

Peninsula Family Service

Consolidated Financial Statements
and Single Audit Reports and Schedules
and State Childcare Development Reports

June 30, 2023

(With Comparative Totals for 2022)



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Peninsula Family Service
San Mateo, California

Opinion

We have audited the accompanying consolidated financial statements of Peninsula Family Service (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Peninsula Family Service as of June 30, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Peninsula Family Service and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted FASB Topic 842, *Leases*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Peninsula Family Service's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Peninsula Family Service's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying supplementary information shown on pages 45 - 62 for California Department of Education and California Department of Social Services is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Peninsula Family Service's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Armanino^{LLP}
San Francisco, California

December 14, 2023

Peninsula Family Service
Consolidated Statement of Financial Position
June 30, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,011,919	\$ 2,393,131
Accounts and grants receivable	2,228,833	2,222,816
Prepaid and other current assets	<u>317,157</u>	<u>276,701</u>
Total current assets	<u>5,557,909</u>	<u>4,892,648</u>
Noncurrent assets		
Investments	2,093,474	1,991,742
Accounts and grants receivable, net	100,641	250,418
Refundable deposits	2,701	2,701
Operating lease right-of-use assets	947,821	-
Property and equipment, net	<u>4,085,585</u>	<u>4,024,732</u>
Total noncurrent assets	<u>7,230,222</u>	<u>6,269,593</u>
Total assets	<u><u>\$ 12,788,131</u></u>	<u><u>\$ 11,162,241</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

Peninsula Family Service
Consolidated Statement of Financial Position
June 30, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 496,586	\$ 608,463
Accrued expenses	1,380,934	1,843,764
Deferred revenue	1,075,199	215,816
Current portion of lease liabilities	242,134	-
Current portion of notes payable	27,694	40,170
Total current liabilities	<u>3,222,547</u>	<u>2,708,213</u>
Long-term liabilities		
Notes payable, net of current portion	257,299	292,287
Lease liabilities, net of current portion	724,725	-
Other liabilities	41,474	75,578
Total long-term liabilities	<u>1,023,498</u>	<u>367,865</u>
Total liabilities	<u>4,246,045</u>	<u>3,076,078</u>
Net assets		
Without donor restrictions		
Undesignated	4,061,510	4,475,392
Board-designated	90,000	90,000
Total without donor restrictions	<u>4,151,510</u>	<u>4,565,392</u>
With donor restrictions	4,390,576	3,520,771
Total net assets	<u>8,542,086</u>	<u>8,086,163</u>
Total liabilities and net assets	<u>\$ 12,788,131</u>	<u>\$ 11,162,241</u>

The accompanying notes are an integral part of these consolidated financial statements.

Peninsula Family Service
Consolidated Statement of Activities
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Revenues, gains and other support				
Grant income				
Early Head Start	\$ 1,285,021	\$ -	\$ 1,285,021	\$ 1,602,368
California Department of Education	10,265,063	-	10,265,063	7,765,091
County of San Mateo	1,358,662	-	1,358,662	1,295,014
National Council on Aging	1,210,009	-	1,210,009	1,133,230
Other grants	<u>1,281,935</u>	<u>-</u>	<u>1,281,935</u>	<u>904,050</u>
Total grant income	<u>15,400,690</u>	<u>-</u>	<u>15,400,690</u>	<u>12,699,753</u>
Contributions	1,615,473	1,712,819	3,328,292	3,304,438
In-kind contributions	1,582,620	-	1,582,620	1,734,455
Program service fees	8,270	-	8,270	6,822
Other revenue	121,164	-	121,164	56,268
Interest and dividends	165,943	76,614	242,557	225,812
Realized and unrealized gains (losses) on investments, net	-	97,326	97,326	(378,417)
Net assets released from restriction	<u>1,016,954</u>	<u>(1,016,954)</u>	<u>-</u>	<u>-</u>
Total	<u>4,510,424</u>	<u>869,805</u>	<u>5,380,229</u>	<u>4,949,378</u>
Total revenues, gains and other support	<u>19,911,114</u>	<u>869,805</u>	<u>20,780,919</u>	<u>17,649,131</u>
Functional expenses				
Program services	16,997,342	-	16,997,342	14,413,433
Management and general	2,103,564	-	2,103,564	2,173,203
Fundraising	<u>1,224,090</u>	<u>-</u>	<u>1,224,090</u>	<u>1,101,742</u>
Total functional expenses	<u>20,324,996</u>	<u>-</u>	<u>20,324,996</u>	<u>17,688,378</u>
Change in net assets	(413,882)	869,805	455,923	(39,247)
Net assets, beginning of year	<u>4,565,392</u>	<u>3,520,771</u>	<u>8,086,163</u>	<u>8,125,410</u>
Net assets, end of year	<u>\$ 4,151,510</u>	<u>\$ 4,390,576</u>	<u>\$ 8,542,086</u>	<u>\$ 8,086,163</u>

The accompanying notes are an integral part of these consolidated financial statements.

Peninsula Family Service
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Program Services					Support Services		2023	2022
	Early Learning	Older Adults	Employment	Financial Empowerment	Total Program Services	Management and General	Fundraising	Total	Total
Personnel expenses									
Salaries and wages	\$ 7,261,989	\$ 809,293	\$ 1,103,386	\$ 255,347	\$ 9,430,015	\$ 1,280,174	\$ 796,138	\$ 11,506,327	\$ 9,269,584
Payroll taxes	598,891	67,790	86,077	21,026	773,784	86,936	60,426	921,146	721,054
Employee benefits	<u>1,361,930</u>	<u>140,638</u>	<u>33,660</u>	<u>43,357</u>	<u>1,579,585</u>	<u>161,941</u>	<u>85,171</u>	<u>1,826,697</u>	<u>2,163,319</u>
Total personnel expenses	9,222,810	1,017,721	1,223,123	319,730	11,783,384	1,529,051	941,735	14,254,170	12,153,957
Professional and outside services	263,700	87,979	104,273	22,252	478,204	68,164	35,208	581,576	711,115
Supplies	300,887	15,739	5,534	827	322,987	7,319	2,134	332,440	297,136
Refreshment and program food	454,770	124,695	3,483	1,782	584,730	10,256	1,816	596,802	434,236
Telephone and internet	95,329	15,776	13,403	6,815	131,323	9,503	6,550	147,376	135,578
Postage, delivery and printing	3,218	427	3,570	861	8,076	816	169	9,061	13,644
Occupancy	752,414	30,687	53,897	16,627	853,625	11,264	18,500	883,389	784,007
Insurance	58,719	6,611	26,489	2,229	94,048	5,507	3,532	103,087	91,988
IT, software and equipment	190,828	103,215	210,433	21,776	526,252	10,371	36,338	572,961	496,604
Travel	11,314	2,641	977	792	15,724	15,400	396	31,520	21,298
Conferences and trainings	122,947	7,963	5,260	933	137,103	21,702	6,247	165,052	84,168
Public relations & marketing	27,637	126,132	6,304	27,706	187,779	950	170,102	358,831	161,496
Miscellaneous expenses	13,371	2,847	472	246,344	263,034	15,565	1,363	279,962	176,661
In-kind expenses	<u>543,253</u>	<u>535,311</u>	<u>89,106</u>	<u>329,507</u>	<u>1,497,177</u>	<u>85,443</u>	<u>-</u>	<u>1,582,620</u>	<u>1,734,455</u>
Total expenses before depreciation	12,061,197	2,077,744	1,746,324	998,181	16,883,446	1,791,311	1,224,090	19,898,847	17,296,343
Depreciation and amortization	<u>110,373</u>	<u>-</u>	<u>3,044</u>	<u>479</u>	<u>113,896</u>	<u>312,253</u>	<u>-</u>	<u>426,149</u>	<u>392,035</u>
	<u>\$ 12,171,570</u>	<u>\$ 2,077,744</u>	<u>\$ 1,749,368</u>	<u>\$ 998,660</u>	<u>\$ 16,997,342</u>	<u>\$ 2,103,564</u>	<u>\$ 1,224,090</u>	<u>\$ 20,324,996</u>	<u>\$ 17,688,378</u>

The accompanying notes are an integral part of these consolidated financial statements.

Peninsula Family Service
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 455,923	\$ (39,247)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	426,149	392,035
Net realized and unrealized losses (gains) on investments	(111,396)	378,417
Debt forgiveness	(20,000)	(20,000)
Amortization of operating lease right-of-use assets	220,766	-
Changes in operating assets and liabilities		
Accounts and grants receivable	143,760	(1,198,534)
Prepaid and other current assets	(40,456)	(43,217)
Accounts payable	(111,877)	138,046
Accrued expenses	(462,830)	742,718
Deferred revenue	859,383	187,200
Lease liabilities	(201,728)	-
Other liabilities	(34,104)	16,898
Net cash provided by operating activities	<u>1,123,590</u>	<u>554,316</u>
Cash flows from investing activities		
Purchases of property and equipment	(487,002)	(324,662)
Purchases of long-term investments	(309,820)	(392,465)
Proceeds from sales of investments	319,484	172,247
Net cash used in investing activities	<u>(477,338)</u>	<u>(544,880)</u>
Cash flows from financing activities		
Repayments of note payable	(27,464)	(27,217)
Net cash used in financing activities	<u>(27,464)</u>	<u>(27,217)</u>
Net increase (decrease) in cash	618,788	(17,781)
Cash and cash equivalents, beginning of year	<u>2,393,131</u>	<u>2,410,912</u>
Cash and cash equivalents, end of year	<u>\$ 3,011,919</u>	<u>\$ 2,393,131</u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 2,564	\$ 2,811
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Supplemental schedule of noncash investing and financing activities

Operating lease right-of-use assets obtained in exchange for lease liabilities	\$ 1,168,587	\$ -
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The accompanying notes are an integral part of these consolidated financial statements.

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

1. NATURE OF OPERATIONS

Peninsula Family Service strengthens our community by providing children, families, and older adults the support and tools to realize their full potential and lead healthy, stable lives. We envision a community where opportunity, financial stability, and wellness are secured for all.

Peninsula Family Service provides comprehensive services that support individuals and families at various stages of life. Founded in 1950, Peninsula Family Service has served our community for 73 years, providing innovative, professionally-led, locally-targeted solutions to secure the wellness and stability of our neighbors. We provide these services in four program areas: early learning, financial empowerment, employment services, and older adult services.

As Peninsula Family Service has grown, it changed its name from the Family Service Agency of San Mateo County to Peninsula Family Service in June 2010.

Early Learning

We open doors to learning, health, and stability for children (birth to twelve years old). We change the lives of our children and families by providing opportunity for healthy growth and high-quality early learning curriculum so they can thrive.

Early Learning Centers - Our eight child development centers provide children (six weeks to five years old) from low-income and poverty-level families, including those who experience homelessness, with a safe, nurturing environment where they can learn, socialize, and thrive. We fuel that growth by providing nutritious meals - a healthy morning and afternoon snack, and lunch. The earliest years of infancy to preschool form a critical growth stage when more than 90 percent of brain development occurs. To achieve our goal of securing opportunity for every child in our community, we concentrate our early learning efforts on the neighborhoods and populations that need it most.

Therapeutic Interventions - We are known for excellence in assessment and customized, targeted interventions for our children who have experienced trauma.

Serving Children Experiencing Homelessness - Two of our early learning centers are dedicated to children living in transitional or emergency housing.

High Quality Curriculum - We provide high-quality early learning curriculum taught in each of our early learning classrooms for all ages of our children: infants, toddlers, and preschoolers.

STEM from the Start - Peninsula Family Service is known for our STEM from the Start program, building comprehensive STEM curriculum and fully trained teachers for our children from infants through school-age.

School-Age After School and Summer Programs - We extend our program to school-age children as we provide our Club program of after-school and summer learning for children ages 5 to 12 (kindergarten through 5th grade).

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

1. NATURE OF OPERATIONS (continued)

Early Learning (continued)

Family Engagement - We support the development of our children at home by educating parents on healthy parenting and the latest early childhood development techniques. We connect families to physical and behavioral health resources; work one-on-one with parents to ensure their needs as a family-unit are met; and educate parents on the latest early childhood development techniques so they can nurture their children's development during the critical early years.

Financial Empowerment

We open doors to financial education, services, and tools. We change lives by empowering individuals to take control of their financial futures.

Financial Education - Financial workshops educate participants on budgeting, spending habits, and credit building. All participants must successfully complete these workshops before receiving additional support or tools.

Accessible Loans - After completing financial education, we provide people with the tools to rebuild their financial futures. This includes offering accessible auto loan options, to those who qualify to pay but have low credit scores, such as the DriveForward (and DriveForward Electric) Vehicle Loan Program which enables the purchase of a quality used vehicle.

Banking Alternatives - Individuals who do not have access to traditional banking services can access tools to rebuild their credit, such as zero-interest social loans (Lending Circles). In addition, we offer a low-cost money management tool, a VISA Prepaid Debit Card, to help individuals who do not have access to bank checking accounts.

Youth Financial Workshop Series - These workshops empower teens to navigate the complex financial landscape of adulthood, ensuring they have the tools and resources to thrive and face financial challenges head-on. Participants gain: independence, responsibility, emergency preparedness, credit management, life skills, and ways to reduce stress.

Employment Services

We open doors to financial stability. Peninsula Family Service is a leading organization in employment for adults age 50+ with two unique programs.

The Senior Community Service Employment Program (SCSEP) program assists adults age 55+ living in San Mateo County in their search for employment by providing guidance, direction, resources, paid classroom training, job match up, and placement.

The Mature Worker Program is for adults age 50+ living in Santa Clara County in collaboration with NOVAworks. Participants learn age-neutral resume writing and interview strategies, have opportunities to network, and attend specialized workshops.

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

1. NATURE OF OPERATIONS (continued)

Older Adult Services

We open doors to independence, wellness, and engagement for older adults. We change lives by providing opportunities for older individuals in our community to connect and thrive.

Peer Counseling - Trained volunteer counselors offer one-on-one or group support and companionship to diverse community members (aged 55+). The program offers services in English, Mandarin, Spanish, Tagalog, and to our LGBTQ+ community.

Fair Oaks Adult Activity Center - The center offers many programs and services that empower older adults to improve their health, social lives, and personal fulfillment. Participants have access to a variety of group social activities, fitness classes, health screenings, information, and assistance. They may also share a nutritious lunch each day, as well as take home groceries and vegetables from the garden.

Technology-based Support - Help@Hand is a dynamic program that provides technology education for older adults in San Mateo County. "Get-Appy Technology Workshops" consist of six consecutive workshops held once a week for 1.5 hours. This includes 30 minutes of miscellaneous tech support for participants as well as a one-hour workshop focused on a topic. "Get-Appy Workshops" are held once a month and consist of 1-hour topics that participants have chosen.

Transportation - The "Got Wheels!" program provides subsidized, on-demand taxi services to eligible adults (70+) in twelve Peninsula cities. Members can get subsidized rides within this geographic area and to the San Francisco International Airport. Drivers are trained to provide "arm in arm" support and vehicles are fully accessible for passengers.

Professional Therapy - Through "You Talk, We Listen" program, participants can sign up for subsidized professional therapy for up to a total of twelve sessions. Short-Term confidential counseling in English or Spanish for San Mateo County residents who are at least 55 years old, provided by a licensed therapist. Individual, Couple, or Family therapy is available with a \$15.00 co-pay per visit.

On February 25, 2016, Peninsula Family Service incorporated a California for-profit entity, DriveFoward, LLC ("DF"), to strengthen the financial empowerment line of development. Peninsula Family Service is the sole member of DF.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements are presented using the accrual method of accounting.

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of consolidation

The consolidated financial statements include the accounts of Peninsula Family Service and DF (collectively, the "Organization"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Change in accounting principle

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022, an initial lease liability of \$1,168,587, which represents the present value of the remaining operating lease payments of \$1,259,091 discounted using a risk free rate of 2.88%, and a right-of-use asset of \$1,168,587.

The standard had a material impact to the Organization's consolidated statement of financial position as of June 30, 2023, but did not have a material impact on the Organization's consolidated statement of activities, nor consolidated statement of cash flows for the year then ended. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases on the consolidated statement of financial position as of June 30, 2023..

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses for the reporting period. Actual results could differ from those estimates.

Net assets

The Organization reports information regarding its financial position and activities according to classes of net assets. Net assets and changes therein are classified as follows:

Net assets without donor restrictions - net assets available for use in general operations and not subject to donor restrictions. The Organization's board may designate net assets without donor restrictions for specific purposes.

Net assets with donor restrictions - net assets subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature such as those that may or will be met by actions of the Organization and/or passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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. At June 30, 2023, cash and cash equivalents include \$285,000 in a deposit account that is pledged as part of a lending and guaranty agreement entered into by DriveForward, LLC.

The Organization maintains funds in various institutions that are a member of the Federal Deposit Insurance Corporation. As such, funds are insured based on Federal Reserve limits. The Organization has not experienced any loss in the past and believes it is not exposed to any significant credit risk on the current account balances. At times, cash balances may exceed the insured amounts.

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts and grants receivables

The Organization uses the reserve method for allowance for doubtful accounts. For the year ended June 30, 2023, there was no allowance for doubtful accounts.

Contributions receivable

Contributions that are promised in one year but are not expected to be collected until after the end of that year are reflected as contributions receivable and are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts are recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable may be established based upon management's judgment including such factors as prior collection history, type of contribution and current aging of contributions receivable. At June 30, 2023, there was no allowance for doubtful contributions.

Investments

Investments are reported at their fair values in the consolidated statement of financial position. Investment earnings or losses are included as increases or decreases in net assets without donor restriction, unless their use is restricted by the donor.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Investments and fair value measurements

Investments are reflected in the consolidated statement of financial position at fair value with changes in realized and unrealized gains and losses resulting from changes in fair value reflected in the consolidated statement of activities as investment gain or loss. Publicly-traded investments in active markets are reported at the market closing. Investment transactions are recorded on a trade-date basis (for publicly-traded investments) or upon closing of the transaction (for private investments).

Level 1 - These consist of investments where values are based on unadjusted quoted prices for identical assets in an active market that the Organization has the ability to access. These investments consist of money market funds and mutual funds.

Level 2 - These consist of investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments.

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and fair value measurements (continued)

Level 3 - These consist of financial instruments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the instruments.

The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments.

Concentration of revenue sources

Of the total revenue sources of the Organization, the California Department of Education accounted for approximately 49% of the total revenue of the Organization for the year ended June 30, 2023.

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.

Property and equipment

The Organization records purchased property with extended useful lives at cost, and donated property and equipment at fair market value on the date received. Depreciation may not be claimed for reimbursement under child development contracts for assets donated or purchased with public funds.

The Organization capitalizes and depreciates or amortizes all property and equipment in accordance with its policies and reports the transactions in the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. The Organization's capitalization threshold is \$5,000. Depreciation and amortization is recorded over the useful lives of the property and equipment using the straight-line method.

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-lived assets

The Organization reviews the carrying value of property, equipment and intangible assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where the expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. As of June 30, 2023, no impairment loss was recognized by the Organization.

Leases

The Organization leases properties under operating leases. The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets and lease liabilities on the consolidated statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Organization's lease does not provide an implicit rate, the Organization uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization has elected not to recognize right-of-use assets and lease liabilities for short-term leases and instead records them in a manner similar to operating leases under legacy leasing guidelines. A short-term lease is one with a maximum lease term of 12 months or fewer and does not include a purchase option that the lessee is reasonably certain to exercise. The Organization does not have any short-term leases.

Prepaid expenses

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

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Paid time off (PTO)

The Organization offers a single PTO program to eligible employees that can be used for any purpose (e.g. vacation, personal leave, sick leave, etc.). Eligible employees accrue PTO based on years of service and exemption status. Non-exempt employees earn PTO hours based on hours paid each pay period excluding overtime, but including PTO. If employment ends, all accrued PTO hours that have not been used at termination date will be paid. Accrued PTO at June 30, 2023 was \$721,548.

Revenue recognition

Contributions received are reported as net assets without donor restrictions or with donor restrictions depending on donor restrictions, if any. Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the barrier has been overcome and right of release/right of return no longer exists.

A major portion of the Organization's revenues is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position. The Organization has been awarded cost-reimbursable grants of approximately \$740,000 that have not been recognized at June 30, 2023 because qualifying expenditures have not yet been incurred.

In addition, the Organization receives family fee and tuition revenue for childcare services based on a set fee schedule and income guidelines. Revenue is recognized as services are provided.

Donated materials and services

Donated materials and services (in-kind) are reflected as contributions in the accompanying consolidated statement of activities at their fair market value. 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 contributions donated to the Organization include volunteer services, food, supplies, rent, utilities, loan capital for the purchase of vehicles and legal services. The total in-kind contributions for the year ended June 30, 2023 was \$1,582,620.

Advertising costs

The Organization expenses advertising costs as incurred. Advertising costs totaled \$3,980 for the year ended June 30, 2023.

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of expenses

The costs of providing programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Indirect or shared costs are allocated to the programs and supporting services by a method that measures the estimated benefit provided.

Income taxes

Peninsula Family Service is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and section 23701(d) of the California Revenue and Taxation Code whereby only unrelated business income, as defined by Section 512(a)(1) of the Internal Revenue Code and similar code sections of the California Revenue and Taxation code is subject to income tax. Accordingly, no provision for income taxes has been provided for in the accompanying consolidated financial statements.

DF, a for-profit entity, is a disregarded entity which is not subject to federal income taxes. Accordingly, no provision for income taxes has been provided for in the accompanying consolidated financial statements. DF, however, is required to pay an \$800 minimum California franchise tax and a gross receipts fee.

The Organization is required to file annual informational returns for its nonprofit entity with the Internal Revenue Service and the California Franchise Tax Board. Management has evaluated its current tax positions and has concluded as of June 30, 2023, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary. The tax returns are subject to examination by the taxing authorities generally for three years and four years for federal and state, respectively, starting with the date of filing or the due date of the tax return, whichever is later.

Comparative financial information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2022 from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2022 consolidated financial statements to conform to the 2023 consolidated financial statement presentation.

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

The Organization has evaluated subsequent events through December 14, 2023, the date the consolidated financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Organization's consolidated financial statements.

3. ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable as of June 30, 2023 consisted mainly of receivables from various funding agencies and donors. The noncurrent portion of accounts and grants receivable is expected to be collected in 2025.

4. INVESTMENTS

Investments consisted of the following:

Mutual funds	\$ 1,686,978
Money market funds	<u>406,496</u>
	<u><u>\$ 2,093,474</u></u>

The following summarizes investment return for the year ended June 30, 2023:

Interest and dividend income	\$ 15,685
Realized gains on investments	2,120
Unrealized gains on investments	93,591
Investment fees	<u>(14,070)</u>
	<u><u>\$ 97,326</u></u>

The Organization is the owner and the direct beneficiary of certain life insurance policies. The policies were valued at the cash surrender value.

The Organization invested in open-end and closed-end mutual funds. The fair values of the mutual funds were measured using quoted market prices.

The Organization invested in money market funds, which consisted of 99.5% government funds, cash and/or securities backed by the US government and retail funds. The price of the money market fund may fluctuate and may be worth less than originally paid. A money market fund is not insured or guaranteed by the FDIC or other government agency.

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

5. FAIR VALUE DISCLOSURES

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Mutual funds	\$ 1,686,978	\$ -	\$ -	\$ 1,686,978
Money market funds	<u>406,496</u>	<u>-</u>	<u>-</u>	<u>406,496</u>
	<u>\$ 2,093,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,093,474</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Leasehold improvements	\$ 1,438,380
Buildings	6,977,107
Computer equipment	460,684
Furniture and fixtures	1,118,016
Land	987,266
Construction in progress	<u>204,614</u>
	11,186,067
Accumulated depreciation and amortization	<u>(7,100,482)</u>
	<u>\$ 4,085,585</u>

Depreciation and amortization expense amounted to \$426,149 for the year ended June 30, 2023.

7. 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.

8. LINE OF CREDIT

The Organization has a revolving line of credit with availability of \$1,275,000. The line of credit matured on June 30, 2023 and is currently being renewed. The line of credit is secured by a deed of trust. Interest is payable in monthly installments on the unpaid principal balance at 0.5% over the prime rate as published in the Wall Street Journal. The interest rate at June 30, 2023 was 4%. The Organization has no outstanding balance at June 30, 2023.

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

9. NOTES PAYABLE

On March 1, 2002, the Organization received a \$725,000 loan from the Property Acquisition Program Loan Program offered by the County of San Mateo Department of Housing to purchase a commercial building in the County of San Mateo. The original term of the loan was scheduled to mature in 15 years on August 31, 2017. On November 25, 2015, the Organization entered into an amendment with the County of San Mateo to extend the maturity date to November 1, 2032. The loan bears an interest rate of 0.91% per annum, with a monthly payment amount of \$2,508 (including a collection fee of \$6) and a balloon payment at maturity for the outstanding balance and interest.

The Organization received a \$100,000 loan from the City of San Mateo for the construction and expansion of a childcare facility for up to six participants. For each year the Organization satisfies the program requirements, as evidenced by the City's approval of the annual report, the City will forgive a portion of the loan in an amount equal to 20% of the original principal payment. In the event that the Organization satisfies the program requirements for five years during the loan term, the entire original loan amount shall be forgiven. For the year ended June 30, 2023, 20% of the loan amount has been forgiven.

Notes payable are detailed as follows:

Note payable to the County of San Mateo	\$ 266,811
Note payable to the City of San Mateo	<u>18,182</u>
	284,993
Current portion	<u>(27,694)</u>
	<u><u>\$ 257,299</u></u>

The future maturities of the notes payable are as follows:

Year ending June 30,

2024	\$ 27,694
2025	27,947
2026	28,202
2027	28,460
2028	28,720
Thereafter	<u>143,970</u>
	<u><u>\$ 284,993</u></u>

10. BOARD DESIGNATED NET ASSETS

The board of the Organization designated certain funds to be used for future events or specific operating purposes.

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

10. BOARD DESIGNATED NET ASSETS (continued)

Board designated net assets were designated for the following purposes:

Facilities reserves	\$ 50,000
Loan reserves	<u>40,000</u>
	<u><u>\$ 90,000</u></u>

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Operations	\$ 2,076,315
Endowment funds	2,093,474
Fixed assets reserve	<u>220,787</u>
	<u><u>\$ 4,390,576</u></u>

Net assets with donor restrictions released from restriction during the year were as follows:

Operations	\$ 937,916
Endowment funds	<u>79,038</u>
	<u><u>\$ 1,016,954</u></u>

12. ENDOWMENT

The Organization's endowment consists of several individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Organization's Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 endowment net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts donated to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds, and (d) the remaining portion of donor-restricted endowment fund whose use is restricted until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

12. ENDOWMENT (continued)

Interpretation of relevant law (continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

The Organization has adopted the following investment policy statement for its endowment assets.

A. Investment Objective

The investment objectives for the management of endowment assets are as follows:

- To manage the contributions in a manner that will maximize the benefit to the Organization while remaining cognizant of the market and individual security risks.
- To achieve a total return from the investments sufficient to provide both a reasonable growth of the asset base and current income to support a 5% annual withdrawal rate to fund the programs of the Organization.

B. Asset Allocation

The Investment Committee will establish in writing the Organization's asset allocation, including minimum and maximum allocations for each asset class in the Portfolio, and will modify it from time to time, with recommendations from the Investment Advisor. To assist in asset allocation, Exhibit A below establishes a range and target for each asset class.

The Investment Committee will seek to achieve a diversified portfolio, unless it prudently determines that, because of special circumstances, the portfolio or a particular fund or funds within the Portfolio are better served without diversification.

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;

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

12. ENDOWMENT (continued)

B. Asset Allocation (continued)

- 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 corporate debt.
 - c. Cash and cash equivalents and money market mutual funds will be considered as Fixed income in this asset allocation weighting.
 - d. For the holdings of Balanced Mutual funds, "look through" the fund vehicle to the allocation of underlying assets to apply to the allocation ratio.
2. The investments in equities and fixed income will be reviewed no less than at the end of each quarter and compared to the 65% equity and 35% fixed income benchmarks. Should either vary more than 10% from the benchmark at the close of the quarter, the investments will be rebalanced within 30 days unless otherwise directed by the committee with documentation explaining the rationale behind the decision.

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.

1. Selection of Investments: The manager will have discretion to choose specific investments and quantities allocated to those investments provided they meet the criteria above.
2. Asset Allocation: The manger has discretion to allocate within the ranges established by the committee.
3. Selection of mutual funds: The manager shall consider the following in his selection of funds.

Track Record: Funds must have established track record with at least three year of history. Investments shall have risk adjusted returns in keeping with the Morningstar category peer group median or higher over both the 3, 5 and 10 year periods.

Expenses: Expense Ratios of all holdings shall be at or below average for respective categories. The investment manager shall select mutual fund share classes with the lowest available expense ratios.

Size: Funds must have at least \$100 Million net assets.

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

12. ENDOWMENT (continued)

C. Professional Management (continued)

4. Compensation: The manager will receive an annual fee based on a mutually negotiated contract.
5. Fees: Any sales charge, load, 12b1, or commissions that may be incurred to purchase an investment will be credited to the Peninsula Family Service account.

D. Performance Evaluation

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.

Benchmark: Performance will be compared to a benchmark that is 65% of the return of the MSCI All Country World Index plus 35% of the return of the Barclays Capital Aggregate index.

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 4% of the market value of the Fund's investments annually unless otherwise directed by the board. In addition, subject to Trustee 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.

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

12. ENDOWMENT (continued)

F. Guidelines for Prudent Investing

Since the primary role of the Trustees is 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, 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. We 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.

The Investment Committee should encourage the investment manager to select fund investments which include ESG (Environmental, Social & Governance) factors in their analytical process. Further, the Investment Committee should periodically request information regarding the current ESG approach of each fund manager.

G. Restrictions

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; the investment manager is prohibited from purchase of single name Equities or of individual Bonds. Any securities of this type donated to the endowment fund shall be sold upon receipt.
6. position more than 20% of the portfolio in any one industry group as defined by Standard & Poors. However, this restriction shall not apply to obligations of the U.S. Government;
7. position more than 40% of the market value of the portfolio in securities of companies or governments of countries outside the U.S. Non-U.S. Securities, Developed and Emerging Market, held in a fund vehicle will not exceed 40% of assets;
8. acquire commodities contracts or similar futures obligations;
9. Bonds rated lower than BBB, as defined by the leading statistical agencies of Moody's or Standard & Poor's held in a fund vehicle will not exceed 15% of assets.

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

12. ENDOWMENT (continued)

G. Restrictions (continued)

10. Leveraged investments, hedge funds, private equity or levered ETFs (power shares) are prohibited.

H. Policy Review - The committee shall review this policy annually.

Exhibit A

<u>Asset Class / Subasset Class</u>	<u>Lower Limit</u>	<u>Target Allocation</u>	<u>Upper Limit</u>
Investment Grade Fixed Income & Cash	20	25	30
Other Fixed Income, including: High Yield Bonds, High Yield Bank Loans, Emerging Market Bonds	5	10	15
US Equity	29	36	42
Non-US Equity: Developed Countries	18	24	30
Emerging Market Equity	2	5	10

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2023.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	<u>Accumulated Earnings</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ 694,003</u>	<u>\$ 1,399,471</u>	<u>\$ 2,093,474</u>

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

12. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, June 30, 2022	\$ -	\$ 1,991,742	\$ 1,991,742
Investment return			
Investment income	-	76,614	76,614
Realized and unrealized gains	-	81,656	81,656
Total investment return	-	158,270	158,270
Appropriation of net assets	-	(79,038)	(79,038)
	-	79,232	79,232
Contributions			
	-	22,500	22,500
Balance, June 30, 2023	<u>\$ -</u>	<u>\$ 2,093,474</u>	<u>\$ 2,093,474</u>

13. IN-KIND CONTRIBUTIONS

Donated services are valued based on the hours and estimated market rates of the services. Donated space is valued based on the market values provided by the donor. Food donations are valued based on cost studies and the valuations provided from the donor. Contributed loan capital is valued based on the value of the loans funded by the financial institutions. Other in-kind goods are estimated based on their fair value on the date of receipt. Donated nonfinancial assets are not sold and goods are only distributed for program use.

In-kind contributions for the year ended June 30, 2023 consisted of the following:

Program services	\$ 213,688
Donated space	164,920
Loan capital	325,801
Food donations	<u>878,211</u>
	<u>\$ 1,582,620</u>

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

14. 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. For the year ended June 30, 2023, the Organization contributed \$792,673 to the plan.

15. LEASES

The Organization leases commercial properties under non-cancelable operating leases. The leases have terms expiring through 2027 and monthly payments ranging from approximately \$3,000 to \$4,900.

Additional information related to leases is as follows:

Cash flows from operating leases	\$ 232,780
Operating lease cost	\$ 207,986
Operating lease ROU assets obtained in exchange for lease obligations	\$ 1,168,587
Weighted average discount rate	2.88 %
Weighted average remaining lease term	5 years

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2024	\$ 242,134
2025	251,635
2026	261,299
2027	<u>266,859</u>
	1,021,927
Less imputed interest	<u>(55,068)</u>
	<u><u>\$ 966,859</u></u>

16. COST ALLOCATION PLAN

The Organization updates its cost allocation plans annually or more frequently when changes are needed in program enrollment or other cost drivers. The Organization obtains approval of the cost allocation plan from its Board of Directors. The Organization applies several methods for allocating costs:

Direct costs

Costs identified 100 percent to a specific program are charged directly to that program.

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

16. COST ALLOCATION PLAN (continued)

Shared direct costs

Costs identified to specific multiple programs or activities are shared between the programs benefiting.

Payroll costs are allocated using individual time sheets that report the actual time spent by employees in each program each day.

Rent, 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, finance 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.

17. AUXILIARY ORGANIZATIONS

The Organization is affiliated with three non-profit auxiliary corporations. The sole purpose of the auxiliary corporations is to support the Organization by fundraising, volunteer service projects and by promoting community awareness of the Organization's programs. The auxiliaries are The Hillsborough Auxiliary to Peninsula Family Service, Foothill Auxiliary to Peninsula Family Service and Red-Car-Bel Auxiliary Inc. The auxiliaries are operated by their own boards of directors which consist of active members of the auxiliaries. The auxiliaries are not required to be and are not consolidated in the accompanying consolidated financial statements. The net assets of the auxiliaries as of June 30, 2023 are nominal and not recognized by the Organization.

18. LIQUIDITY AND FUNDS AVAILABLE

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Peninsula Family Service
Notes to Consolidated Financial Statements
June 30, 2023

18. LIQUIDITY AND FUNDS AVAILABLE (continued)

The following is a quantitative disclosure which describes financial assets that are available as of June 30, 2023 to fund general expenditures and other obligations as they become due within one year:

Financial assets:	
Cash and cash equivalents	\$ 3,011,919
Accounts and grants receivable	2,228,833
Investments	<u>2,093,474</u>
	<u>7,334,226</u>
Less: limitations making financial assets unavailable for general expenditure within one year:	
Net assets with donor restrictions	<u>(4,390,576)</u>
	<u>(4,390,576)</u>
	<u>\$ 2,943,650</u>

SINGLE AUDIT REPORTS AND SCHEDULES

INDEPENDENT AUDITOR'S 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*

Board of Directors
Peninsula Family Service
San Mateo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Peninsula Family Service (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated December 14, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Armanino LLP". The signature is stylized and cursive.

Armanino^{LLP}
San Francisco, California

December 14, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

Board of Directors
Peninsula Family Service
San Mateo, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Peninsula Family Service (the "Organization")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. 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.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in black ink that reads "Armanino LLP". The script is cursive and fluid.

Armanino^{LLP}
San Francisco, California

December 14, 2023

Peninsula Family Service
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Total State Expenditures
<u>Expenditures of Federal and State Awards</u>				
U.S. Department of Health and Human Services				
Direct awards				
Head Start				
Early Head Start	93.600	09CH011352-03/ 09CH011352-04	\$ 1,285,020	\$ -
Total direct awards			<u>1,285,020</u>	<u>-</u>
Pass-through program from California Department of Education:				
CCDF Cluster				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund				
CCTR-2258	93.596	41-B629-00-7	464,185	3,032,339
Total Child Care Mandatory and Matching Funds of the Child Care and Development Fund			<u>464,185</u>	<u>3,032,339</u>
Child Care and Development Block Grant				
CCTR-2258	93.575	41-B639-00-7	1,535,188	-
CSPP-2515	93.575	41-B640-00-7	3,866,758	1,146,097
Total Child Care and Development Block Grant			<u>5,401,946</u>	<u>1,146,097</u>
Total CCDF Cluster			<u>5,866,131</u>	<u>4,178,436</u>
Special Programs for the Aging_ Title III, Part C_ Nutrition Services				
Pass-through program from County of San Mateo				
Title IIIB: Information & Assistance	93.045	57000-FY23- R078984R	38,948	9,000
Title IIIC: Congregate Nutrition - CARES Act	93.045	57000-FY23- R078984R	25,811	-
Title IIIC 1: Congregate Nutrition		57000-FY24- R079294D	-	1,109
Title IIIB: Information & Assistance	93.044	57000-FY23- R078984R	44,378	-
Title IIIC 1: AAA Vaccine	93.044	57000-FY23- D003	7,400	-
Total Special Programs for the Aging_ Title III, Part C_ Nutrition Services			<u>116,537</u>	<u>10,109</u>
Total U.S. Department of Health and Human Services			<u>7,267,688</u>	<u>4,188,545</u>

The accompanying notes to the Schedule of Expenditures of Federal and State Awards
are an integral part of this schedule.

Peninsula Family Service
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Total State Expenditures
U.S. Department of Labor				
Senior Community Service Employment Program				
Pass-through program from National Council on Aging:				
National Council on Aging	17.235	31	1,210,010	-
Total U.S. Department of Labor			1,210,010	-
U.S. Department of Agriculture				
Child and Adult Care Food Program				
Pass-through program from California Department of Education:				
Child Care Food Program	10.558	41-1664-1A	318,509	-
Total Child and Adult Care Food Program			318,509	-
Total U.S. Department of Agriculture			318,509	-
U.S. Department of Transportation				
Job Access And Reverse Commute Program				
Pass-through program from Metropolitan Transportation Commission:				
Lifeline Transportation Program	20.513		101,305	-
Section 5310: Operating Assistance for Got Wheels Program	20.513		74,000	-
Total Job Access And Reverse Commute Program			175,305	-
Total U.S. Department of Transportation			175,305	-
U.S. Department of Housing & Urban Development				
Community Development Block Grants/Entitlement Grants				
Pass-through program from City of South San Francisco:				
Community Development Block Grant	14.218		16,860	-
Pass-through program from City of Daly City:				
Community Development Block Grant	14.218	B-19-MC-06-0010	30,000	-
Total U.S. Department of Housing & Urban Development			46,860	-
Total Expenditures of Federal and State Awards			\$ 9,018,372	\$ 4,188,545

The accompanying notes to the Schedule of Expenditures of Federal and State Awards
are an integral part of this schedule.

Peninsula Family Service
Notes to Schedule of Expenditures of Federal and State Awards
June 30, 2023

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state award activity of Peninsula Family Service (the "Organization") under programs of the federal government and State of California for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and California Department of Education. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and California Department of Education, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. LOANS

The Organization did not have any federal loan programs during the year ended June 30, 2023.

4. INDIRECT COSTS

Except for the Head Start program, the Organization does not use the 10% de minimis indirect cost rate for federal awards.

Peninsula Family Service
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Head Start	93.600
Senior Community Service Employment Program	17.235
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Peninsula Family Service
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Peninsula Family Service
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2023

There were no prior year findings.

SUPPORTING SCHEDULES REQUIRED BY THE CALIFORNIA DEPARTMENT OF EDUCATION

Peninsula Family Service
General Information
For the Year Ended June 30, 2023

Center Name	Peninsula Family Service
Contract Numbers	CCTR-2258 CSPP-2515
Project Number	41-OB629-00-9
Type of Agency	California Nonprofit Public Benefit Corporation
Address	24 2nd Avenue, San Mateo, CA 94401-3828
Name of Chief Executive Officer	Heather Cleary
Telephone Number	(650) 403-4300
Audit Period	July 1, 2022 through June 30, 2023
Number of Operations Days of Agency	246
Scheduled Daily Hours of Operation	Varied

Peninsula Family Service
Combining Statement of Activities
For the Year Ended June 30, 2023

	California Department of Education Programs & Supplemental								Early Learning Division	Other Divisions	Total
	General Center CCTR-2258	State Preschool CSPP-2515	Early Head Start HB & Admin	Infrastructure Grant	San Mateo County Office of Education	1ST 5	Big Lift	Other Grants			
Public support and revenue											
Grant income											
Early Head Start	\$ -	\$ -	\$ 1,285,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,285,020	\$ -	\$ 1,285,020
California Department of Education	-	5,012,855	-	-	-	-	-	-	5,012,855	-	5,012,855
California Department of Social Services	5,031,712	-	-	-	-	-	-	-	5,031,712	-	5,031,712
Child Care Food Program	154,925	163,583	-	-	-	-	-	-	318,508	-	318,508
County of San Mateo	-	-	-	-	-	-	-	-	-	1,334,472	1,334,472
National Council on Aging	-	-	-	-	-	-	-	-	-	1,210,009	1,210,009
Paycheck Protection Program	-	-	-	-	-	-	-	-	-	-	-
Other grants	111,296	109,200	-	204,002	67,984	160,000	358,000	197,632	1,208,114	-	1,208,114
Pledges and contributions											
Contributions	-	-	-	-	-	-	-	144,580	144,580	3,183,712	3,328,292
Contributions - in-kind	264,243	279,011	-	-	-	-	-	-	543,254	1,039,366	1,582,620
Earned income											
Fees - program services	-	-	-	-	-	-	-	-	-	8,270	8,270
Other income											
Interest and dividends	-	-	-	-	-	-	-	-	-	242,557	242,557
Realized and unrealized gains on investments, net	-	-	-	-	-	-	-	-	-	97,326	97,326
Other income	-	-	-	-	-	-	-	-	-	121,164	121,164
Total public support and revenue	5,562,176	5,564,649	1,285,020	204,002	67,984	160,000	358,000	342,212	13,544,043	7,236,876	20,780,919
Expenditures											
Salaries and wages	3,049,215	2,994,506	775,534	-	-	83,992	232,946	125,796	7,261,989	4,244,337	11,506,326
Employee benefits	824,390	787,199	217,385	-	-	24,852	67,054	39,941	1,960,821	787,022	2,747,843
Professional & outside services	72,995	77,074	36,224	-	-	33,800	28,000	15,606	263,699	317,876	581,575
Supplies	85,376	90,148	32,511	-	67,984	3,835	-	21,033	300,887	31,553	332,440
Refreshment & program food	219,532	231,801	3,438	-	-	-	-	-	454,771	142,032	596,803
Telephone & internet	40,023	42,261	13,045	-	-	-	-	-	95,329	52,047	147,376
Postage, delivery & printing	1,418	1,498	302	-	-	-	-	-	3,218	5,842	9,060
Occupancy	334,491	353,184	64,739	-	-	-	-	-	752,414	130,975	883,389
Insurance	24,744	26,127	7,848	-	-	-	-	-	58,719	44,368	103,087
IT, software & equipment	91,481	96,594	2,753	204,002	-	-	-	-	394,830	178,131	572,961
Travel	5,304	5,601	409	-	-	-	-	-	11,314	20,205	31,519
Training and conferences	48,355	51,057	23,536	-	-	-	-	-	122,948	42,105	165,053
Public relations	-	-	-	-	-	-	-	27,637	27,637	331,194	358,831
Miscellaneous expense	5,688	6,007	1,673	-	-	-	-	-	13,368	266,595	279,963
In-kind expense	264,243	279,011	-	-	-	-	-	-	543,254	1,039,367	1,582,621
Depreciation	13,760	14,529	-	-	-	-	-	82,084	110,373	315,776	426,149
Sub-total before allocation of administrative and support expenditures	5,081,015	5,056,597	1,179,397	204,002	67,984	146,479	328,000	312,097	12,375,571	7,949,425	20,324,996
Allocation of administrative and support expenditure:	481,161	508,052	105,623	-	-	13,521	30,000	30,115	1,168,472	(1,168,472)	-
Total expenditures	5,562,176	5,564,649	1,285,020	204,002	67,984	160,000	358,000	342,212	13,544,043	6,780,953	20,324,996
Change in net assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 455,923	\$ 455,923

Peninsula Family Service
Combining Schedule of Renovation and Repair Expenditures
For the Year Ended June 30, 2023

	<u>General Center CCTR-2258</u>	<u>State Preschool CSPP-2515</u>	<u>Total</u>
Unit cost under \$10,000			
None	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>
Unit cost over \$10,000 (with CDE Approval)			
None	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Unit cost over \$10,000 (without CDE Approval)			
None	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Peninsula Family Service
Combining Schedule of Claimed Equipment Expenditures
For the Year Ended June 30, 2023

	<u>General Center CCTR-2258</u>	<u>State Preschool CSPP-2515</u>	<u>Total</u>
Capitalized equipment expensed on the AUD with prior written approval			
None	\$ -	\$ -	\$ -
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>
Capitalized equipment expensed on the AUD without prior written approval			
None	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Peninsula Family Service
Combining Schedule of Administrative Costs
For the Year Ended June 30, 2023

	General Center CCTR-2258	State Preschool CSPP-2515	Total
Salaries and wages	\$ 361,290	\$ 381,482	\$ 742,772
Payroll taxes	24,535	25,906	50,441
Employee benefits	45,703	48,257	93,960
Professional fees and outside services	19,237	20,312	39,549
Supplies	2,066	2,181	4,247
Refreshment and program food	2,894	3,056	5,950
Telephone and internet	2,682	2,832	5,514
Postage, delivery and printing	230	243	473
Occupancy	3,179	3,357	6,536
Insurance	1,554	1,641	3,195
IT, software and equipment	2,927	3,090	6,017
Travel	4,346	4,589	8,935
Conference and training	6,125	6,467	12,592
Miscellaneous	<u>4,393</u>	<u>4,638</u>	<u>9,031</u>
	<u>\$ 481,161</u>	<u>\$ 508,051</u>	<u>\$ 989,212</u>

Peninsula Family Service
Combining Schedule of Expenditures by State Categories
For the Year Ended June 30, 2023

	<u>General Center CCTR-2258</u>	<u>State Preschool CSPP-2515</u>	<u>Total</u>
Direct payments to providers			
1000 Certificated salaries	2,164,943	2,126,099	4,291,042
2000 Classified salaries	884,272	868,407	1,752,679
3000 Employee benefits	824,390	787,199	1,611,589
4000 Books and supplies	85,376	90,148	175,524
5000 Services and other operating expenses	<u>1,589,435</u>	<u>1,678,267</u>	<u>3,267,702</u>
	<u>5,548,416</u>	<u>5,550,120</u>	<u>11,098,536</u>
Other			
Depreciation or use allowance	<u>13,760</u>	<u>14,529</u>	<u>28,289</u>
	<u>13,760</u>	<u>14,529</u>	<u>28,289</u>
Total expenditures by state categories	5,562,176	5,564,649	11,126,825
Supplemental expenses	<u>1,713,001</u>	<u>704,218</u>	<u>2,417,219</u>
Total of reimbursable and non-reimbursable expenditures	<u><u>\$ 7,275,177</u></u>	<u><u>\$ 6,268,867</u></u>	<u><u>\$ 13,544,044</u></u>

Peninsula Family Service
Notes to Child Care Supplementary Information
For the Years Ended June 30, 2023

In accordance with the applicable requirements from the Funding Terms & Conditions:

1. Interest expense is only allowable as a reimbursable cost in certain circumstances when it has been preapproved by the administering state department or relates to the lease purchase, acquisition, or repair or renovation of early learning and care facilities owned or leased by the contractor. No interest expense was claimed to a child development contract for the year ended June 30, 2023.
2. All expenses claimed for reimbursement under a related party rent transaction must be supported by a fair market rental estimate from an independent appraiser, licensed by the California Office of Real Estate Appraisers. No related party rent expense was claimed as a reimbursable expense for the year ended June 30, 2023.
3. Bad debt expense is unallowable unless it relates to uncollected family fees where documentation of adequate collection attempts exists. No bad debt expense was claimed to a child development contract for the year ended June 30, 2023.

AUDITED ENROLLMENT, ATTENDANCE AND FISCAL REPORT FOR CHILD CARE AND DEVELOPMENT PROGRAMS

Fiscal Year Ending	June 30, 2023
Contract Number	CCTR2258
Vendor Code	B629

Full Name of Contractor **Peninsula Family Service**

Section 1 - Number of Counties Where Services are Provided

Number of counties where the agency provided services to certified children (Form AUD 9500.1):

Number of counties where the agency provided mental health consultation services to certified children (Form AUD 9500.2):

Number of counties where the agency provided services to non-certified children (Form AUD 9500.3):

Number of counties where the agency provided mental health consultation services to non-certified children (Form AUD 9500.4):

Total enrollment and attendance forms to attach:

Note: For each of the above categories, submit one form for each service county for the fiscal year.

Section 2 - Days of Enrollment, Attendance and Operation

	Column A Cumulative FY CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjusted Days per Audit
Total Certified Days of Enrollment	12,760		12760	9,368.2227
Total Certified Days of Enrollment with Mental Health Consultation Services	21,628		21628	44,564.0254
Days of Attendance (including MHCS)	34,377		34377	N/A
Total Non-Certified Days of Enrollment				
Total Non-Certified Days of Enrollment with Mental Health Consultation Services				
Days of Operation	246		246	N/A

Full Name of Contractor **Peninsula Family Service**Contract Number **CCTR2258****Section 3 - Revenue**

	Column A Cumulative FY CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Restricted Income - Child Nutrition Programs	154,925		154925
Restricted Income - County Maintenance of Effort (WIC Section 10308.5)			
Restricted Income - American Rescue Plan Act (ARPA)	111,296		111296
Restricted Income - Other:	29,401		29401
Restricted Income - Subtotal	295622		295622
Transfer From Reserve			
Waived Family Fees for Certified Children*	21,344		21344
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income - Fees for Non-Certified Children			
Unrestricted Income - Head Start			
Unrestricted Income - Other:			
Total Revenue (*Waived Family Fees Not Included)	295622		295622

Comments:

Full Name of Contractor **Peninsula Family Service**Contract Number **CCTR2258****Section 4 - Reimbursable Expenses**

	Column A Cumulative FY CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Direct Payments to Providers (FCCH only)			
1000 Certificated Salaries	2,168,380	-3,437	2164943
2000 Classified Salaries	885,676	-1,404	884272
3000 Employee Benefits	817,138	7,252	824390
4000 Books and Supplies	85,779	-403	85376
5000 Services and Other Operating Expenses	1,334,966	254,469	1589435
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance	13,760		13760
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (include in Total Administrative Cost)			
Non-Reimbursable (State use only)			
Total Reimbursable Expenses	5305699	256477	5562176
Total Administrative Cost (included in Section 4 above)	474,624	6,537	481161
Total Staff Training Cost (included in Section 4 above)			

Approved Indirect Cost Rate: **19.70 %**☐ NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 4.

Full Name of Contractor **Peninsula Family Service**Contract Number **CCTR2258****Section 5 - Supplemental Revenue**

	Column A Cumulative FY CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Enhancement Funding	1,285,020		1285020
Other:	210,312	13,667	223979
Other:	204,002		204002
Total Supplemental Revenue	1699334	13667	1713001

Section 6 - Supplemental Expenses

	Column A Cumulative FY CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
1000 Certificated Salaries	615,755	7,325	623080
2000 Classified Salaries	251,506	2,991	254497
3000 Employee Benefits	245,549	3,351	248900
4000 Books and Supplies	77,675		77675
5000 Services and Other Operating Expenses	304,847		304847
6000 Equipment / Capital Outlay	204,002		204002
Depreciation or Use Allowance			
Indirect Costs			
Non-Reimbursable Supplemental Expenses			
Total Supplemental Expenses	1699334	13667	1713001

Full Name of Contractor **Peninsula Family Service**Contract Number **CCTR2258****Section 7 - Summary**

	Column A Cumulative FY CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Total Certified Days of Enrollment (including MHCS)	34388		34388
Days of Operation	246		246
Days of Attendance (including MHCS)	34377		34377
Restricted Program Income	295622		295622
Transfer from Reserve			
Waived Family Fees for Certified Children	21344		21344
Interest Earned on Child Development Apportionment Payments			
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses	5305699	256477	5562176
Total Administrative Cost	474624	6537	481161
Total Staff Training Cost			

Total Certified Adjusted Days of Enrollment (including MHCS) **53,932.2481**Total Non-Certified Adjusted Days of Enrollment (including MHCS)

Independent auditor's assurances on agency's compliance with contract funding terms and conditions and program requirements for programs that transferred to the California Department of Social Services on July 1, 2021 pursuant to WIC Section 10203(b):

Eligibility, enrollment and attendance records are being maintained as required (select YES or NO from the drop-down box): **Yes**

Reimbursable expenses claimed on page 3 are eligible for reimbursement, reasonable, necessary, and adequately supported (select YES or NO from the drop-down box):

Yes

Include any comments in the comments box on page 2. If necessary, attach additional sheets to explain adjustments.

Contractor Name: Peninsula Family Service

Contract Number: CSPP 2515

**California Department of Education
Audited Enrollment, Attendance and Fiscal
Report for California State Preschool Program**

Fiscal Year Ended: June 30, 2023

Vendor Code: B629

Section 1 – Number of Counties Where Services are Provided

Number of counties where the agency provided services to certified children (Form 1):

Number of counties where the agency provided mental health consultation services to certified children (Form 2):

Number of counties where the agency provided services to non-certified children (Form 3):

Number of counties where the agency provided mental health consultation services to non-certified children (Form 4):

Total enrollment and attendance forms to attach: **0**

Note: For each of the above categories, submit one form for each service county.

Section 2 – Days of Enrollment, Attendance and Operation

Enrollment and Attendance Form Summary	Column A Cumulative FY per CPARIS	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjusted Days per Audit
Total Certified Days of Enrollment			0	
Total Certified Days of Enrollment with Mental Health Consultation Services	33,990		33,990	56,946.3340
Days of Attendance (including MHCS)	33,916		33,916	N/A
Total Non-Certified Days of Enrollment			0	
Total Non-Certified Days of Enrollment with Mental Health Consultation Services			0	

Days of Operation	Column A Cumulative FY per CPARIS	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjusted Days per Audit
Days of Operation	246		246	N/A

Section 3 – Revenue

Restricted Income	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Child Nutrition Programs	163,583		163,583
County Maintenance of Effort (EC Section 8260)			0
Other: Stipend Allocation	109,200		109,200
Other: In-Kind Contributions	31,043	247,968	279,011
TOTAL RESTRICTED INCOME	303,826	247,968	551,794

Transfer from Reserve	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Transfer from Preschool Reserve Account			0

Other Income	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Waived Family Fees for Certified Children	105,410		105,410
Interest Earned on Child Development Apportionment Payments			0
Unrestricted Income: Fees for Non-Certified Children			0
Unrestricted Income: Head Start			0
Other:			0
Other:			0

Section 4 - Reimbursable Expenses

Cost Category	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Direct Payments to Providers (FCCH only)			0
1000 Certificated Salaries	2,102,508	23,591	2,126,099
2000 Classified Salaries	858,771	9,636	868,407
3000 Employee Benefits	779,554	7,645	787,199
4000 Books and Supplies	90,573	(425)	90,148
5000 Services and Other Operating Expenses	1,409,576	268,691	1,678,267
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)			0
6500 Equipment Replacement (program-related)			0
Depreciation or Use Allowance	14,529		14,529
Start-up Expenses (service level exemption)			0
Indirect Costs (include in Total Administrative Cost)			0
TOTAL REIMBURSABLE EXPENSES	5,255,511	309,138	5,564,649

Does the agency have an indirect cost rate approved by its cognizant agency (Select YES or NO)? ☒ Yes ☐ No

Approved Indirect Cost Rate: 19.70%

Specific Items of Reimbursable Expenses	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Total Administrative Cost (included in Reimbursable Expenses)	501,150	6,902	508,052
Total Staff Training Cost (included in Reimbursable Expenses)			0

☐ NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 4.

Section 5 - Supplemental Funding

Supplemental Revenue	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Enhancement Funding			0
Other:	725,814	(21,596)	704,218
Other:			0
TOTAL SUPPLEMENTAL REVENUE	725,814	(21,596)	704,218

Supplemental Expenses	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
1000 Certificated Salaries	261,558	(19,667)	241,891
2000 Classified Salaries	115,614	(16,814)	98,800
3000 Employee Benefits	115,737	(15,406)	100,331
4000 Books and Supplies	37,899	9,789	47,688
5000 Services and Other Operating Expenses	112,922	20,502	133,424
6000 Equipment / Capital Outlay			0
Depreciation or Use Allowance	82,084		82,084
Indirect Costs			0
Non-Reimbursable Supplemental Expenses			0
TOTAL SUPPLEMENTAL EXPENSES	725,814	(21,596)	704,218

Section 6 - Summary

Description	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Total Certified Days of Enrollment (including MHCS)	33,990	0	33,990
Days of Operation	246	0	246
Days of Attendance (including MHCS)	33,916	0	33,916
Total Certified Adjusted Days of Enrollment	N/A	N/A	56,946.3340
Total Non-Certified Adjusted Days of Enrollment	N/A	N/A	0.0000
Restricted Program Income	303,826	247,968	551,794
Transfer from Preschool Reserve Account	0	0	0
Interest Earned on Apportionment Payments	0	0	0
Direct Payments to Providers	0	0	0
Start-up Expenses (service level exemption)	0	0	0
Total Reimbursable Expenses	5,255,511	309,138	5,564,649
Total Administrative Cost	501,150	6,902	508,052
Total Staff Training Cost	0	0	0
Non-Reimbursable Cost (State Use Only)	N/A	N/A	

Section 7 – Auditor’s Assurances

Independent auditor's assurances on agency's compliance with the contract funding terms and conditions and program requirements of the California Department of Education, Early Education Division:

Eligibility, enrollment and attendance records are being maintained as required (Select YES or NO): ☒ Yes ☐ No

Reimbursable expenses claimed in Section 4 are eligible for reimbursement, reasonable, necessary, and adequately supported (Select YES or NO): ☒ Yes ☐ No

Section 8 – Comments

Include any comments in the comment box. If necessary, attach additional sheets to explain adjustments.