting Pronouncements (continued)

Not Adopted as of June 30, 2017 (continued)
and Availability of Resources; and Presentation of Operating Cash Flows. ASU 2016-14 is effective for not-for-profit organizations for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018.

Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments is permitted. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial statements and disclosures.

4. Property and Equipment, Net

Property and equipment, net consist of the following as of June 30:

	2017	2016
Land	$ 393,992	$ 393,992
Building and improvements	5,335,007	5,245,104
Furniture, equipment and computers	508,721	496,626
Vehicles	50,540	50,540
	6,288,260	6,186,262
Less accumulated depreciation	(2,049,602)	(1,852,899)
Property and equipment, net	$ 4,238,658	$ 4,333,363

5. Fair Value Measurements

The Organization utilizes the fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The restricted investments held at the Jewish Community Foundation of Southern Arizona are categorized as Level 3 due to the lack of a market in which the Organization's units of participation in JCFSA's pooled income trust (i.e., the beneficial interest) could be bought or sold. The Organization measures the fair value of its beneficial interest by taking its proportionate share of the fair value of the underlying assets.

NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements (continued)

The following table presents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30:

	Level 3	
	2017	2016
Beneficial interest in funds held by others	$ 322,566	$ 302,083

The following table presents a reconciliation of the Level 3 beneficial interest in assets held by others measured at fair value for the years ended June 30:

	2017	2016
Fair value as of July 1	$ 302,083	$ 319,041
Contributions	220	3,962
Investment gain (loss) included in change in net assets	35,524	(6,459)
Fees	(3,787)	(3,378)
Distributions	(11,474)	(11,083)
Fair value as of June 30	$ 322,566	$ 302,083

6. Custodial Liabilities

The Organization had custodial liabilities totaling $14,177 and $11,971 at June 30, 2017 and 2016, respectively, related to its role as a fiscal agent for two unrelated organizations.

7. Line of Credit

In May 2015, the Organization entered into a line of credit agreement, which was renewed in April 2016, with a financial institution for an original amount of $250,000. In June 2017, the line of credit was renewed through June 2018. The line of credit requires monthly interest only payments with interest at the Prime Rate plus 2.0% (6.25% and 5.5% at June 30, 2017 and 2016, respectively) not to be less than 5.50%. The line of credit is collateralized by property as specified in the related Commercial Security Agreement. The line of credit had no outstanding balance as of June 30, 2017, and 2016, respectively.

The line of credit agreement contains one restrictive covenant which requires the Organization to have a $0 balance for a minimum of 30 consecutive days per year. The Organization was in compliance with this restrictive convenant as of June 30, 2017 and 2016, respectively.

NOTES TO FINANCIAL STATEMENTS

8. Notes Payable

A summary of notes payable is as follows as of June 30:

	2017	2016
Bank building loan with an interest rate of 4.57% per annum, with monthly principal and interest payments of $5,983, maturing in September 2028. The loan is collateralized by a Deed of Trust and Fixture Filing, and an Assignment of Rents.	$ 624,663	$ 666,047
Bank building loan with an interest rate of 4.44% per annum, with monthly principal and interest payments of $3,274, maturing in October 2018. The loan is collateralized by a Deed of Trust, Assignment of Leases and Rents.	47,652	83,915
Bank building loan with an interest rate of 4.73% per annum, with monthly principal and interest payments of $2,071, maturing in August 2019. The loan is collateralized by a Deed of Trust, Assignment of Leases and Rents.	49,174	72,877
	721,489	822,839
Less current portion	(104,262)	(99,192)
Long-term portion	617,227	723,647
Less-unamortized discounts	(681)	(1,114)
Net long-term portion	$ 616,546	$ 722,533

Future maturities of the notes payable are as follows as of June 30, 2017:

2018	$ 104,262
2019	81,528
2020	50,749
2021	51,639
2022	54,115
Thereafter	379,196
Total	$ 721,489

NOTES TO FINANCIAL STATEMENTS

9. Board Designated Operating Reserve

The Organization's board of directors has established a board designated operating reserve that is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated losses in funding, or uninsured losses. As of June 30, 2017 and 2016, the board designated operating reserve had a balance of $197,007 and $172,181, respectively, and is included within unrestricted net assets in the accompanying statements of financial position.

10. Temporarily Restricted Net Assets

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

	2017	2016
Purpose-restricted by donor		
Counseling	$ 5,000	$ 21,247
Information and referral	32,500	30,000
Prevention	-	21,500
The Center for Community Dialogue	38,742	42,223
Senior companion program	18,816	24,997
Homeless youth services	67,231	36,197
Family housing	198,986	124,382
	361,275	300,546
Accumulated endowment earnings		
Operating endowment	6,244	2,758
Homeless teens endowment	49,813	33,036
	56,057	35,794
	$ 417,332	$ 336,340

11. Permanently Restricted Net Assets

Permanently restricted net assets consist of the following as of June 30:

	2017	2016
Operating endowment	$ 49,766	$ 49,746
Lacy endowment – earnings restricted for homeless teens	216,743	216,543
	$ 266,509	$ 266,289

NOTES TO FINANCIAL STATEMENTS

12. Endowments

Endowment net assets composition by type as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 56,057	$ 266,509	$ 322,566
Total funds	$ -	$ 56,057	$ 266,509	$ 322,566

Changes in endowment net assets for the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2016	$ -	$ 35,794	$ 266,289	$ 302,083
Investment return				
Investment income, net	-	1,553	-	1,553
Net appreciation	-	30,184	-	30,184
Total investment return	-	31,737	-	31,737
Contributions	-	-	220	220
Appropriation of endowment net assets for expenditure	(11,474)	-	-	(11,474)
Transfer between funds	11,474	(11,474)	-	-
Endowment net assets, June 30, 2017	$ -	$ 56,057	$ 266,509	$ 322,566

Endowment net assets composition by type as of June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 35,794	$ 266,289	$ 302,083
Total funds	$ -	$ 35,794	$ 266,289	$ 302,083

NOTES TO FINANCIAL STATEMENTS

Endowments (continued)

Changes in endowment net assets for the year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2015	$ -	$ 56,714	$ 262,327	$ 319,041
Investment return				
Investment income, net	-		-	-
Net appreciation	-	(9,837)	-	(9,837)
Total investment return	-	(9,837)	-	(9,837)
Contributions	-	-	3,962	3,962
Appropriation of endowment net assets for expenditure	(11,083)		-	(11,083)
Transfer between funds	11,083	(11,083)	-	-
Endowment net assets, June 30, 2016	$ -	$ 35,794	$ 266,289	$ 302,083

13. Retirement Plan

The Organization has a 403(b) thrift plan that allows eligible employees to defer pretax annual compensation up to certain limitations imposed by the Internal Revenue Service. The Organization may also make matching contributions to the Plan. To be eligible, employees must be at least 18 years of age. The employer match begins after a year of service for employees at least 21 years of age. The Organization matches 50% of employee contributions up to 4% of annual compensation. The Organization's matching contributions for the years ended June 30, 2017 and 2016 were $16,152 and $23,040, respectively.

14. Distribution from CPI

During the year ended June 30, 2016 the Organization received $608,825 as a distribution from Community Partners, Inc. (CPI), formerly known as Community Partnership of Southern Arizona, for their membership in the Behavioral Health Coalition.

NOTES TO FINANCIAL STATEMENTS

15. Donated Materials and Services

In-Kind contributions for the years ended June 30, 2017 and 2016 consisted of the following:

	2017	2016
Advertising and public relations	$ 155,739	$ 54,402
Professional and outside services	28,067	31,644
Membership, dues and licensing	-	1,769
Office supplies	367	167
Other client expenses	29,138	36,400
Equipment	525	4,402
Recruitment and staff development	55	9,137
Volunteer	5,125	24
In-kind expenses	219,016	137,945
Less usage of gift card inventory donated in prior years	-	(334)
	$ 219,016	$ 137,611

16. Lease Commitments

The Organization leases office equipment for its operation under non-cancelable operating leases expiring at various times through September 2020. Lease expense, including month-to-month leases, for the years ended June 30, 2017 and 2016 totaled $20,658 and $29,757, respectively.

The following is a summary of future minimum lease payments under non-cancelable operating leases as of June 30, 2017:

Fiscal Year Ending	Amount
2018	$ 22,556
2019	19,456
2020	1,831

17. Concentrations of Credit Risk

Government Grants and Contracts Revenues
The Organization derives the majority of its revenues and support from government grants and contracts for various programs. At times, grants and contracts for particular programs may constitute a concentration as defined by the accounting standards. As of June 30, 2017 and 2016, government grant receivables comprised 80% and 87% of total receivables, respectively. For the years ended June 30, 2017 and 2016, government grants and contracts accounted for approximately 67% and 66%, respectively, of total revenues and other support.

NOTES TO FINANCIAL STATEMENTS

Concentrations of Credit Risk (continued)

Cash Deposits at Banks
Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the FDIC up to $250,000. As of June 30, 2017 and 2016, the Organization had $492,295 and $311,826 in excess of FDIC insured limits, respectively.

18. Commitments and Contingencies

Angel Charity
In 2012, the Organization entered into a beneficiary agreement with Angel Charity for Children, Inc. ("Angel Charity"), for the construction of a 20-bed shelter for homeless youth. As of June 30, 2014, Angel Charity had reimbursed the Organization $594,754 for expenditures incurred for the construction of real property. As part of this agreement, the Organization entered into a non-recourse ten-year promissory note collateralized by first deed of trust on the real property. The term of the note shall end ten years from the date of substantial completion of the project or April 30, 2023, whichever is last to occur. The note provides that as long as the Organization continues to operate a temporary emergency shelter for runaway and homeless youth at this facility, one-tenth of the note will be forgiven each year. If the Organization ceases to provide these services, the remaining balance shall become immediately due and payable. The Organization intends to provide these services for the ten-year period.

Program Audits by Funding Agencies
The Organization is subject to potential program audits by its funding agencies. There is a possibility that the Organization could be liable to these agencies for amounts determined by such future audits. The Organization's management believes that no such liabilities exist as of June 30, 2017.

Litigation
The Organization is involved in legal proceedings in the normal course of its business operations. The Organization does not believe that any pending or threatened proceeding would have a material adverse effect on its financial position or results of operations.

19. Subsequent Events

The Organization evaluated subsequent events through November 1, 2017, which represents the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Keegan, Linscott & Kenon, PC
Certified Public Accountants
Certified Fraud Examiners
Certified Insolvency & Restructuring Advisors
3443 N Campbell Ave • Suite 115 • Tucson, AZ 85719
(520) 884-0176 • www.KLKCPA.com

OUR FAMILY SERVICES, INC.

SINGLE AUDIT REPORTS AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* .... 1 – 2

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE .... 3 – 4

SCHEDULE OF FINDINGS AND QUESTIONED COSTS .... 5 – 7

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .... 8 – 11

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 12

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

INDEPENDENT AUDITOR'S REPORT

To the Boards of Directors
Our Family Services, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Our Family Services, Inc. (the "Organization"), which comprise of the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

3443 N. Campbell Ave, Suite 115 • Tucson, Arizona 85719 • PHN 520.884.0176 • FAX 520.884.8767 • www.KLKCPA.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Keegan, Linscott & Kenon, PC

Tucson, Arizona
November 1, 2017

Keegan, Linscott & Kenon, PC

Certified Public Accountants | Certified Fraud Examiners | Certified Insolvency and Restructuring Advisors

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Boards of Directors
Our Family Services, Inc.

Report on Compliance for Each Major Federal Program

We have audited Our Family Services, Inc. (the "Organization")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2017. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

3443 N. Campbell Ave, Suite 115 • Tucson, Arizona 85719 • PHN 520.884.0176 • FAX 520.884.8767 • www.KLKCPA.com

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended June 30, 2017, and have issued our report thereon dated November 1, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Keegan, Linscott & Kenon, PC

Tucson, Arizona
November 1, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with accounting principles generally accepted in the United State of America. .... Unmodified

Internal control over financial reporting:

Material weakness(es) identified? .... No

Significant deficiency(ies) identified? .... None Reported

Noncompliance material to financial statements noted? .... No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? .... No

Significant deficiency(ies) identified? .... None Reported

Type of auditor's report issued on compliance for major federal programs. .... Unmodified

Any audit findings disclosed, which are required to be reported in accordance with section 2 CFR 200.516(a)? .... No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.231	Emergency Solutions Grant Program
93.550	Transitional Living for Homeless Youth

Dollar threshold used to distinguish between Type A and Type B programs. $750,000

Auditee qualified as a low-risk auditee? .... Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of fraud, illegal acts, violations of provision of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting.

No matters were reported.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

This section identifies audit findings required to be reported by 2 CFR 200.516(a), including significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, and material abuse.

No matters were reported.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Total Federal Expenditures
CDBG - Entitlement Grants - Cluster:				
U.S. Department of Housing and Urban Development Programs				
Passed through City of Tucson				
Community Development Block Grants/Entitlement Grants (CDBG)	14.218	18305	$ -	$ 60,000
Community Development Block Grants/Entitlement Grants (CDBG)	14.218	17970	-	60,000
Community Development Block Grants/Entitlement Grants (CDBG)	14.218	18022	-	80,000
Total for Program			-	200,000
Total U.S. Department of Housing and Urban Development Programs			-	200,000
Total CDBG - Entitlement Grants - Cluster			-	200,000
TANF - Cluster:				
U.S. Department of Health and Human Services Programs				
Passed through the Primavera Foundation				
Temporary Assistance for Needy Families	93.558	DES-13050-414	$ -	$ 319,527
Total for Program			-	319,527
Total U.S. Department of Health and Human Services Programs			-	319,527
Total TANF - Cluster			-	319,527
Medicaid - Cluster:				
U.S. Department of Health and Human Services Programs				
Passed through Cenpatico				
Medical Assitance Program	93.778	19348	$ -	$ 399,557
Total for Program			-	399,557
Total U.S. Department of Health and Human Services Programs			-	399,557
Total Medicaid - Cluster			-	399,557
Foster Grandparent/Senior Companion - Cluster:				
Corporation for National and Community Service Programs				
Senior Companion Program	94.016		$ -	$ 211,250
Total for Program			-	211,250
Total Corporation for National and Community Service Program			-	211,250
Total Foster Grandparent/Senior Companion - Cluster			-	211,250

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number		Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Total Federal Expenditures
Other Programs:					
U.S. Department of Agriculture Programs					
Passed through Arizona Department of Education					
Child and Adult Care Food Program	10.558		CTD-13-19-13	$ -	$ 34,531
Total for Program				-	34,531
Total U.S. Department of Agriculture Programs				-	34,531
U.S. Department of Housing and Urban Development Programs					
Continuum of Care Program	14.267			$ -	$ 23,900
Continuum of Care Program	14.267			-	24,024
Continuum of Care Program	14.267			-	177,770
Continuum of Care Program	14.267			-	31,069
Continuum of Care Program	14.267			50,154	110,302
Continuum of Care Program	14.267			38,377	77,863
Passed through Pima County					
Continuum of Care Program	14.267		CT-CD-17-152	-	14,600
Total for Program				88,531	459,528
Passed through City of Tucson					
Emergency Solutions Grant Program	14.231	*	18171	$ -	$ 30,000
Emergency Solutions Grant Program	14.231	*	18176	-	34,492
Passed through the Primavera Foundation					
Emergency Solutions Grant Program	14.231	*	DES-13050-414	-	276,638
Total for Program				-	341,130
Total U.S. Department of Housing and Urban Development Programs				88,531	800,658
U.S. Department of Veterans Affairs Programs					
Passed through the Primavera Foundation					
VA Supportive Services for Veteran Families Program	64.033		11-AZ-331	$ -	$ 33,823
Total for Program				-	33,823
Total U.S. Department of Veterans Affairs Programs				-	33,823

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number		Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services Programs					
Drug-free Communities Support Program Grants	93.276			$ -	$ 48,002
Total for Program				-	48,002
Passed through Tumbleweed Center for Youth Development					
Demonstration Grants for Domestic Victims of Human Trafficking	93.327		MOU	$ -	$ 30,969
Total for Program				-	30,969
Transitional Living for Homeless Youth	93.550	*		$ -	$ 68,735
Transitional Living for Homeless Youth	93.550	*		-	134,380
Transitional Living for Homeless Youth	93.550	*		-	176,744
Transitional Living for Homeless Youth	93.550	*		-	26,013
Total for Program				-	405,872
Education and Prevention Grants to Reduce Sexual Abuse					
of Runaway, Homeless and Street Youth	93.557			$ -	$ 142,992
Total for Program				-	142,992
Basic Center Grant	93.623			$ -	$ 27,204
Basic Center Grant	93.623			-	172,374
Total for Program				-	199,578
Total U.S. Department of Health and Human Services Programs				-	827,413
Total Expenditures of Federal Awards				$ 88,531	$ 2,826,759

* Denotes a major program

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

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