

PENINSULA FAMILY SERVICE

**REPORT ON EXAMINATION
OF FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

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PENINSULA FAMILY SERVICE

GENERAL INFORMATION

YEAR ENDED JUNE 30, 2012

Agency Name:	Peninsula Family Service
Address of Agency:	24 2nd Avenue San Mateo, CA 94401
Type of Agency:	California Nonprofit Public Benefit Corporation
California Department of Education, Project Numbers:	CCTR-1297: General Child Care Center CSPP-1536: State Preschool Program 41-1664-1A: CACFP
Executive Officers: Interim Executive Director: Child Care Division Director:	Glen Brooks Ann Torres
Report Period:	Fiscal Year Ended June 30, 2012
Schedule of Daily Hours:	Varied
Number of Days of Operation:	246

November 29, 2012

Board of Directors
Peninsula Family Service
San Mateo, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial position of **Peninsula Family Service**, as of June 30, 2012, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the **Peninsula Family Service's** management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the **Peninsula Family Service's** June 30, 2011 financial statements and, in our report dated December 1, 2011, except for the second paragraph of contingencies under Note R, as to which the date is February 22, 2012; we expressed an unqualified opinion on those financial statements.

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 the *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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Peninsula Family Service's** internal control over financial reporting. Accordingly we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Peninsula Family Service**, at June 30, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Peninsula Family Service
November 29, 2012

In accordance with *Government Auditing Standards*, we have also issued a report dated November 29, 2012 on our consideration of **Peninsula Family Service'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of **Peninsula Family Service** taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 accompanying schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the financial statements as a whole.

A large, stylized handwritten signature in black ink that reads "Randolph Scott & Co." with a decorative flourish at the end.

Certified Public Accountants, Inc

PENINSULA FAMILY SERVICE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
(With Comparative Totals for 2011)

<u>ASSETS</u>	<u>General</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total All Funds</u>	
				<u>2012</u>	<u>2011</u>
CURRENT ASSETS:					
Cash and Cash Equivalents (Note A)	\$ 1,192,828	\$	\$	\$ 1,192,828	\$ 1,590,433
Short-Term Cash Investments (Note A)	113,832			113,832	113,413
Current Portion of Pledges Receivable (Note E)			20,807	20,807	20,057
Accounts and Grants Receivable (Note F)	694,500			694,500	696,400
Prepaid Expenses	142,959			142,959	130,647
Total Current Assets	<u>2,144,119</u>	<u>-</u>	<u>20,807</u>	<u>2,164,926</u>	<u>2,550,950</u>
RESTRICTED CASH			16	16	5,294
LONG-TERM INVESTMENTS (Note G)	87,614		1,375,207	1,462,821	1,445,230
LONG-TERM PLEDGES RECEIVABLE (Note E)			91,306	91,306	112,113
PROPERTY AND EQUIPMENT (Note H)	5,505,612			5,505,612	5,735,951
ASSETS RESERVED:					
Unemployment Claims (Note I)	13,587			13,587	11,910
REFUNDABLE DEPOSITS	<u>10,960</u>			<u>10,960</u>	<u>25,605</u>
TOTAL ASSETS	\$ <u>7,761,892</u>	\$ <u>-</u>	\$ <u>1,487,336</u>	\$ <u>9,249,228</u>	\$ <u>9,887,053</u>
<u>LIABILITIES AND NET ASSETS</u>					
CURRENT LIABILITIES:					
Line of Credit (Note J)	\$ -	\$	\$	\$ -	\$ -
Current Portion of Notes Payable (Note M)	99,011			99,011	96,631
Accounts Payable and Accrued Expenses	573,246			573,246	609,345
Due to / (from) other funds	4,092	(262,656)	258,564	-	-
Due to Funder	-			-	22,996
Deferred Revenue (Note K)	332,950			332,950	419,072
Reserve for State Dept. of Education (Note L)				-	5,110
Other Reserves	36,689			36,689	36,689
Total Current Liabilities	<u>1,045,988</u>	<u>(262,656)</u>	<u>258,564</u>	<u>1,041,896</u>	<u>1,189,843</u>
NOTES PAYABLE (Note M)	685,115			685,115	784,125
RESERVE FOR LOAN GUARANTEES	168,970			168,970	182,819
RESERVE FOR FUTURE UNEMPLOYMENT CLAIMS (Note I)	13,587			13,587	11,910
COMMITMENTS AND CONTINGENCIES (Note R)	20,000			20,000	40,000
Total Liabilities	<u>1,933,660</u>	<u>(262,656)</u>	<u>258,564</u>	<u>1,929,568</u>	<u>2,208,697</u>
NET ASSETS	<u>5,828,232</u>	<u>262,656</u>	<u>1,228,772</u>	<u>7,319,660</u>	<u>7,678,356</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>7,761,892</u>	\$ <u>-</u>	\$ <u>1,487,336</u>	\$ <u>9,249,228</u>	\$ <u>9,887,053</u>

See Notes to Financial Statements.

PENINSULA FAMILY SERVICE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

	General Unrestricted	Temporarily Restricted	Permanently Restricted	Total All Funds	
				2012	2011
REVENUE AND SUPPORT					
Grant Income	\$ 5,444,643	\$	\$	\$ 5,444,643	\$ 6,764,717
Contributions	2,300,440		10,568	2,311,008	2,188,687
Fees	675,503			675,503	677,605
Investment Income:					
Realized Gain/(Loss) on Investments				-	161,921
Unrealized Gain/(Loss) on Investments	3,699	12,749		16,448	29,089
Increase in Cash Value of Life Insurance Policies				-	1,998
Interest & Dividends	4,214	36,161		40,375	34,673
Other Income	240,806			240,806	280,402
Net Assets Released From Restrictions (Note D):					
Satisfaction of Program Restrictions				-	-
Expiration of Time Restrictions				-	-
TOTAL REVENUE AND SUPPORT	8,669,305	48,910	10,568	8,728,783	10,139,092
EXPENDITURES					
Administration	883,847			883,847	581,946
Counseling	-			-	2,693
Child Care	4,889,973			4,889,973	5,325,974
Older Adults	2,580,373			2,580,373	3,279,863
Visitation Center	511,214			511,214	558,542
Financial Empowerment	222,072			222,072	302,361
Other Operating Programs	-			-	79,858
Buildings & Building Fund	-			-	-
Endowment Fund	-			-	-
TOTAL EXPENDITURES	9,087,479	-	-	9,087,479	10,131,237
CHANGE IN NET ASSETS	(418,174)	48,910	10,568	(358,696)	7,855
Transfers (Note Q)	63,404	(63,404)	-	-	-
NET ASSETS, beginning of year	6,183,002	277,150	1,218,204	7,678,356	7,670,501
NET ASSETS, end of year	\$ 5,828,232	\$ 262,656	\$ 1,228,772	\$ 7,319,660	\$ 7,678,356

See Notes to Financial Statements.

PENINSULA FAMILY SERVICE
COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

	<u>Total All Funds</u>	
	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (358,696)	\$ 7,855
Adjustments to Reconcile Net Revenue & Support to Cash Provided by Operating Activities:		
Depreciation	230,339	230,340
Net Realized and Unrealized (Gain) / Loss on Assets	(15,499)	(191,010)
(Increase)/Decrease in Cash Value of Life Insurance Policies	(949)	(1,998)
(Increase) / Decrease in Assets:		
Grants and Accounts Receivable	1,900	(72,491)
Prepaid Expenses	(12,312)	(88,140)
Pledges Receivable	20,057	27,834
Refundable Deposits	14,645	-
Increase / (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(36,099)	253,667
Due to Funder	(22,996)	21,045
Deferred Revenue	(86,122)	(183,086)
Reserve for State Department of Education	(5,110)	13
Other Reserves	-	728
Reserve for Loan Guarantees	(13,849)	(26,071)
Contingency	(20,000)	40,000
Total Adjustments	<u>54,005</u>	<u>10,831</u>
Net Cash Provided (Used) By Operating Activities:	<u>(304,691)</u>	<u>18,686</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Long-Term Investments	(1,143)	(169,748)
Net Proceeds Received on Sale of Investments	-	161,921
Reserve for Unemployment Claims	<u>1,677</u>	<u>18,611</u>
Net Cash Provided (Used) By Investing Activities:	<u>534</u>	<u>10,784</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on Notes Payable	(96,630)	(94,315)
(Increase)/Decrease in Reserve for Unemployment Claims	<u>(1,677)</u>	<u>(18,611)</u>
Net Cash Provided (Used) By Financing Activities:	<u>(98,307)</u>	<u>(112,926)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(402,464)</u>	<u>(83,456)</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,709,140</u>	<u>1,792,596</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,306,676</u>	<u>\$ 1,709,140</u>
 Cash	 \$ 1,192,828	 \$ 1,590,433
Restricted Cash	16	5,294
Short-Term Cash Investments	<u>113,832</u>	<u>113,413</u>
Total Cash and Cash Equivalents	<u>\$ 1,306,676</u>	<u>\$ 1,709,140</u>
 Supplemental cash flow information		
Interest Paid	\$ 14,188	\$ 13,071
In-kind Goods and Services Received in lieu of cash	<u>\$ 609,068</u>	<u>\$ 554,163</u>

See Notes To Financial Statements.

PENINSULA FAMILY SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Peninsula Family Service, (the **Organization**) was founded as a nonprofit public benefit corporation in April of 1950 with the mission to empower children, families and older adults to achieve and maintain self-sufficiency, and building a strong and caring community. As the Organization has grown, they changed their name from the original *Family Service Agency of San Mateo County* to the current name of **Peninsula Family Service** in June 2010, to include all the communities they serve. The Organization provides a wide variety of community service programs throughout the San Francisco Bay Area. The Organization is primarily publicly funded.

Major Programs

Child Development and Education Program – The Organization provides affordable developmental child care programs and centers at various locations throughout San Mateo County. Subsidized child care is available for qualified families.

Older Adults Program – The Organization provides employment services to help mature workers. These services include vocational counseling and goal planning, resume preparation, on-the-job training and employment referrals. Also provided are exercise and fitness programs, multilingual senior peer counseling, meals and other community services.

Visitation Program – The Organization provides a safe and secure environment for supervised visits and transfers between separated or divorced parents and their children. The Organization offers specialized parent education and co-parent counseling services. In addition, a children's waiting room is provided for children of parent's who are using local courts.

Financial Empowerment – This program provides loans to low-income parents who do not have access to conventional credit to maintain their self-sufficiency and employment. Families can use the loans to purchase reliable cars, pay for childcare, housing deposits and car repair. This program also offers seminars and classes to help develop financial skills.

Basis of Accounting and Reporting

Accounting Method

The Organization maintains its accounting records on the accrual basis.

PENINSULA FAMILY SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
(Continued)

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources for the various programs are classified for accounting and reporting according to the activities and objectives specified by donors, grantors, officials, and governing boards. Separate accounts are maintained for each fund.

Accounting in accordance with FASB ASC 958-605-45 and 958-205-45:

The Organization reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the asset contributed. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Accounting in Accordance with FASB ASC 820-10:

The Organization adopted FASB ASC 820-10 and amendments 820-10-50-1, 50-2 and 820-10-65-7 which provides a framework for measuring fair value under generally accepted accounting principles. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

FASB ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820-10 also established a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

PENINSULA FAMILY SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
(Continued)

Accounting in Accordance with FASB ASC 820-10 – (Continued):

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Fund in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined by the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Fund's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Fund uses prices and inputs that are current as of the measurement date, including during the periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

As further discussed in Note G, the Organization determines the fair value of investments by obtaining the market price per share or unit at year end.

PENINSULA FAMILY SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
(Continued)

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, liabilities, net assets, and revenue and expenses for the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of uninsured cash balances. The Organization places its cash deposits with high-credit, quality financial institutions. At times, balances in the Organization's cash accounts may exceed the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000, and the Security Investment Protection Corporation (SIPC) limit of \$500,000. The Organization has not experienced any losses in such accounts.

Concentration of Revenue Sources

Of the total revenue sources of the Organization, there were three major sources that each individually contributed more than 10% of the total revenue for the year. The California Department of Education accounted for approximately 24%, the National Council on Aging accounted for approximately 13%, and the U.S. Department of Health & Human Services accounted for approximately 11% of the total revenue of the Organization.

Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments:

Cash and Cash Equivalents: The carrying amount reported in the statement of financial position for cash and cash equivalents approximates its fair value.

Pledges Receivable: The carrying value of the Organization's asset approximates fair value based on the remaining payments and the maturity date.

Grants Receivable and Deferred Revenue: The carrying amounts of grants receivable and deferred revenue in the statement of financial position approximates fair value.

Notes Payable and Lease Obligation: The carrying value of the Organization's debt approximates fair value based on the remaining maturities or lease payments.

PENINSULA FAMILY SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
(Continued)

Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of their acquisition date. Not included as cash equivalents are funds restricted as to their use, regardless of liquidity or the maturity dates of investments.

Short-term Investments

Short-term investments include Certificates of Deposits with maturity dates greater than three months of their acquisition date along with money market accounts.

Endowment Funds

The Endowment fund of the Organization consist of individual funds established to generate general operating support to the organization. Its endowment includes donor-restricted endowment funds and Board-Designated Endowment Funds (or Quasi endowment funds). Board-Designated Endowment Funds are funds functioning as an endowment that are established by the Board from Organization funds (not donor restricted), and will be retained and invested rather than expended. The Organization's quasi endowment fund exists to generate additional annual income to augment the Organization's operating budget primarily in the area of human resources.

As required by GAAP, net assets associated with an endowment fund, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of Peninsula Family Service (the Organization) has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift 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 (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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.

PENINSULA FAMILY SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
(Continued)

Endowment Fund – (Continued)

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 SPMIFA. In accordance with SPMIFA, 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 funds, (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.

A. INVESTMENT OBJECTIVE: The investment objectives for the management of endowment assets are as follows:

1. To manage the contributions in a manner that will maximize the benefit to the Organization.
2. To achieve a total return from the investments sufficient to provide both a reasonable growth of the asset base and current income to support the programs of the Organization.

B. ASSET ALLOCATION: The investment manager is directed to follow an asset allocation strategy that will be consistent with the objectives set forth in paragraph (A.) to include the following:

1. Diversification that will include both common stock and fixed income investments;
 - a. Common stock investments: Diversification that will result in a portfolio of issues that represent a range of industry groups to spread investment risk over a broad base.
 - b. Fixed income investments: To include obligations of the U.S. Treasury, agencies of the U.S. government and investment grade corporate debt.
2. The investments in equities and fixed income will be reviewed no less than at the end of each quarter and compared to the 60% equity and 40% fixed income benchmarks. Should either vary more than 5% from the benchmark upon review, the investments will be rebalanced within 2 weeks unless otherwise directed by the committee with documentation explaining the rationale behind the decision.

PENINSULA FAMILY SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
(Continued)

Endowment Fund – (Continued)

C. PROFESSIONAL MANAGEMENT: It shall be the policy of the Trust to utilize professional management services for the investment of the assets in the Fund. Furthermore when trustees choose to utilize mutual funds the investment selection will be left up to the mutual fund manager.

D. PERFORMANCE EVALUTATION: Investment performance by the manager will be measured over periods of the most recent twelve (12), thirty-six (36) and sixty (60) months on the calendar year basis.

Total return performance comparisons for each Fund will be made against appropriate indexes. It is the policy of the Trustees that all investment managers report their performance in writing every calendar quarter.

The Trustees may elect to use an independent performance evaluation service to ensure that the investment manager's performance is competitive with other managers who run endowment-type portfolios with similar investment objectives.

E. SPENDING POLICY: It is the policy of the Trustees to preserve the value of its endowment in real terms (i.e. adjusted for inflation) while providing funds to the Organization for operations. The Fund will contribute to operations at a minimum of 5% of the market value of the Fund's investments annually unless otherwise directed by the board. In addition, subject to Trustees' written approval, interest bearing loans may be made to the Organization.

It shall be the responsibility of the Trustees to periodically review the spending policy against the investment performance of the Fund and its total return to insure that adjustments are made when necessary to preserve the purchasing power of the endowment.

F. RESTRICTIONS: Since the primary role of the Trustees is to preserve the capital of the endowment, it is agreed that only those securities generally considered to be of high quality are to be acquired. As an endowment fund, the nature of the investment policy is to reduce volatility where possible. This should be done by maintaining an equity portfolio that is well diversified across industry groups, and a fixed income portfolio made up of obligations of creditworthy institutions. The Trustees acknowledge that the Fund assumes market risk by maintaining a portfolio of investments; however, high risk taking is not in the best interests of the Fund and should be avoided.

PENINSULA FAMILY SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
(Continued)

Endowment Fund – (Continued)

F. RESTRICTIONS – (Continued)

Mutual funds, selected by the Investment Manager that are deemed to be within the general intent of these guidelines are not subject to the specific restrictions listed elsewhere in this document.

The following are general restrictions placed on the Investment Manager by the Trustees. The Investment Manager may not:

1. acquire any security subject to any restriction on the sale thereof;
2. write, acquire or sell any put or call options, or combination thereof, on the securities in the portfolio;
3. acquire any security on margin, or otherwise use borrowed funds for the acquisition of any security, or hypothecate any assets of the Fund without the express permission of the Trustees;
4. knowingly sell any securities not owned by the Trust;
5. invest more than 5% of the total market value of the fund in the equities or bonds of one issuer;
6. position more than 20% of the portfolio in any one industry group as defined by Standard & Poors. No more than 5% of the market value of the portfolio may be committed to any individual common stock. However, this restriction shall not apply to obligations of the U.S. Government;
7. position more than 30% of the market value of the portfolio in securities of companies or governments of foreign origin. Equities of foreign companies should be in the form of American Depositary Receipts (ADR's) or American Depositary Shares (ADS's), and preferably, be listed on the New York Stock Exchange;
8. acquire commodities contracts or similar futures obligations;
9. acquire warrants, unless used in the acquisition of common stock;

PENINSULA FAMILY SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
(Continued)

Endowment Fund – (Continued)

F. RESTRICTIONS – (Continued)

10. acquire fixed income obligations rated lower than A or comparable level as defined by the leading statistical agencies of Moody's and Standard & Poor's; unless they are held within a bond mutual fund.

G. POLICY REVIEW: The committee reviews this policy annually.

Prepaid Expenses

Prepaid expense balances are calculated and adjusted monthly to properly charge funds in the period benefited.

Property and Equipment

As further discussed in Note H, property and equipment purchased with unrestricted funds are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the related assets. Assets and capital improvements purchased with restricted funds are recorded as expenditures in the year of acquisition and not capitalized in accordance with the grantor's funding terms and conditions. The grantor retains title to those assets.

Accrued Vacation and Sick Leave Benefits

Regular full time and part time employees are eligible to earn vacation time for each hour of paid time. Vacation benefits are earned and accumulated for each employee based on the type and length of employment.

Upon termination of employment, accrued vacation is liquidated up to a maximum accrual level. Total accrued benefits at June 30, 2012 were \$94,961.

Sick leave benefits are earned and accumulated for each employee. However, accumulated sick leave benefits are not recognized as liabilities of the organization, and no compensation is paid for accumulated sick leave upon termination of employment.

Donated Materials and Services

Donated materials and services (In-kind) are reflected as contributions in the accompanying statements at their fair market value.

PENINSULA FAMILY SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
(Continued)

Donated Materials and Services – (Continued)

Such services would have been purchased if not provided by donation or require specialized skills and are provided by individuals possessing such specialized skills. The types of in-kind donated to the Organization include volunteer services, mileage, supplies, rent, and utilities. The total in-kind contributions for the year ended June 30, 2012 were approximately \$609,000.

Allocation of Expenses

The costs of operating the various programs and other activities have been summarized on a functional basis in the combining statement of activities. As further discussed in Note P, certain costs have been allocated among the programs benefited based upon the Agency's cost allocation plan.

Income Taxes

The Organization is exempt from Federal and State income tax under Section 501 (c)(3) of the Internal Revenue Code, and Section 23701(d) of the State of California Revenue and Taxation Code.

Generally accepted accounting principles provide accounting and disclose guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Summarized Information for 2011

The financial information for the year ended June 30, 2011, is presented for comparative purposes only, and is not intended to be a complete financial statement presentation. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

PENINSULA FAMILY SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

NOTE B – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. At June 30, 2012, temporarily restricted net assets consisted of the following:

Board Designated and Investment Earnings from Endowment \$ 262,656

NOTE C – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the Endowment Fund established by the Board of Directors in 1985. The Organization will receive and place in this fund gifts restricted by the donor for endowment purposes. The Trustees of the Endowment currently approve the transfer of 1.25% of the total funds each quarter for distribution to the general fund.

The composition of the Organization's endowment fund by net asset class and a reconciliation of the beginning and ending balance of the Organization's endowment are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, beginning of year	\$ (6,992)	\$ 277,150	\$ 1,218,204	\$ 1,488,362
Investment return:				
Investment income	-	36,161		36,161
Realized Gain/(Loss)	-	-		-
Unrealized Gain/(Loss)	2,900	12,749		15,649
Total investment return	2,900	48,910	-	51,810
Contributions			10,568	10,568
Transfers In (Out)		(63,404)		(63,404)
Endowment Net Assets, end of year	\$ <u>(4,092)</u>	<u>\$ 262,656</u>	\$ <u>1,228,772</u>	\$ <u>1,487,336</u>

PENINSULA FAMILY SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

NOTE D – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net Assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. For the year ended June 30, 2012, there were no temporarily restricted net assets released from donor restrictions.

NOTE E – PLEDGES RECEIVABLE

The Organization received pledges from individuals and corporations that will be received through 2016. At June 30, 2012, the Organization's Pledges Receivable consisted of the following:

Pledges for Endowment Fund	\$ 112,113
Less: Current Portion	<u>20,807</u>
Long Term Portion	\$ <u><u>91,306</u></u>

NOTE F – ACCOUNTS AND GRANTS RECEIVABLE

At June 30, 2012, the Organization's Accounts and Grants Receivable consisted of the following:

Accounts Receivable:	
Child Care - Family Fees	\$ 73,105
Other	<u>24,770</u>
Subtotal Accounts Receivable	<u><u>97,875</u></u>
Grants Receivable:	
Child Care	310,697
Older Adult	266,799
Visitation	15,669
Financial Empowerment	<u>3,460</u>
Subtotal Grants Receivable	<u><u>596,625</u></u>
Total Accounts and Grants Receivable	\$ <u><u>694,500</u></u>

PENINSULA FAMILY SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

NOTE G – INVESTMENTS

Definitions for the table below:

Commercial Mortgage-Backed Securities (CMBS) and Asset-Backed Securities (ABS): CMBS and ABS may be valued based on external price/spread data. When position-specific external price data are not observable, the valuation is based on prices of comparable securities. Included in this category are certain interest-only securities, which in the absence of market prices, are valued as a function of observable whole-bond prices and cash flow values of principal-only bonds using current market assumptions at the measurement date. CMBS and ABS are categorized in Level 2 of the fair value hierarchy when external pricing data is observable.

Bonds: The fair value of bonds is estimated using recently executed transactions, market price quotations (where observable), bond spreads or credit default swap spreads. The spread data used are for the same maturity as the bond. If the spread data does not reference the issuer, then data that references a comparable issuer is used. Bonds are generally categorized in Level 2 of the fair value hierarchy.

The investments of the Organization have been recorded at fair value at June 30, 2012, and have been categorized based upon a fair value hierarchy in accordance with FASB ASC 820-10.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balances as of 6/30/2012
Trading Securities				
Equity securities - Telecom. Industry	\$ 17,450	\$ -	\$ -	\$ 17,450
Equity securities - Healthcare Industry	15,297	-	-	15,297
Equity securities - Oil & Gas Industry	29,099	-	-	29,099
Equity securities - Computer Technology	15,506	-	-	15,506
Equity securities - Tobacco Industry	18,091	-	-	18,091
Equity securities - Internet Retail	5,867	-	-	5,867
Equity securities - Consumer Retail	10,959	-	-	10,959
Equity securities - Other	692,722	-	-	692,722
Subtotal Trading Securities	804,991	-	-	804,991

PENINSULA FAMILY SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

NOTE G – INVESTMENTS – (Continued)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balances as of 6/30/2012
Subtotal Trading Securities	<u>804,991</u>	<u>-</u>	<u>-</u>	<u>804,991</u>
Available-for-sale debt securities				
Municipal securities		1,461		1,461
Corporate bonds		216,430		216,430
Non-US bonds		37,994		37,994
US Treasury securities		71,971		71,971
Residential-mortgage-backed securities		132,982		132,982
Other		16,873		16,873
Subtotal Available-for-Sale	<u>-</u>	<u>477,711</u>	<u>-</u>	<u>477,711</u>
Third Party Life Insurance Contracts			46,571	46,571
Cash & Equivalents	<u>133,548</u>			<u>133,548</u>
Totals	<u>\$ 938,539</u>	<u>\$ 477,711</u>	<u>\$ 46,571</u>	<u>\$ 1,462,821</u>

The following table presents additional information about Level 3 assets and liabilities measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Fund has classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable inputs).

Changes in Level 3 assets and liabilities measured at fair value for the year ended June 30, 2012 are as follows:

	Level 3 Beginning Balance 7/1/2011	Realized & Unrealized Gain / (Loss) on Sale	Purchases, Sales, & Settlements	Net Transfers In and/ or Out of Level 3	Change In Unrealized Gains/(Losses) for Investments Still Held At 6/30/2012	Level 3 Ending Balance 6/30/2012
Investment in Third Party Life Insurance Contracts	<u>\$ 45,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 949</u>	<u>\$ 46,571</u>

PENINSULA FAMILY SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

NOTE G – INVESTMENTS – (Continued)

Total return on investments during the year ended June 30, 2012 was as follows:

	Interest & Dividends	Capital Gain / (Loss) on Sale	Current Year's Unrealized Gain / (Loss)	Total Return on Investment
Morgan Stanley Smith Barney	\$ 38,595	\$ -	\$ 15,504	\$ 54,099
Life Insurance		-	949	949
Money Market Fund & Other	1,780	-	(5)	1,775
	<u>\$ 40,375</u>	<u>\$ -</u>	<u>\$ 16,448</u>	<u>\$ 56,823</u>

NOTE H – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2012 consisted of the following:

	Cost	Accumulated Depreciation	Net Book Value
Furniture and Equipment	\$ 446,017	\$ 443,965	\$ 2,052
Leasehold Improvements	138,648	138,648	-
Computers & Peripherals	225,242	224,365	877
Building	6,555,937	2,040,520	4,515,417
	<u>7,365,844</u>	<u>2,847,498</u>	<u>4,518,346</u>
Land	987,266	-	987,266
	<u>\$ 8,353,110</u>	<u>\$ 2,847,498</u>	<u>\$ 5,505,612</u>

Total depreciation expense for the year ended June 30, 2012 was \$230,339.

NOTE I – ASSETS RESERVED FOR UNEMPLOYMENT CLAIMS

The Organization participates in the Joint Unemployment Compensation Trust, which administers and pays claims for unemployment compensation made by the Organization's former employees. Participating agencies are required to establish a reserve account based on actual claims experience and payroll size, against possible unemployment claims. The reserve is reduced by claims paid, its allocated share of trust operating expenses, and increased by the Organization's contributions and its share of allocated investment income. Stop loss insurance is provided to take care of major claims.

PENINSULA FAMILY SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

NOTE J – LINE OF CREDIT

The Organization has a revolving line of credit of \$1,275,000 with Borel Private Bank & Trust with a maturity date of September 30, 2014. The line of credit is secured by a Deed of Trust. Interest is payable in monthly installments on the unpaid principal balance at .5 percentage points over the prime rate as published in the Wall Street Journal. The interest rate at June 30, 2012 was 3.25%. There was no balance due on the line of credit at June 30, 2012.

NOTE K– DEFERRED REVENUE

At June 30, 2012, the Organization's deferred revenue consisted of the following:

Child Care	\$ 74,929
Financial Empowerment	165,843
Older Adults	81,745
Operations	10,433
	<u>\$ 332,950</u>

NOTE L – CHILD CARE RESERVE

Child development contractors with the California Department of Education (CDE) are allowed, with prior approval, to maintain a reserve account from earned but unexpended child development contract funds. Transfers from a reserve account are considered restricted income for child development programs, but may be applied to any of the contracts that are eligible to contribute to that particular program type. The Organization maintains reserve accounts for Center-Based contracts. Funds for these contracts are deposited in an interest bearing account. The balance for the reserve account at June 30, 2012 totaled \$0. The Organization used \$5,115, the entire reserve, to supplement its child care revenue this year.

NOTE M– NOTES PAYABLE

At June 30, 2012, notes payable consisted of the following:

Note payable to San Mateo County, secured by a deed of trust with principal and interest at 0.91% due in monthly installments of \$2,502, with a maturity date of August 31, 2017.	\$ 555,599
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PENINSULA FAMILY SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

NOTE M– NOTES PAYABLE – (Continued)

Subtotal previous page: 555,599

Note payable to Silicon Valley Community Foundation, secured by deed of trust, with principal and interest at 3% due in annual installments of \$80,791 with a maturity date of March 1, 2015.	228,527
	784,126
Less current portion	99,011
	\$ 685,115

Future principal maturities on notes payable are as follows:

June 30:	San Mateo County	Silicon Valley Comm. Fndtn.	Total
2013	\$ 25,076	\$ 73,935	\$ 99,011
2014	25,305	76,154	101,459
2015	25,536	78,438	103,974
2016	25,769	-	25,769
2017	25,985	-	25,985
Thereafter	427,928	-	427,928
	\$ 555,599	\$ 228,527	\$ 784,126

NOTE N – NUTRITION PROGRAMS

The Organization has a nutrition agreement with CDE for Child and Adult Care Food Programs, as reported in the Schedule of Expenditures of Federal and State Awards. No nutrition schedules are included in this audit because the audit is not a program-specific nutrition audit, and no program findings or adjustments were calculated with this audit.

NOTE O – RETIREMENT PLAN

The Organization maintains a retirement plan available for its employees that allows participants to make self-directed, tax deferred investment contributions. The plan qualifies under the provisions of Section 403 (b) of the Internal Revenue Code of 1954, as amended. The Organization makes no contributions to the Plan.

PENINSULA FAMILY SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

NOTE P – COST ALLOCATION PLAN

Peninsula Family Service updates its cost allocation plans annually or more frequently when changes are needed in program enrollment or other cost drivers. The cost allocation plan is reviewed by the Organization's auditors for compliance with applicable laws and regulations. The Organization obtains approval of the cost allocation plan from its Board of Directors. Its written cost allocation plan is on file in the Organization's main accounting office. The Organization applies several methods for allocating costs:

Direct Costs - Costs identified 100 per cent to a specific program are charged directly to that program.

Shared Direct Costs – Costs identified to specific multiple programs or activities are shared between the programs benefitting.

- Payroll costs are allocated using individual time sheets that report the actual time spent by employees in each program each day.
- Rent and associated utilities, and maintenance, are allocated using the square footage of building space occupied by each program, according to floor plans, and/or room measurements.
- Training costs for staff members are allocated to programs in proportion to the actual time employees spend working in those programs.
- IT and computer related expenses are allocated to the programs in proportion to the number of computers in use or assigned to each program.
- Audit, payroll processing fees, office supplies, copier maintenance, telephone, postage, and insurance costs are allocated to individual programs, based on the total expenses of each department as a percentage of total Organization expenses or the number of employees in the program.

Indirect Costs - Management, Accounting and Human Resources costs (Overhead Allocation) are pooled and then allocated to individual programs (less In-Kind expenses, depreciation and capital acquisitions) based on the percentage of each department's total expenses as a percentage of total Organization expenses.

NOTE Q – TRANSFERS

Transfers represent the utilization of unrestricted funds to cover program restricted deficits and the transfer of current period income (under operation of agreement) from endowment to the general fund.

PENINSULA FAMILY SERVICE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

NOTE R – COMMITMENTS AND CONTINGENCIES

Commitments

The Organization conducts some of its operations on leased premises. Future obligations on non-cancelable leases are as follows:

Year Ending June 30:

2013	\$	35,251
2014		35,956
2015		36,675
2016		37,409
2017		38,157
	\$	<u>183,448</u>

Total rent expense for the year ended June 30, 2012 was \$54,508.

Contingencies

Grant awards require the fulfillment of certain conditions as set forth in the instruments of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization's management is of the opinion that the organization has complied with the terms of all grants.

Various lawsuits, claims, and other contingent liabilities arise in the ordinary course of the Agency's activities. At June 30, 2012 the Agency set up a reserve of \$ 20,000 to accommodate a potential settlement related to the visitation center. Based on current information available with respect to the aforementioned contingency, management believes that any resulting liability will not materially effect the financial position or operations of the Agency.

The Organization has evaluated their financial position and activities from the June 30, 2012 year end of this report through November 29, 2012 which is the date that the financial statements were available to be issued. No material subsequent event items that require recognition or disclosure were identified.

ADDITIONAL INFORMATION

PENINSULA FAMILY SERVICE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2012

Grantor / Pass-Through Grantor / or Program Title	Federal CFDA Number	Entity Identifying Number	Grant Award Amount		Revenue Earned / Expenditures	
			Federal	State	Federal	State
U.S. Department of Agriculture:						
Pass-Through Program From:						
State Department of Education - Child Care Food Program - Center San Mateo County-	10.558	41-1664-1A	\$ 136,018	\$ 7,736	\$ 136,018	\$ 7,736
Senior Farmer's Market Nutrition Program	10.576	N/A	2,000	-	2,000	-
			138,018	7,736	138,018	7,736
U.S. Department of Health & Human Services:						
ARRA Early Head Start Expansion	93.709	09SA9089/02	1,097,250	-	193,009	-
Early Head Start	93.600	09CH9089/01	1,071,125	-	774,895	-
Pass-Through Program From:						
California Department of Education-						
General Child Care Center	93.596	CCTR - 1297	390,259	746,607	390,259	732,321
State Preschool	--	CSPP - 1536	-	826,131	-	782,847
San Mateo County-						
Title III B: Case Management	93.044	N/A	25,000	-	25,000	-
Title III B: Employment	93.044	N/A	16,266	-	16,100	-
Title III C1: Nutrition	93.045	N/A	26,328	-	26,296	-
Title III C1 NSIP: Nutrition	93.053	N/A	6,711	-	6,711	-
Title III B: Peer Counseling	93.044	N/A	10,000	-	10,000	-
			2,642,939	1,572,738	1,442,270	1,515,168
U.S. Department of Labor:						
Pass-Through Program From:						
National Council on Aging-						
Senior Comm. Service Employment Program	17.235	AD-20013-BR-0-31	1,316,397	-	28,102	-
Senior Comm. Service Employment Program	17.235	AD-21841-1155A-11-31	1,083,269	-	1,080,810	-
California Dept. of Aging-						
Older American Act. Title V - SCSEP	17.235	TV-1213-08	145,850	-	142,140	-
			2,545,516	-	1,251,052	-
U.S. Department of Transportation:						
Pass-Through Program From:						
Metropolitan Transportation Commission (MTC)- Transportation	20.516	N/A	113,246	-	3,460	-
Total Federal and State Awards			\$ 5,439,719	\$ 1,580,474	\$ 2,834,800	\$ 1,522,904
						\$ 4,357,704

Note 1. Basis of Presentation:

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Peninsula Family Service and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

PENINSULA FAMILY SERVICE
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
(With Comparative Totals for 2011)

ASSETS	Management/ General	Endowment	Loan Fund	Building Fund	Total All Funds	
					2012	2011
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 981,223	\$	\$ 211,605	\$	\$ 1,192,828	\$ 1,590,433
Short-Term Cash Investments	91,316		22,516		113,832	113,413
Current Portion of Pledges Receivable		20,807			20,807	20,057
Accounts and Grants Receivable	694,500				694,500	696,400
Prepaid Expenses	142,959				142,959	130,647
Total Current Assets	1,909,998	20,807	234,121	-	2,164,926	2,550,950
RESTRICTED CASH		16			16	5,294
LONG-TERM INVESTMENTS		1,375,207		87,614	1,462,821	1,445,230
LONG-TERM PLEDGES RECEIVABLE		91,306			91,306	112,113
PROPERTY & EQUIPMENT	2,930			5,502,682	5,505,612	5,735,951
ASSETS RESERVED:						
Unemployment Claims	13,587				13,587	11,910
REFUNDABLE DEPOSITS	10,960				10,960	25,605
Subtotal Assets	1,937,475	1,487,336	234,121	5,590,296	9,249,228	9,887,053
Temporarily Restricted Adjustment		-	-	-	-	-
TOTAL ASSETS	<u>\$ 1,937,475</u>	<u>\$ 1,487,336</u>	<u>\$ 234,121</u>	<u>\$ 5,590,296</u>	<u>\$ 9,249,228</u>	<u>\$ 9,887,053</u>
<u>LIABILITIES AND NET ASSETS</u>						
CURRENT LIABILITIES						
Line of Credit	\$	\$	\$	\$	\$ -	\$ -
Current Portion of Notes Payable				99,011	99,011	96,631
Accounts Payable and Accrued Expenses	573,246				573,246	609,345
Due to/from Other Funds	(3,070,510)		65,151	3,005,359	-	-
Due to Funder					-	22,996
Deferred Revenue	332,950				332,950	419,072
Reserve for State Department of Education					-	5,110
Other Reserves	36,689				36,689	36,689
Total Current Liabilities	(2,127,625)	-	65,151	3,104,370	1,041,896	1,189,843
NOTES PAYABLE				685,115	685,115	784,125
RESERVE FOR LOAN GUARANTEES			168,970		168,970	182,819
RESERVE FOR FUTURE UNEMPLOYMENT CLAIMS	13,587				13,587	11,910
COMMITMENTS & CONTINGENCIES	20,000				20,000	40,000
NET ASSETS						
Property and Equipment				1,800,811	1,800,811	1,810,342
Unrestricted	4,031,513	(4,092)			4,027,421	4,372,660
Endowment - Permanently Restricted		1,228,772			1,228,772	1,218,204
Endowment - Temporarily Restricted		262,656			262,656	277,150
	4,031,513	1,487,336	-	1,800,811	7,319,660	7,678,356
Subtotal Liabilities & Net Assets	1,937,475	1,487,336	234,121	5,590,296	9,249,228	9,887,053
Temporarily Restricted Adjustment					-	-
TOTAL LIABILITIES & NET ASSETS	<u>\$ 1,937,475</u>	<u>\$ 1,487,336</u>	<u>\$ 234,121</u>	<u>\$ 5,590,296</u>	<u>\$ 9,249,228</u>	<u>\$ 9,887,053</u>

PENINSULA FAMILY SERVICE
COMBINING STATEMENT OF SUPPORT, REVENUE AND EXPENDITURES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2012

	Administration	Child Care	Older Adults	Visitation Center	Financial Empowerment	Buildings & Building Fund	Endowment Fund	Total All Funds
PUBLIC SUPPORT AND REVENUE								
Early Head Start	\$ -	\$ 967,904	\$ -	\$ -	\$ -	\$ -	\$ -	967,904
California Department of Education	-	2,049,181	-	-	-	-	-	2,049,181
Superior Court	-	-	-	188,083	-	-	-	188,083
California Department of Aging	-	-	142,140	-	-	-	-	142,140
County of San Mateo	-	91,570	396,691	-	-	-	-	488,261
San Mateo Co. Office of Education	-	-	-	-	-	-	-	-
National Council on Aging	-	-	1,108,912	-	-	-	-	1,108,912
Other Governmental Grants	-	407,102	89,600	-	3,460	-	-	500,162
Contributions	1,204,265	146,742	235,696	58,026	46,642	-	10,568	1,701,939
Contributions - In-kind	218,384	33,476	294,555	-	62,654	-	-	609,069
Fees - Program Services	-	544,753	11,013	118,773	964	-	-	675,503
Realized/Unrealized Gain/(Loss)	(5)	-	-	-	-	804	15,649	16,448
Interest & Investment Income	1,280	-	16	-	484	2,434	36,161	40,375
Other Income	15,438	41,057	80,269	70	103,972	-	-	240,806
Total Public Support and Revenue	1,439,362	4,281,785	2,358,892	364,952	218,176	3,238	62,378	8,728,783
EXPENDITURES								
Salaries and wages	1,025,943	2,693,979	1,452,858	336,404	96,337	25,281	-	5,630,802
Payroll taxes	70,780	201,858	110,108	25,644	7,454	1,802	-	417,646
Employee benefits	93,489	497,032	77,205	39,856	8,468	2,876	-	718,926
Outside services	276,419	121,892	64,230	(15,022)	1,142	210	-	448,871
Supplies	8,983	256,257	67,221	2,516	836	-	-	335,813
Telephone	2,489	7,678	10,613	1,398	283	-	-	22,461
Postage & Printing	32,669	7,742	15,157	1,244	789	-	-	57,601
Occupancy	-	40,578	18,465	534	1,303	106,703	-	167,583
Insurance	11,076	47,039	12,675	3,050	1,325	-	-	75,165
Travel	1,953	9,515	7,918	-	20	-	-	19,406
Staff & board development	6,423	29,836	11,569	96	536	-	-	48,460
Depreciation	7,974	-	-	-	-	222,365	-	230,339
Interest expense	-	-	-	-	-	13,470	-	13,470
Other	129,681	86,389	43,694	6,603	14,501	8,349	-	289,217
Capital acquisitions	-	2,650	-	-	-	-	-	2,650
In-kind Expense	218,384	33,476	294,555	-	62,654	-	-	609,069
	1,886,263	4,035,921	2,186,268	402,323	195,648	381,056	-	9,087,479
Allocation of Administrative and Support Expenditures (Note A)	(1,002,416)	854,052	394,105	108,891	26,424	(381,056)	-	-
Total Expenditures	883,847	4,889,973	2,580,373	511,214	222,072	-	-	9,087,479
CHANGE IN NET ASSETS								
	555,515	(608,188)	(221,481)	(146,262)	(3,896)	3,238	62,378	(358,696)
TRANSFERS (Note Q)	(908,259)	608,188	221,481	146,262	(4,268)	-	(63,404)	-
NET ASSETS, beginning of year	4,379,652	-	-	-	-	1,810,342	1,488,362	7,678,356
NET ASSETS, end of year	\$ 4,026,908	\$ -	\$ -	\$ -	\$ (8,164)	\$ 1,813,580	\$ 1,487,336	\$ 7,319,660

PENINSULA FAMILY SERVICE
COMBINING STATEMENT OF SUPPORT, REVENUE AND EXPENDITURES AND CHANGE IN NET ASSETS
ADMINISTRATIVE FUNDS
YEAR ENDED JUNE 30, 2012

	Management/ General	Fund Development	Accounting	Information Technology	Total All Administrative
PUBLIC SUPPORT AND REVENUE					
Early Head Start	\$	\$	\$	\$	\$
California Department of Education					-
Superior Court					-
California Department of Aging					-
County of San Mateo					-
National Council on Aging					-
Other Governmental Grants					-
Contributions		1,204,265			1,204,265
Contributions - In-kind	218,384				218,384
Fees - Program Services					-
Rental Income					-
Realized Gain/(Loss)					-
Unrealized Gain/(Loss)		(5)			(5)
Interest & Investment Income	1,280				1,280
Other Income	15,438				15,438
Total Public Support and Revenue	235,102	1,204,260	-	-	1,439,362
EXPENDITURES					
Salaries and wages	408,820	341,638	257,308	18,177	1,025,943
Payroll taxes	29,386	22,619	17,469	1,306	70,780
Employee benefits	36,630	29,732	25,376	1,751	93,489
Outside services	154,303	29,940	44,855	47,321	276,419
Supplies	1,182	4,210	2,829	762	8,983
Telephone	614	745	548	582	2,489
Postage & Printing	3,606	28,698	365		32,669
Occupancy					-
Insurance	3,357	4,457	2,650	612	11,076
Travel	1,809	15	129		1,953
Staff & board development	4,027	1,843	553		6,423
Depreciation	988			6,986	7,974
Interest expense					-
Other	56,748	67,945	4,598	390	129,681
Capital acquisitions					-
In-kind Expense	218,384				218,384
	919,854	531,842	356,680	77,887	1,886,263
Allocation of Administrative and Support Expenditures (Note A)	(681,582)	113,733	(356,680)	(77,887)	(1,002,416)
Total Expenditures	238,272	645,575	-	-	883,847
CHANGE IN NET ASSETS	(3,170)	558,685	-	-	555,515
TRANSFERS (Note Q)	(908,259)				(908,259)
NET ASSETS, beginning of year	2,205,446	2,174,206	-	-	4,379,652
NET ASSETS, end of year	\$ 1,294,017	\$ 2,732,891	\$ 0	\$ 0	\$ 4,026,908

PENINSULA FAMILY SERVICE
COMBINING STATEMENT OF SUPPORT, REVENUE AND EXPENDITURES AND CHANGE IN NET ASSETS
CHILD CARE FUNDS
YEAR ENDED JUNE 30, 2012

	NCCP	Early Learning CDC	Leo Ryan Center	Leo Ryan Club	RWC Plaza Preschool	Haven	First Step	Redwood CDC	Home-based	EHS Adm.	Child Care Administration	Total All Child Care
PUBLIC SUPPORT AND REVENUE												
Early Head Start	\$ 776,381	\$ 150,416	\$ 393,189	\$ 37,282	\$ 11,147	\$ 86,736	\$ 50,803	\$ 199,816	\$ 100,448	\$ 379,685	\$	\$ 967,904
California Department of Education Superior Court		513,416				154,315	150,046	13,405				2,049,181
California Department of Aging		91,570										
County of San Mateo						101,260	101,080	204,762				91,570
National Council on Aging				1,032		25,360		6,494			27,872	407,102
Other Governmental Grants		85,984				8,400	10,716	12,600			1,760	146,742
Contributions						685						33,476
Contributions - In-kind	33,995	20,535	98,728	390,447	363							544,753
Fees - Program Services												
Rental Income												
Realized Gain/(Loss)												
Unrealized Gain/(Loss)												
Interest & Investment Income												
Other Income	5,340	333	278	35,106								41,057
Total Public Support and Revenue	815,716	862,254	492,195	463,867	11,510	376,756	312,645	437,077	100,448	379,685	29,632	4,281,785
EXPENDITURES												
Salaries and wages	551,887	437,627	349,440	213,219	12,934	235,960	212,712	311,669	70,505	284,788	13,238	2,693,979
Payroll taxes	41,119	33,235	25,113	17,392	1,111	18,151	15,908	23,313	5,336	20,153	1,027	201,858
Employee benefits	120,936	82,377	53,099	34,842	4,653	47,178	36,509	61,212	11,209	44,998	19	497,032
Outside services	4,214	33,626	3,697	6,031	992	8,718	12,281	46,049	567	2,971	2,746	121,892
Supplies	1,508	71,959	67,089	30,537	1,557	25,629	27,650	26,305	2,389	2,337	(903)	256,257
Telephone	1,733	1,519	483	483	86	145	145	1,357	850	877		7,678
Postage & Printing	1,302	1,191	1,235	569	1,899	490	427	1,467	143	480	438	7,742
Occupancy	4	2,752	17,757	17,757	1,899	2	2	3	1,154	3,639	401	40,578
Insurance	18,084	6,321	4,324	3,367	12	3,304	3,182	3,664	4,902	2,440	132	47,039
Travel	3	88	2	10		1,057	3	866	1,239	18,284		9,515
Staff & board development	251	2,086	78	62		39	2,509	5,288				29,836
Depreciation												
Interest expense		8,866	5,657	14,926	1,594	3,633	5,706	18,834	3,584	3,181	13,818	86,389
Other	6,590		2,650									2,650
Capital acquisitions												
In-kind Expense	747,631	681,647	530,625	339,195	24,838	352,906	327,750	512,627	101,878	384,148	1,760	4,035,921
Allocation of Administrative and Support Expenditures (Note A)	144,028	219,258	101,235	72,303	5,092	65,749	60,856	85,282	21,734	78,515		854,052
Total Expenditures	891,659	900,905	631,860	411,498	29,930	418,655	388,606	597,909	123,612	462,663	32,676	4,889,973
CHANGE IN NET ASSETS	(75,943)	(38,651)	(139,665)	52,369	(18,420)	(41,899)	(75,961)	(160,832)	(23,164)	(82,978)	(3,044)	(608,188)
TRANSFERS (Note Q)	75,943	38,651	139,665	(52,369)	18,420	41,899	75,961	160,832	23,164	82,978	3,044	608,188
NET ASSETS, beginning of year	-	-	-	-	-	-	-	-	-	-	-	-
NET ASSETS, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

PENINSULA FAMILY SERVICE
COMBINING STATEMENT OF SUPPORT, REVENUE AND EXPENDITURES AND CHANGE IN NET ASSETS
OLDER ADULTS FUNDS
YEAR ENDED JUNE 30, 2012

	Peer Counseling	NCOA	CDA	Title IIIB	Circle of Care	Nutrition Fair Oaks	Wellness	Case Mgmt	Total All Older Adults
PUBLIC SUPPORT AND REVENUE									
Early Head Start									
California Department of Education									
Superior Court									
California Department of Aging	293,140	1,108,912	142,140	16,100	79,600	62,451		25,000	142,140
County of San Mateo									396,691
National Council on Aging					14,000	10,000			1,108,912
Other Governmental Grants						35,235			89,600
Contributions		22,500	15,000						235,696
Contributions - In-kind		132,966	24,688	2,100		119,874		14,927	294,555
Fees - Program Services						8,533	2,480		11,013
Rental Income									
Realized Gain/(Loss)									
Unrealized Gain/(Loss)									
Interest & Investment Income		16							16
Other Income		15,000							80,269
Total Public Support and Revenue	293,140	1,279,394	181,828	18,200	93,600	236,093	216,710	39,927	2,358,892
EXPENDITURES									
Salaries and wages	187,108	891,272	116,281	10,874	58,189	48,649	120,785	19,700	1,452,858
Payroll taxes	14,366	68,290	8,902	808	3,602	3,514	9,138	1,488	110,108
Employee benefits	12,995	26,994	6,436	1,284	3,289	8,973	15,667	1,567	77,205
Outside services	12,930	3,796	469	47	19,722	436	26,742	88	64,230
Supplies	2,442	6,116	1,694	53	1,449	43,189	12,023	255	67,221
Telephone	1,127	5,738	1,229	20	141	604	1,265	489	10,613
Postage & Printing	3,174	9,968	926	7	145	558	324	55	15,157
Occupancy		17,494					971		18,465
Insurance	1,598	7,716	951	95		793	1,344	178	12,675
Travel	870	6,070	77		446	12	230	213	7,918
Staff & board development	2,952				8,617				11,569
Depreciation									
Interest expense									
Other	12,412	12,753	2,217	1,175	1,095	4,422	8,765	855	43,694
Capital acquisitions									
In-kind Expense	251,974	132,966	24,688	2,100		119,874	197,254	14,927	294,555
		1,189,173	163,870	16,463	96,695	231,024		39,815	2,186,268
Allocation of Administrative and Support Expenditures (Note A)	52,930	229,666	29,590	7,207	9,607	21,726	36,839	6,540	394,105
Total Expenditures	304,904	1,418,839	193,460	23,670	106,302	252,750	234,093	46,355	2,580,373
CHANGE IN NET ASSETS	(11,764)	(139,445)	(11,632)	(5,470)	(12,702)	(16,657)	(17,383)	(6,428)	(221,481)
TRANSFERS (Note Q)	11,764	139,445	11,632	5,470	12,702	16,657	17,383	6,428	221,481
NET ASSETS, beginning of year	-	-	-	-	-	-	-	-	-
NET ASSETS, end of year	-	-	-	-	-	-	-	-	-

PENINSULA FAMILY SERVICE
COMBINING STATEMENT OF SUPPORT, REVENUE AND EXPENDITURES AND CHANGE IN NET ASSETS
VISITATION CENTER FUNDS
YEAR ENDED JUNE 30, 2012

	Family Center	RWC Waiting Room	Total Visitation Center
PUBLIC SUPPORT AND REVENUE			
Early Head Start			
California Department of Education	\$ 61,212	\$ 126,871	\$ 188,083
Superior Court			-
California Department of Aging			-
County of San Mateo			-
National Council on Aging			-
Other Governmental Grants			-
Contributions	58,026		58,026
Contributions - In-kind			-
Fees - Program Services	118,773		118,773
Rental Income			-
Realized Gain/(Loss)			-
Unrealized Gain/(Loss)			-
Interest & Investment Income			-
Other Income	70		70
Total Public Support and Revenue	238,081	126,871	364,952
EXPENDITURES			
Salaries and wages	243,147	93,257	336,404
Payroll taxes	18,579	7,065	25,644
Employee benefits	27,970	11,886	39,856
Outside services	(15,447)	425	(15,022)
Supplies	2,240	276	2,516
Telephone	1,354	44	1,398
Postage & Printing	872	372	1,244
Occupancy	534		534
Insurance	2,194	856	3,050
Travel			-
Staff & board development	96		96
Depreciation			-
Interest expense			-
Other	4,803	1,800	6,603
Capital acquisitions			-
In-kind Expense			-
	286,342	115,981	402,323
Allocation of Administrative and Support Expenditures (Note A)	87,248	21,643	108,891
Total Expenditures	373,590	137,624	511,214
CHANGE IN NET ASSETS	(135,509)	(10,753)	(146,262)
TRANSFERS (Note Q)	135,509	10,753	146,262
NET ASSETS, beginning of year	-	-	-
NET ASSETS, end of year	\$ -	\$ -	\$ -

PENINSULA FAMILY SERVICE
COMBINING STATEMENT OF SUPPORT, REVENUE AND EXPENDITURES AND CHANGE IN NET ASSETS
FINANCIAL EMPOWERMENT
YEAR ENDED JUNE 30, 2012

	Financial Empowerment	Financial Empowerment Santa Clara	Total Financial Empowerment
PUBLIC SUPPORT AND REVENUE			
Early Head Start	\$	\$	\$ -
California Department of Education			-
Superior Court			-
California Department of Aging			-
County of San Mateo			-
National Council on Aging			-
Other Governmental Grants		3,460	3,460
Contributions	39,286	7,356	46,642
Contributions - In-kind	62,654		62,654
Fees - Program Services	964		964
Rental Income			-
Realized Gain/(Loss)			-
Unrealized Gain/(Loss)			-
Interest & Investment Income	484		484
Other Income	103,972		103,972
Total Public Support and Revenue	<u>207,360</u>	<u>10,816</u>	<u>218,176</u>
EXPENDITURES			
Salaries and wages	88,474	7,863	96,337
Payroll taxes	6,869	585	7,454
Employee benefits	7,874	594	8,468
Outside services	1,142		1,142
Supplies	830	6	836
Telephone	275	8	283
Postage & Printing	778	11	789
Occupancy		1,303	1,303
Insurance	1,325		1,325
Travel	20		20
Staff & board development	536		536
Depreciation			-
Interest expense			-
Other	14,497	4	14,501
Capital acquisitions			-
In-kind Expense	<u>62,654</u>		<u>62,654</u>
	185,274	10,374	195,648
Allocation of Administrative and Support Expenditures (Note A)	<u>25,664</u>	<u>760</u>	<u>26,424</u>
Total Expenditures	<u>210,938</u>	<u>11,134</u>	<u>222,072</u>
CHANGE IN NET ASSETS	(3,578)	(318)	(3,896)
TRANSFERS (Note Q)	3,578	318	3,896
NET ASSETS, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



RANDOLPH SCOTT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS, INC.

**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**

November 29, 2012

Board of Directors
Peninsula Family Service
San Mateo, California

We have audited the financial statements of Peninsula Family Service (the Organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 29, 2012. 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

Internal Control Over Financial Reporting

Management of **Peninsula Family Service** is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered **Peninsula Family Service's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financials statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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 misstatement on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

**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**

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the audit committee, board of directors, others within the Organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A large, stylized handwritten signature in black ink that reads "Randolph Scott & Co." with a large "C" and a period at the end.

Certified Public Accountants, Inc.

**Report on Compliance With Requirements
Applicable to Each Major Program and on Internal
Control Over Compliance in Accordance with
OMB Circular A-133**

Independent Auditor's Report

November 29, 2012

Board of Directors
Peninsula Family Service
San Mateo, California

Compliance

We have audited the compliance of Peninsula Family Service (the Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the 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, 2012.

**Report on Compliance With Requirements
Applicable to Each Major Program and on Internal
Control Over Compliance in Accordance with
OMB Circular A-133**

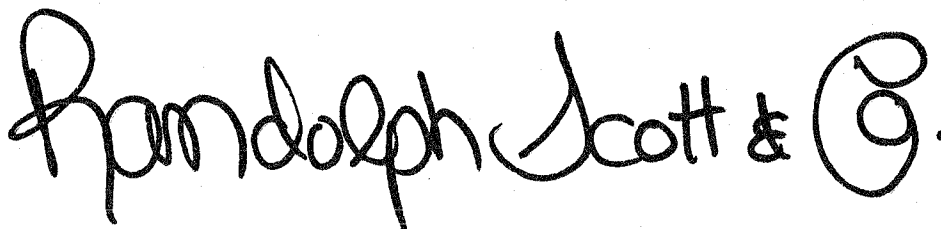
Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, board of directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants, Inc.

SUPPLEMENTAL REPORTING REQUIREMENTS OF THE
CALIFORNIA DEPARTMENT OF EDUCATION

PENINSULA FAMILY SERVICE
SCHEDULE OF EXPENDITURES BY STATE CATEGORIES
YEAR ENDED JUNE 30, 2012

	General Child Care CCTR - 1297	Preschool CSPP-1536	Non-CDE Operating Programs	Total Child Care Programs
<u>EXPENDITURES</u>				
Direct payments to providers	\$ -	\$ -	\$ -	\$ -
1000 Certificated salaries	435,056	254,220	269,884	959,160
2000 Classified salaries	422,981	302,668	157,296	882,945
3000 Employee benefits	227,111	145,961	105,787	478,859
4000 Books and supplies	139,866	102,862	95,039	337,767
5000 Services and other operating expenses	288,815	193,394	353,273	835,482
6100/6200 Other approved capital outlay	-	2,650	-	2,650
6400 New equipment	-	-	-	-
6500 Replacement equipment	-	-	-	-
Depreciation on assets not purchased with public funds	-	-	-	-
Start-up expenses - service level exemption	-	-	-	-
Indirect costs	-	-	-	-
Total expenses claimed for reimbursement	1,513,829	1,001,755	981,279	3,496,863
Supplemental expenses (Non-CDE Programs)	1,161,122	231,988	-	1,393,110
Total Expenditures	\$ 2,674,951	\$ 1,233,743	\$ 981,279	\$ 4,889,973

NOTE: We have examined the claims filed for reimbursement and the original records supporting the transactions recorded under the contracts listed above to an extent considered necessary to assure ourselves that the amounts claimed by the contractor were eligible for reimbursement, reasonable, necessary, and adequately supported, according to governing laws, regulations, and contract provisions.

PENINSULA FAMILY SERVICE

Schedule of Equipment and Improvements Expenditures

Year Ended June 30, 2012

	<u>CCTR - 1297</u>	<u>CSPP - 1536</u>	<u>TOTAL</u>
UNIT COST UNDER \$7,500 PER ITEM			
Leo Ryan site improvement	\$	\$ 2,650	\$ 2,650
Total	<u>-</u>	<u>2,650</u>	<u>2,650</u>
UNIT COST OVER \$7,500 PER ITEM WITH PRIOR WRITTEN APPROVAL			
None			-
Total	<u>-</u>	<u>-</u>	<u>-</u>
UNIT COST OVER \$7,500 PER ITEM WITHOUT PRIOR APPROVAL			
None			
Total	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	\$ <u>-</u>	\$ <u>2,650</u>	\$ <u>2,650</u>

Note: Agency Capitalization Threshold is \$5,000 except for replacement items.

Note: The Agency had no renovation or equipment expenditures for the year ended June 30, 2012.

PENINSULA FAMILY SERVICE
COMBINING SCHEDULE OF ADMINISTRATIVE COSTS
RELATING TO CALIFORNIA DEPARTMENT OF EDUCATION PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2012

	General Center <u>CCTR-1279</u>	Preschool <u>CSPP-1536</u>
Salaries and wages	\$ 125,010	\$ 88,126
Payroll taxes	9,460	6,669
Employee benefits	21,741	15,326
Outside services	18,744	13,214
Supplies	13,938	9,826
Telephone	448	316
Postage & Printing	395	278
Occupancy	2,433	1,715
Insurance	1,580	1,114
Travel	607	428
Staff & board development	4,363	3,075
Depreciation	-	-
Interest expense	-	-
Other	4,656	3,282
Capital acquisitions	-	-
In-kind Expense	-	-
<i>Total Administrative Costs</i>	\$ <u>203,375</u>	\$ <u>143,369</u>

**AUDITED ATTENDANCE AND FISCAL REPORT
for Child Development Programs**

Agency Name: Peninsula Family Service Vendor No. 41-B629
 Fiscal Year Ended: June 30, 2012 Contract No. CCTR-1297
 Independent Auditor's Name: Randolph Scott & Company, CPA's, Inc.

SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Infants (up to 18 months)</i>					
Full-time-plus	-		-	2.006	-
Full-time	-		-	1.700	-
Three-quarters-time	-		-	1.275	-
One-half-time	-		-	0.935	-
<i>FCCH Infants (up to 18 months)</i>					
Full-time plus	-		-	1.652	-
Full-time	672		672	1.400	940.800
Three-quarters-time	462		462	1.050	485.100
One-half-time	12		12	0.770	9.240
<i>Toddlers (18 up to 36 months)</i>					
Full-time-plus	-		-	1.652	-
Full-time	8,011		8,011	1.400	11,215.400
Three-quarters-time	3,612		3,612	1.050	3,792.600
On-half-time	267		267	0.770	205.590
<i>Three Years and Older</i>					
Full-time-plus	-		-	1.180	-
Full-time	499		499	1.000	499.000
Three-quarters-time	416		416	0.750	312.000
One-half-time	6		6	0.550	3.300
<i>Exceptional Needs</i>					
Full-time-plus	-		-	1.416	-
Full-time	-		-	1.200	-
Three-quarters-time	-		-	0.900	-
One-half-time	-		-	0.660	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus	-		-	1.298	-
Full-time	10,643		10,643	1.100	11,707.300
Three-quarters-time	2,398		2,398	0.825	1,978.350
One-half-time	344		344	0.605	208.120
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus	-		-	1.298	-
Full-time	-		-	1.100	-
Three-quarters-time	-		-	0.825	-
One-half-time	-		-	0.605	-
<i>Severely Disabled</i>					
Full-time-plus	-		-	1.770	-
Full-time	-		-	1.500	-
Three-quarters-time	-		-	1.125	-
One-half-time	-		-	0.825	-
TOTAL DAYS OF ENROLLMENT	27,342	-	27,342		31,356.800
DAYS OF OPERATION	246	-	246		
DAYS OF ATTENDANCE	27,340	-	27,340		

☒ **NO NONCERTIFIED CHILDREN** - Check this box, omit page 2, and continue to Section III if no noncertified children were enrolled in the program.

Comments - If necessary, attach additional sheets to explain adjustments:

AUDITED ATTENDANCE AND FISCAL REPORT for Child Development Programs

Agency Name: Peninsula Family Service Vendor No. 41-B629
 Fiscal Year End: June 30, 2012 Contract No. CCTR-1297
 Insert Any Commingled Contract No. _____

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION III - REVENUE			
RESTRICTED INCOME			
Child Nutrition Programs	\$68,715	(\$37)	\$68,678
County Maintenance of Effort (EC § 8279)			0
Uncashed Checks to Providers			0
Other (Specify):			0
Subtotal	\$68,715	(\$37)	\$68,678
Transfer from Reserve Contract # CCTR-1297		5,115	5,115
Contract #			0
Family Fees for Certified Children Contract # CCTR-1297	41,272	112	41,384
Contract #			0
Interest Earned on Apportionments Contract #			0
Contract #			0
UNRESTRICTED INCOME			
Family Fees for Noncertified Children			0
Other (Specify):			0
TOTAL REVENUE	\$109,987	\$5,190	\$115,177

SECTION IV - REIMBURSABLE EXPENSES			
Direct Payments to Providers (FCCH Only)	\$0	\$0	\$0
1000 Certificated Salaries	435,465	(409)	435,056
2000 Classified Salaries	423,396	(415)	422,981
3000 Employee Benefits	227,277	(166)	227,111
4000 Books and Supplies	140,241	(375)	139,866
5000 Services and Other Operating Expenses	208,527	80,288	288,815
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)	2,067	(2,067)	0
6500 Replacement Equipment (program-related)			0
Depreciation or Use Allowance			0
Start-Up Expenses (service level exemption)			0
Budget Impasse Credit Contract #			0
Contract #			0
Indirect Costs: Rate 0.00%			0
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$1,436,973	\$76,856	\$1,513,829
TOTAL ADMINISTRATIVE COSTS (Included in section IV above)	\$125,200	\$78,175	\$203,375
FOR CDE-A&I USE ONLY:			

Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Child Development Division:

Eligibility, enrollment, and attendance records are being maintained as required (check YES or NO):

☒ YES

☐ NO - Explain any discrepancies.

Reimbursable expenses claimed above are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO):

☒ YES

☐ NO - Explain any discrepancies.

COMMENTS - If necessary, attach additional sheets to explain adjustments:

☒ **NO SUPPLEMENTAL REVENUES OR EXPENSES** - Check this box and omit page 4 if there are no supplemental revenues or expenses to report.

**AUDITED ATTENDANCE AND FISCAL REPORT
for Child Development Programs**

Agency Name: Peninsula Family Service Vendor No 41-B629

Fiscal Year End: June 30, 2012 Contract No. CCTR-1297
Insert Any Commingled Contract No. 0

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION V - SUPPLEMENTAL REVENUE			
Enhancement Funding	\$1,171,981	(\$10,859)	\$1,161,122
Other (Specify):			0
			0
			0
TOTAL SUPPLEMENTAL REVENUE	\$1,171,981	(\$10,859)	\$1,161,122

SECTION VI - SUPPLEMENTAL EXPENSES

EXPENSES RELATED TO SUPPLEMENTAL REVENUE			
1000 Certificated Salaries	\$538,299	\$0	\$538,299
2000 Classified Salaries	189,751		189,751
3000 Employee Benefits	187,055	(259)	186,796
4000 Books and Supplies	80,100	613	80,713
5000 Services and Other Operating Expenses	169,388	(3,825)	165,563
6000 Equipment/Other Capital Outlay	7,388	(7,388)	0
Depreciation or Use Allowance			0
Indirect Costs			0
Other			0
NONREIMBURSABLE EXPENSES			
6100-6500 Nonreimbursable Capital Outlay			0
Other: e.g., Entertainment Expenses			0
Other (Specify):			0
			0
TOTAL SUPPLEMENTAL EXPENSES	\$1,171,981	(\$10,859)	\$1,161,122

COMMENTS - If necessary, attach additional sheets to explain adjustments:

**AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs**

Agency Name: Peninsula Family Service Vendor No 41-B629

Fiscal Year Ended: June 30, 2012 Contract No. CSPP-1536

Independent Auditor's Name: Randolph Scott & Company, CPA's, Inc.

SECTION I - CERTIFIED CHILDREN OF ENROLLMENT	DAYS	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
		CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Three and Four Year Olds</i>						
Full-time-plus		-		-	1.1800	-
Full-time		1,409		1,409	1.0000	1,409.000
Three-quarters-time		3,045		3,045	0.7500	2,283.750
One-half-time		270		270	0.6172	166.644
<i>Exceptional Needs</i>						
Full-time-plus		-		-	1.4160	-
Full-time		-		-	1.2000	-
Three-quarters-time		-		-	0.9000	-
One-half-time		-		-	0.6172	-
<i>Limited and Non-English Proficient</i>						
Full-time-plus		-		-	1.2980	-
Full-time		13,944		13,944	1.1000	15,338.400
Three-quarters-time		3,100		3,100	0.8250	2,557.500
One-half-time		165		165	0.6172	101.838
<i>At Risk of Abuse or Neglect</i>						
Full-time-plus		-		-	1.2980	-
Full-time		341		341	1.1000	375.100
Three-quarters-time		-		-	0.8250	-
One-half-time		164		164	0.6172	101.221
<i>Severely Disabled</i>						
Full-time-plus		-		-	1.7700	-
Full-time		-		-	1.5000	-
Three-quarters-time		-		-	1.1250	-
One-half-time		-		-	0.6172	-
TOTAL DAYS OF ENROLLMENT		22,438	-	22,438		22,333.453
DAYS OF OPERATION		246	-	246		
DAYS OF ATTENDANCE		22,423	-	22,423		

☐ **NO NONCERTIFIED CHILDREN** - Check this box, omit page 2 and continue to Section III if no noncertified children were enrolled in the program.

Comments - If necessary, attach additional sheets to explain adjustments:

AUDITED ATTENDANCE AND FISCAL REPORT for California State Preschool Programs

Agency Name: Peninsula Family Service Vendor No 41-B629

Fiscal Year Ended: June 30, 2012 Contract No. CSPP-1536

SECTION II - NONCERTIFIED CHILDREN Report all children who were not certified, but who were served at the same sites as certified children. DAYS OF ENROLLMENT	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Three and Four Year Olds</i>					
Full-time-plus	-		-	1.1800	-
Full-time	1,912		1,912	1.0000	1,912.000
Three-quarters-time	-		-	0.7500	-
One-half-time	-		-	0.6172	-
<i>Exceptional Needs</i>					
Full-time-plus	-		-	1.4160	-
Full-time	-		-	1.2000	-
Three-quarters-time	-		-	0.9000	-
One-half-time	-		-	0.6172	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus	-		-	1.2980	-
Full-time	-		-	1.1000	-
Three-quarters-time	-		-	0.8250	-
One-half-time	-		-	0.6172	-
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus	-		-	1.2980	-
Full-time	-		-	1.1000	-
Three-quarters-time	-		-	0.8250	-
One-half-time	-		-	0.6172	-
<i>Severely Disabled</i>					
Full-time-plus	-		-	1.7700	-
Full-time	-		-	1.5000	-
Three-quarters-time	-		-	1.1250	-
One-half-time	-		-	0.6172	-
TOTAL DAYS OF ENROLLMENT	1,912	-	1,912		1,912.000

Comments - If necessary, attach additional sheets to explain adjustments:

**AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs**

Agency Name: Peninsula Family Service Vendor No. 41-B629

Fiscal Year End: June 30, 2012 Contract No. CSPP-1536

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION III - REVENUE			
RESTRICTED INCOME			
Child Nutrition Programs	\$49,410	(\$267)	\$49,143
County Maintenance of Effort (EC § 8279)			0
Other (Specify):			0
Subtotal	\$49,410	(\$267)	\$49,143
Transfer from Reserve Contract #			0
Contract #			0
Family Fees for Certified Children Contract # CSPP-1536	45,344		45,344
Contract #			0
Interest Earned on Apportionments Contract #			0
Contract #			0
UNRESTRICTED INCOME			
Family Fees for Noncertified Children	72,915	(3,249)	69,666
Head Start Program (EC § 8235(b))			0
Other (Specify):			0
TOTAL REVENUE	\$167,669	(\$3,516)	\$164,153

SECTION IV - REIMBURSABLE EXPENSES

1000 Certificated Salaries	\$253,811	\$409	\$254,220
2000 Classified Salaries	302,253	415	302,668
3000 Employee Benefits	145,690	271	145,961
4000 Books and Supplies	100,126	2,736	102,862
5000 Services and Other Operating Expenses	132,973	60,421	193,394
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)	7,323	(4,673)	2,650
6500 Replacement Equipment (program-related)			0
Depreciation or Use Allowance			0
Start-Up Expenses (service level exemption)			0
Budget Impasse Credit			0
Indirect Costs: Rate 0.00%			0
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$942,176	\$59,579	\$1,001,755
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$88,055	\$55,314	\$143,369

FOR CDE-A&I USE ONLY:

Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Child Development Division:

Eligibility, enrollment, and attendance records are being maintained as required (check YES or NO):

☒ YES

☐ NO - Explain any discrepancies.

Reimbursable expenses claimed above are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO):

☒ YES

☐ NO - Explain any discrepancies.

COMMENTS - If necessary, attach additional sheets to explain adjustments:

☒ **NO SUPPLEMENTAL REVENUES OR EXPENSES** - Check this box and omit page 4 if there are no supplemental revenues or expenses to report.

AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs

Agency Name: Peninsula Family Service Vendor No. 41-B629

Fiscal Year End: June 30, 2012 Contract No. CSPP-1536

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION V - SUPPLEMENTAL REVENUE			
Enhancement Funding	\$240,926	(\$8,938)	\$231,988
Other (Specify):			0
			0
			0
TOTAL SUPPLEMENTAL REVENUE	\$240,926	(\$8,938)	\$231,988

SECTION VI - SUPPLEMENTAL EXPENSES

EXPENSES RELATED TO SUPPLEMENTAL REVENUE			
1000 Certificated Salaries	\$123,824	\$0	\$123,824
2000 Classified Salaries	0		0
3000 Employee Benefits	33,235		33,235
4000 Books and Supplies	4,350		4,350
5000 Services and Other Operating Expenses	79,517	(8,938)	70,579
6000 Equipment/Other Capital Outlay	0		0
Depreciation or Use Allowance			0
Indirect Costs			0
NONREIMBURSABLE EXPENSES			
6100-6500 Nonreimbursable Capital Outlay			0
Other: e.g., Entertainment Expenses			0
Other (Specify):			0
			0
TOTAL SUPPLEMENTAL EXPENSES	\$240,926	(\$8,938)	\$231,988

COMMENTS - If necessary, attach additional sheets to explain adjustments:

AUDITED RESERVE ACCOUNT ACTIVITY REPORT

Agency Name: Peninsula Family Service

Fiscal Year End: June 30, 2012

Vendor No. 41-B629

Independent Auditor's Name: Randolph Scott & Company, CPA's, Inc.

RESERVE ACCOUNT TYPE (Check One):

- ☒ Center Based
☐ Resource and Referral
☐ Alternative Payment

COLUMN A

PER AGENCY

COLUMN B

AUDIT
ADJUSTMENT
INCREASE OR
(DECREASE)

COLUMN C

PER AUDIT

LAST YEAR:

1. Ending Balance on Last Year's AUD 9530-A	\$5,110	\$0	\$5,110
2. Plus Transfers from Contracts to Reserve Account (based on last year's post-audit CDFS 9530, Section IV):			
Contract No.	\$0	\$0	\$0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred from Contracts to Reserve Account	0	0	0
3. Less Excess Reserve to be Billed (enter as a positive amount any excess amount calculated by CDFS on last year's post-audit CDFS 9530)	\$0	\$0	\$0
4. Ending Balance on Last Year's Post-Audit CDFS 9530	\$5,110	\$0	\$5,110

THIS YEAR:

5. Plus Interest Earned This Year on Reserve Funds (column A must agree with this year's CDFS 9530-A, Section II)	\$5	\$0	\$5
6. Less Transfers to Contracts from Reserve Account (column A amounts must agree with this year's CDFS 9530-A, Section III; and column C amounts must be reported on this year's AUD forms for respective contracts):			
Contract No. CCTR-1297	\$5,115	\$0	\$5,115
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred to Contracts from Reserve Account	5,115	0	5,115
7. Ending Balance on June 30, 2012 (column A must agree with this year's CDFS 9530-A, Section IV)	\$0	\$0	\$0

COMMENTS - If necessary, attach additional sheets to explain adjustments:

PENINSULA FAMILY SERVICE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

SECTION I: SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- * Material weakness(es) identified? _____ yes X no
- * Significant deficiency(ies) identified? _____ yes X none reported
- * Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- * Material weakness(es) identified? _____ yes X no
- * Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes X no

Identification of major programs:

Department of Health & Human Services:

Child Care	CFDA: 93.596
Early Head Start	CFDA: 93.600
ARRA Early Head Start Expansion	CFDA: 93.709

Department of Labor:

Senior Community Service Employment Program	CFDA: 17.235
Older American Act: Title V	CFDA: 17.235

Dollar threshold used to distinguish Type A programs from Type B programs was \$300,000.

The Agency qualified as a low-risk auditee in accordance with OMB Circular A-133.

PENINSULA FAMILY SERVICE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)
YEAR ENDED JUNE 30, 2012

SECTION II: FINANCIAL STATEMENTS FINDINGS

PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS

None.

SIGNIFICANT DEFICIENCY(IES)

None.

SIGNIFICANT DEFICIENCY(IES) – MATERIAL WEAKNESSES

None.

SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS

None.

SIGNIFICANT DEFICIENCY(IES)

None.

SIGNIFICANT DEFICIENCY(IES) – MATERIAL WEAKNESSES

None.

QUESTIONED COSTS

None.