Financial Statements
Year Ended
June 30, 2015

Family Service
of Roanoke Valley
Strengthen Families. Heal Trauma. Restore Hope.

DHG
DIXON HUGHES GOODMAN LLP

Family Service of Roanoke Valley

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DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

Board of Directors
Family Service of Roanoke Valley

Report on the Financial Statements
We have audited the accompanying financial statements of ***Family Service of Roanoke Valley***, a not-for-profit organization, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for 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.

Auditors' 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. These 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 auditors' 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Family Service of Roanoke Valley*** as of June 30, 2015, 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.

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Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of restricted public support on page 15 is presented for purposes of additional analysis 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Dixon Hughes Goodman LLP

Roanoke, Virginia
December 7, 2015

Family Service of Roanoke Valley
Statement of Financial Position

June 30, 2015

Assets	
Current assets	
Cash and cash equivalents	$ 22,349
Investments (Note 4, 5, 12)	60,749
Accounts receivable - less allowances for doubtful accounts and contractual adjustments of $40,600	47,866
Agency receivables (Note 6)	80,273
Pledges receivable (Note 7)	3,270
Prepaid expenses and other current assets	30,950
	245,457
Property and equipment	
Land	175,682
Building and improvements	1,801,910
Furniture and fixtures	331,274
	2,308,866
Less - accumulated depreciation	(753,116)
	1,555,750
Other assets	
Deferred financing costs	7,506
Security deposit	2,560
Investments (Note 4, 5, 12)	39,041
	49,107
	$ 1,850,314
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	$ 66,218
Accrued payroll and benefits	73,237
Deferred revenue (Note 8)	24,196
Line of credit (Note 9)	40,000
Current portion of long-term debt (Note 10)	42,572
	246,223
Long-term liabilities	
Long-term debt - less current portion (Note 10)	732,373
Total liabilities	978,596
Net assets (Note 11)	
Unrestricted	717,313
Temporarily restricted	115,364
Permanently restricted (Note 12)	39,041
	871,718
	$ 1,850,314

See accompanying notes.

Family Service of Roanoke Valley

Statement of Activities

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support				
Public support (See Schedule)	$ 391,014	$ 771,656	$ -	$ 1,162,670
Special events	43,953	-	-	43,953
Satisfaction of donor restrictions	731,642	(731,642)	-	-
	1,166,609	40,014	-	1,206,623
Revenue				
Program fees - (net of contractual adjustments of $296,950)	600,593	-	-	600,593
Contracted services	64,936	-	-	64,936
Interest and dividends	18	6,788	-	6,806
Miscellaneous revenue	500	-	-	500
Unrealized losses on investments	-	(3,659)	-	(3,659)
	666,047	3,129	-	669,176
Total public support and revenue from operations	1,832,656	43,143	-	1,875,799
Expenses				
Program services	1,704,493	-	-	1,704,493
Supporting services	123,019	-	-	123,019
Fundraising	112,587	-	-	112,587
	1,940,099	-	-	1,940,099
Change in net assets	(107,443)	43,143	-	(64,300)
Net assets - beginning of year	824,756	72,221	39,041	936,018
Net assets - end of year	$ 717,313	$ 115,364	$ 39,041	$ 871,718

See accompanying notes.

Family Service of Roanoke Valley

Statement of Functional Expenses

For the Year Ended June 30, 2015

	Program Services	Supporting Services	Fundraising	Total
Salaries and related expenses				
Salaries	$ 1,183,840	$ 73,479	$ 67,672	$ 1,324,991
Payroll taxes and insurance	113,785	4,850	6,405	125,040
Employee benefits	119,283	4,924	5,626	129,833
	1,416,908	83,253	79,703	1,579,864
Other expenses before depreciation and amortization				
Contracted services	22,715	223	29	22,967
Travel	36,903	325	106	37,334
Rental and maintenance	34,902	4,579	2,895	42,376
Utilities	31,387	611	1,201	33,199
Supplies	27,591	(4,274)	1,025	24,342
Professional fees	16,072	(796)	1,487	16,763
Interest	24,923	6,307	1,840	33,070
Postage	3,703	1,133	1,017	5,853
Real estate taxes	158	5,279	-	5,437
Provision for bad debts	4,586	(1,500)	-	3,086
Liability insurance	10,236	4,626	1,114	15,976
Miscellaneous	157	919	1,211	2,287
Awards and certificates	4,021	(279)	115	3,857
Special events	2,761	-	9,030	11,791
Printing and publications	1,145	287	7,149	8,581
Bank fees	524	6,190	-	6,714
Advertising	-	121	860	981
Membership dues	3,993	4,108	731	8,832
	225,777	27,859	29,810	283,446
Depreciation and amortization	61,808	11,907	3,074	76,789
Total functional expenses	$ 1,704,493	$ 123,019	$ 112,587	$ 1,940,099

See accompanying notes.

Family Service of Roanoke Valley

Statement of Cash Flows

Year Ended June 30, 2015		**2015**
Cash flows from operating activities		
Change in net assets	$	(64,300)
Adjustments to reconcile to net cash from operating activities:		
Provision for bad debts		3,086
Depreciation and amortization		76,789
Net unrealized losses on investments		3,659
Change in:		
Accounts receivable		(12,788)
Agency receivables		(17,127)
Pledges receivable		(2,219)
Prepaid expenses and other assets		(11,875)
Accounts payable and accrued expenses		29,609
Accrued payroll and benefits		4,988
Deferred revenue		(28,605)
Net cash from operating activities		(18,783)
Cash flows from investing activities		
Capital expenditures		(2,189)
Change in investments		(6,938)
Net cash from investing activities		(9,127)
Cash flows from financing activities		
Net payments on long-term debt		(66,567)
Proceeds from line of credit		40,000
Net cash from financing activities		(26,567)
Net change in cash and cash equivalents		(54,477)
Cash and cash equivalents - beginning of year		76,826
Cash and cash equivalents - end of year	$	22,349
Supplemental disclosure of cash flow information		
Cash paid for interest	$	33,070

See accompanying notes.

1. Organization and Nature of Activities

Family Service of Roanoke Valley (Organization) is a private, not-for-profit organization that provides a variety of counseling and other assistance to Roanoke Valley, Virginia residents. Its primary sources of revenues are program service fees, contracted services, United Way support, and contributions from local governments and private foundations.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 and assumptions and may have impact on future periods.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all funds with a maturity of three months or less to be cash equivalents.

Investments

Investment securities are stated at estimated fair values determined primarily from national securities quotation systems. Fluctuations in fair values are reflected in the statement of activities as unrealized gains and losses.

Accounts Receivable and Bad Debts

Accounts receivable due from clients and third-party payors are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances which are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable.

Pledges Receivable

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. An allowance for uncollectible pledges is recorded based on historical collection experience and management's evaluation of the pledges receivable.

Property, Equipment and Depreciation

Property and equipment is stated at cost, if purchased and, at fair value on date of donation, if donated. The Organization's policy is to capitalize property and equipment purchased with an aggregate cost greater than $500. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Building and improvements – 39 years
Furniture and fixtures – 3 to 10 years

Classification of Net Assets

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted amounts are those currently available at the discretion of the board for use in the Organization's operations and those resources invested in property and equipment.

Temporarily restricted amounts are those that are stipulated by donors for specific operating purposes or for the acquisition of property and equipment. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfaction of donor restrictions.

Permanently restricted amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

Functional Expenses

The Organization follows the practice of recording all expenses by the functional classifications of program services, supporting services, and fundraising.

Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising expense was $981 for the year ended June 30, 2015.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2015. Fiscal years ending on or after 2012 remain subject to examination by federal and state tax authorities.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 7, 2015, the date the financial statements were available to be issued.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of interest-bearing transaction accounts, investments and receivables.

The Organization places its interest-bearing transaction accounts with high credit quality financial institutions. On June 30, 2015, the Organization had no deposits in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC).

The Organization grants credit without collateral to its clients, most of whom are area residents who are uninsured. The mix of net receivables from clients and third-party payors was concentrated in the following major payor classes as of June 30, 2015:

Other insurance and self-pay	58%
Medicaid	28
Medicare	14
	100%

4. Fair Value Measurements

The Organization has adopted accounting standards which establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2015.

Mutual funds: Valued at the net asset value of shares held at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
Equity securities:				
Mutual fund – large cap	$ 99,790	$ -	$ -	$ 99,790

The Organization values equity securities based on quoted market prices in active markets, such as U.S. Treasuries or publicly traded stocks.

5. Investments

Investment activity is reflected below for the year ended June 30, 2015:

Investments, beginning	$ 96,511
Net unrealized losses	(3,659)
Investment income	6,805
Other increases	133
Investments, ending	$ 99,790

6. Agency Receivables

Agency receivables are deemed by management to be fully collectible and are composed of the following as of June 30, 2015:

Virginia Department of Social Services (VOCA)	$ 29,102
Department of Health and Human Services	20,296
Commonwealth of Virginia – FACT	8,854
Virginia Department of Health – Lifeskills	8,287
Byrne Grant	6,013
Hollins University	2,565
Junior League	1,941
Carilion	1,219
United Way of Franklin County	900
New Horizons Healthcare	788
Presbyterian Community Center Inc.	158
LOA Area Agency on Aging	150
	$ 80,273

7. Pledges Receivable

Pledges receivable consisted of the following as of June 30, 2015:

Gross pledges receivable - current	$ 2,770
Gross pledges receivable – long-term	1,000
Less - allowance for uncollectible pledges	(500)
Net pledges receivable	$ 3,270

8. Deferred Revenue

Deferred revenue represents amounts received on certain contracts from grantor agencies for which revenue recognition criteria has not been met. The liability will be reduced and revenue recorded when expenses are incurred in accordance with the grantor's requirements. If expenses are not incurred, the funds may revert back to the grantor. Deferred revenue was $24,196 as of June 30, 2015.

9. Line of Credit

The Organization has a $200,000 line of credit with interest at the prime rate (3.25% at June 30, 2015), but with a floor of 4%, through October 2015, collateralized by substantially all the Organization's assets, including accounts receivable and fixed assets. This line of credit is renewable annually, but the entire balance must be paid down to zero for at least 30 consecutive days before the maturity date. There was an outstanding balance of $40,000 as of June 30, 2015.

10. Long-Term Debt

Long-term debt consists of the following as of June 30, 2015:

Loan payable to a bank, payable in 83 monthly installments of $5,085, including interest at 3.95% with a balloon payment of the remaining balance due in November 2019. The loan is collateralized by real estate.	$	467,028
Loan payable to a bank, payable in 83 monthly installments of $3,170, including interest at 3.95% with a balloon payment of the remaining balance due in November 2019. The loan is collateralized by real estate.		307,917
		774,945
Less - current portion		(42,572)
	$	732,373

Effective November 3, 2015, the Organization obtained a note modification on its existing debt. The modification reduced the two loans payable to 59 monthly installments of $2,742 and $1,815 beginning in December 2015, including interest at 3.95%, with a balloon payment of the remaining balance due in November 2020.

Estimated maturities of long-term debt after giving effect to the debt modification for future years ending June 30 are as follows:

2016	$	42,572
2017		26,073
2018		27,122
2019		28,213
Thereafter		650,965
	$	774,945

11. Net Asset Classification

Temporarily and permanently restricted net assets as of June 30, 2015 are detailed in the following table. The principal for permanently restricted funds is to be held in endowment with the investment earnings and appreciation being transferable to other funds as more fully described in Note 12.

Temporarily restricted net assets:		
Accumulated investment return on endowment funds	$	65,908
Donor restricted funds		49,456
	$	115,364
Permanently restricted net assets:		
Counseling Services Endowment	$	5,820
Nellie Harris Estate bequest (for youth programs)		33,221
	$	39,041

12. Endowment Funds

The Organization's endowment consists of three funds which are included in investments. These funds are donor-restricted and board-designated endowment funds and were established for a variety of purposes. In accordance with applicable accounting standards, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The management of donor-restricted endowment funds is governed by state law under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the Virginia state legislature in 2008. The law gives guidance for investment and spending practices, giving consideration for donor-intent and the Organization's overall resources and charitable purpose. Based on their interpretation of law and in compliance with donor intent, the Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment.

The remaining portion of the donor-restricted endowment fund that is not classified in 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 state UPMIFA law. The Organization appropriates expenditures from time-to-time as a specific need or opportunity arises.

The composition by type of endowment funds as of June 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 65,908	$ 39,041	$ 104,949
Board-designated endowment funds	6,428	-	-	6,428
Total funds	$ 6,428	$ 65,908	$ 39,041	$ 111,377

A summary of the activity in endowment funds for the year ended June 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of period	$ 6,428	$ 62,779	$ 39,041	$ 108,248
Investment return:				
Investment income	-	6,788	-	6,788
Net unrealized losses	-	(3,659)	-	(3,659)
Total investment return	-	3,129	-	3,129
Endowment net assets, end of period	$ 6,428	$ 65,908	$ 39,041	$ 111,377

In accordance with state UPMIFA law, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the investment policies of the Organization.

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the executive committee, the endowment assets are invested in a manner that is intended to maximize long-term growth using a balanced approach with less than full stock market risk and volatility.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

13. Related Party Transactions

Pledges receivable, as of June 30, 2015, included $1,600 from officers, directors, and employees.

14. Retirement Plan

The Organization has a 403(b) Thrift plan and matches up to 4% of employees' salary. The total expense was $23,815 for the year ended June 30, 2015.

15. Economic Dependency

For the year ended June 30, 2015, the United Way provided approximately 14% of the Organization's total support and revenue.

* * * * *

Family Service of Roanoke Valley

Schedule of Restricted Public Support

Year Ended June 30, 2015

Virginia Department for the Aging	$	217,938
Department of Health and Human Services		217,291
Virginia Department of Social Services - Victims of Crime Act		90,161
Virginia Department of Health		50,972
James Meador Foundation		40,000
City of Roanoke - Human Services Committee		37,300
Commonwealth of Virginia		30,920
DCJS Byrne		26,046
Sam & Marion Golden (Helping Hand)		20,000
State Farm		10,000
Carilion Back on Track		9,089
Thurman Foundation		5,000
Foundation for Roanoke Valley Counseling		9,273
Kiwanis		2,000
Youth Service America		2,000
Junior League of Roanoke Valley		1,941
Local Office on Aging - Area Agency on Aging		1,725
Temporarily restricted public support	$	771,656