

# Financial Statements

Family Service Center of Galveston  
County, Texas

August 31, 2008 and 2007

**DRAFT**



**Katherine Overbeck Maxwell, CPA**

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**Family Service Center of Galveston County, Texas  
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**Katherine Overbeck Maxwell**

Certified Public Accountant

Independent Auditor's Report

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To Board of Directors  
Family Service Center of Galveston  
County, Texas

I have audited the accompanying statements of financial position of Family Service Center of Galveston County, Texas as of August 31, 2008 and August 31, 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Family Service Center of Galveston County, Texas's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Service Center of Galveston County, Texas as of August 31, 2008 and August 31, 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Galveston, Texas

December 30, 2008

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**Family Service Center of Galveston County, Texas  
Statement of Financial Position  
August 31, 2008 and 2007**

	August 31, 2008			August 31, 2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>ASSETS</b>						
Current Assets						
Cash and Temporary Cash Investments [Note 3]	\$ 74,183	\$ 128,963	\$ 203,146	\$ 108,379	\$ 137,451	\$ 245,830
Accounts Receivable, Net	47,472	-	47,472	3,472	-	3,472
Grants (Financial Awards) - Governmental Agencies Receivable, net [Note 5,7,11]	-	46,205	46,205	-	41,325	41,325
United Way Funding Allocation	33,062	-	33,062	42,586	-	42,586
Prepaid Expenses [Note 10]	4,024	-	4,024	3,762	-	3,762
<b>Total Current Assets</b>	<b>\$ 158,741</b>	<b>\$ 175,168</b>	<b>\$ 333,909</b>	<b>\$ 158,199</b>	<b>\$ 178,776</b>	<b>\$ 336,975</b>
<b>PROPERTY AND EQUIPMENT, NET [Note 6]</b>	<b>\$ 103,332</b>	<b>\$ -</b>	<b>\$ 103,332</b>	<b>\$ 111,429</b>	<b>\$ -</b>	<b>\$ 111,429</b>
<b>OTHER ASSETS - RENT DEPOSIT</b>	<b>3,000</b>	<b>-</b>	<b>3,000</b>	<b>2,500</b>	<b>-</b>	<b>2,500</b>
<b>TOTAL ASSETS</b>	<b>\$ 265,073</b>	<b>\$ 175,168</b>	<b>\$ 440,241</b>	<b>\$ 272,128</b>	<b>\$ 178,776</b>	<b>\$ 450,904</b>

The accompanying notes to the financial statements are an integral part of this statement.

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**Family Service Center of Galveston County, Texas  
Statement of Financial Position  
August 31, 2008 and 2007**

	<u>August 31, 2008</u>			<u>August 31, 2007</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Current Liabilities</b>						
Accounts Payable	\$ 3,541	\$ -	\$ 3,541	\$ 1,967	\$ -	\$ 1,967
Accrued Professional Services	3,700	-	3,700	3,500	-	3,500
Other Accrued Expenses	-	-	-	-	-	-
Line of Credit	30,000	-	30,000	-	-	-
Current Maturities - Long - Term Debt [Note 13]	<u>3,426</u>	<u>-</u>	<u>3,426</u>	<u>3,696</u>	<u>-</u>	<u>3,696</u>
<b>Total Current Liabilities</b>	<u>\$ 40,667</u>	<u>\$ -</u>	<u>\$ 40,667</u>	<u>\$ 9,163</u>	<u>\$ -</u>	<u>\$ 9,163</u>
<b>LONG TERM DEBT,</b>						
<b>NET CURRENT MATURITIES [NOTE 13]</b>	\$ 30,485	\$ -	\$ 30,485	\$ 34,619	\$ -	\$ 34,619
<b>NET ASSETS [NOTE2]</b>	<u>\$ 193,921</u>	<u>\$ 175,168</u>	<u>\$ 369,089</u>	<u>\$ 228,346</u>	<u>\$ 178,776</u>	<u>\$ 407,122</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 265,073</u>	<u>\$ 175,168</u>	<u>\$ 440,241</u>	<u>\$ 272,128</u>	<u>\$ 178,776</u>	<u>\$ 450,904</u>

The accompanying notes to the financial statements are an integral part of this statement.

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**Family Service Center of Galveston County, Texas  
Statement of Activities  
For the Years Ended August 31, 2008 and 2007**

	<u>August 31, 2008</u>			<u>August 31, 2007</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>						
<b>Public Support</b>						
Grants (Financial Awards)- State Agencies [Notes 5, 7, and 11]	\$ -	\$ 398,709	\$ 398,709	\$ -	\$ 422,745	\$ 422,745
Grants (Financial Awards)-County		236,361	236,361		206,497	206,497
Other Grants	95,924	-	95,924	103,316	-	103,316
Contributions:						
United Way Allocation	-	102,814	102,814	-	119,986	119,986
Monetary	1,138	-	1,138	5,457	-	5,457
Special events, net of \$11,762 of expenses	45,542	-	45,542	45,478	-	45,478
Special events, net of \$10,522 of expenses	-	-	-	-	-	-
<b>Total Public Support</b>	<u>\$ 142,604</u>	<u>\$ 737,884</u>	<u>\$ 880,488</u>	<u>\$ 154,251</u>	<u>\$ 749,228</u>	<u>\$ 903,479</u>
<b>Revenue</b>						
Program Service Fees [Note 4]	\$ 74,675	\$ -	\$ 74,675	\$ 109,835	\$ -	\$ 109,835
Investment Income	5,231	-	5,231	7,223	-	7,223
Gain on sale of Assets		-	-		-	-
Insurance Proceeds		-	-		279,157	279,157
Miscellaneous	1,175	-	1,175	647	-	647
<b>Total Revenue</b>	<u>\$ 81,081</u>	<u>\$ -</u>	<u>\$ 81,081</u>	<u>\$ 117,705</u>	<u>\$ 279,157</u>	<u>\$ 396,862</u>
<b>NET ASSETS RELEASED FROM   RESTRICTIONS [NOTE 8]</b>	<u>\$ 562,716</u>	<u>\$ (562,716)</u>	<u>\$ -</u>	<u>\$ 1,004,983</u>	<u>\$ (1,004,983)</u>	<u>\$ -</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>\$ 786,401</u>	<u>\$ 175,168</u>	<u>\$ 961,569</u>	<u>\$ 1,276,939</u>	<u>\$ 23,402</u>	<u>\$ 1,300,341</u>

The accompanying notes to the financial statements are an integral part of this statement.

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**Family Service Center of Galveston County, Texas  
Statement of Activities  
For the Years Ended August 31, 2008 and 2007**

	August 31, 2008			August 31, 2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>EXPENSES</b>						
<b>Program Services</b>						
Individual & Family Counseling [Note 10]	\$ 279,745	\$ -	\$ 279,745	\$ 222,961	\$ -	\$ 222,961
Services to At-Risk Youth STAR [Note 10]	335,288	-	335,288	354,801	-	354,801
Juvenile Justice Program [Note 10]	114,536	-	114,536	82,538	-	82,538
VOCA [Note 10]	-	-	-	-	-	-
YLRP [Note 10]	73,874	-	73,874	79,683	-	79,683
Oasis Program [Note 10]	152,602	-	152,602	160,425	-	160,425
<b>Total Program Services</b>	<u>\$ 956,045</u>	<u>\$ -</u>	<u>\$ 956,045</u>	<u>\$ 900,408</u>	<u>\$ -</u>	<u>\$ 900,408</u>
<b>Supporting Services</b>						
Management and General [Note 10]	\$ 41,395	\$ -	\$ 41,395	\$ 310,951	\$ -	\$ 310,951
Fundraising [Note 10]	2,162	-	2,162	834	-	834
<b>Total Supporting Services</b>	<u>\$ 43,557</u>	<u>\$ -</u>	<u>\$ 43,557</u>	<u>\$ 311,785</u>	<u>\$ -</u>	<u>\$ 311,785</u>
<b>TOTAL EXPENSES</b>	<u>\$ 999,602</u>	<u>\$ -</u>	<u>\$ 999,602</u>	<u>\$ 1,212,193</u>	<u>\$ -</u>	<u>\$ 1,212,193</u>
<b>CHANGE IN NET ASSETS</b>	(213,201)	175,168	(38,033)	64,746	23,402	88,148
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>228,346</u>	<u>178,776</u>	<u>407,122</u>	<u>163,600</u>	<u>155,374</u>	<u>318,974</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 15,145</u>	<u>\$ 353,944</u>	<u>\$ 369,089</u>	<u>\$ 228,346</u>	<u>\$ 178,776</u>	<u>\$ 407,122</u>

The accompanying notes to the financial statements are an integral part of this statement.

**Family Service Center of Galveston County, Texas**  
**Statement of Functional Expenses**  
**For the Years Ended August 31, 2008 and 2007**

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	PROGRAM SERVICES						SUPPORT SERVICES			Total 2008 Expenses	Total 2007 Expenses
	Individual & Family Counseling	Services to At-Risk Youth	Juvenile Justice Program	YLRP	Oasis Program	Total Program Services	Management and General	Fund Raising	Total Support Services		
Salaries	\$ 201,091	\$ 220,744	\$ 83,436	\$ 48,749	\$ 99,452	\$ 653,472	\$ 17,245	\$ -	\$ 17,245	\$ 670,717	\$ 584,953
Payroll Tax	19,410	20,056	9,110	4,808	8,769	62,153	301	-	301	62,454	56,292
Employer Benefits [Note 12]	21,180	22,255	7,481	6,908	16,005	73,829	2,166	-	2,166	75,995	79,073
<b>Total Salaries and Related Expenses</b>	<b>241,681</b>	<b>263,055</b>	<b>100,027</b>	<b>60,465</b>	<b>124,226</b>	<b>789,454</b>	<b>19,712</b>	<b>-</b>	<b>19,712</b>	<b>809,166</b>	<b>720,318</b>
Depreciation [Note 6]						-	12,740	-	12,740	12,740	8,111
Insurance	2,033	2,886	1,059	521	1,159	7,658	125	97	222	7,880	7,838
Occupancy	11,740	22,358	6,485	3,926	7,085	51,594	2,442	-	2,442	54,036	44,479
Supplies	370	4,813	167	82	778	6,210	194	-	194	6,404	2,463
Office Expense	3,852	6,899	790	1,861	1,144	14,546	1,217	132	1,349	15,895	11,637
Postage and Shipping	327	523	170	84	320	1,424	144	205	349	1,773	1,924
Printing and Publications	858	3,871	447	1,347	490	7,013	53	480	533	7,546	3,650
Equipment Rental and Maintenance	2,401	3,254	1,136	507	2,400	9,698	297	1,240	1,537	11,235	7,532
Organizational Memberships	60	704	5	3	494	1,266	151	-	151	1,417	1,215
Telephone Communications	2,227	6,087	1,160	572	1,295	11,341	137	-	137	11,478	10,102
Conferences and Conventions	414	4,753	159	-	1,965	7,291	50	-	50	7,341	7,013
Client Transportation	-	-	-	807	-	807	-	-	-	807	-
Professional Fees	4,104	6,851	1,555	1,451	9,540	23,501	507	8	515	24,016	40,480
Credit Line Interest Expense	222	316	116	57	127	838	1,362	-	1,362	2,200	865
Travel	4,694	8,900	1,250	680	1,571	17,095	119	-	119	17,214	19,111
Staff Awards	-	-	-	-	-	-	-	-	-	-	-
Staff Recruitment	207	18	10	10	8	253	-	-	-	253	529
Bad Debt	4,555	-	-	-	-	4,555	22	-	22	4,577	42,505
Entertainment	-	-	-	80	-	80	1,256	-	1,256	1,336	-
Litigation Settlement Expense [Note 14]	-	-	-	-	-	-	-	-	-	-	280,474
Misc.	-	-	-	1,421	-	1,421	867	-	867	2,288	1,946
<b>Total Expenses [Note 10]</b>	<b>\$ 279,745</b>	<b>\$ 335,288</b>	<b>\$ 114,536</b>	<b>\$ 73,874</b>	<b>\$ 152,602</b>	<b>\$ 956,045</b>	<b>\$ 41,395</b>	<b>\$ 2,162</b>	<b>\$ 43,557</b>	<b>\$ 999,602</b>	<b>\$ 1,212,193</b>

The accompanying notes to the financial statements are an integral part of this statement.

**Family Service Center of Galveston County, Texas**  
**Statement of Cash Flows**  
**For the Years Ended August 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (Decrease) in Net Assets	\$ (38,033)	\$ 88,148
<b>Adjustments to reconcile net assets to net cash provided by (used in) operating activities:</b>		
Depreciation [Note 6]	12,740	8,111
(Increase) Decrease in Accounts Receivable	(39,357)	(22,731)
(Increase) Decrease in Prepaid Expenses	(262)	7,883
Increase (Decrease) in Accounts Payable	1,574	(4,261)
Increase (Decrease) in Other Accrued Expenses	200	(5,470)
(Increase) Decrease in Rent Deposits	(500)	1,062
Increase (Decrease) in Credit Line	30,000	(12,000)
<b>Net Cash Provided By (used in) Operating Activities</b>	<u>(33,637)</u>	<u>60,742</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for Property and Equipment [Note 6]	<u>(4,643)</u>	<u>(7,849)</u>
<b>Net Cash Provided by (used in) Investing Activities</b>	<u>(4,643)</u>	<u>(7,849)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Reduction of Mortgage [Note 13]	<u>(4,404)</u>	<u>(4,047)</u>
<b>Net Cash Used by Financing Activities</b>	<u>(4,404)</u>	<u>(4,047)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(42,684)	48,846
<b>CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF YEAR</b>	<u>245,830</u>	<u>196,984</u>
<b>CASH AND TEMPORARY CASH INVESTMENTS AT END OF YEAR</b>	<u><u>\$ 203,146</u></u>	<u><u>\$ 245,830</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**Family Service Center of Galveston County, Texas**  
**Notes to the Financial Statements**  
**August 31, 2008 and 2007**

**Note 1: Organization**

Family Service Center of Galveston County, Texas (FSC) is a private, non-profit community agency providing professional counseling and related social services since 1914. Counseling and related social service are provided by licensed medical health professionals with Masters and Doctoral degrees offering assistance to individuals and families under stress in accordance with the standards set by the Council on Accreditation of Services for Families and Children, Inc. As a recipient of United Way funds, FSC is able to offer fees adjusted according to the client's income, so no one is refused services because of inability to pay.

FSC is an exempt organization for federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code.

**Note 2: Summary of Significant Accounting Policies**

FSC's financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities. Temporarily Restricted Funds have been established to account for those resources available for use, but expendable only for the specific purpose or time frame specified by the donor.

**Basis of Presentation**

Financial statement presentation follows the recommendation of the Financial Accounting Standards (SFAS) No.117 and are in conformity with accounting principles generally accepted in the United States of America established for not-for profit organizations. FSC is required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. No permanently restricted net assets were held during the years ended, and accordingly, these financial statements do not reflect any activity related to this class of net assets for the years ended

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Accordingly, actual results could differ from those estimates.

**Compensable Absences**

Accumulated unpaid compensable absences are not accrued in the financial statements because the amount is not considered material at August 31, 2008.

**Family Service Center of Galveston County, Texas**  
**Notes to the Financial Statements**  
**August 31, 2008 and 2007**

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**Note 3: Cash and Temporary Cash Investments**

Cash and Temporary Cash Investments at August 31 consist of the following:

	2008	2007
Checking Accounts	\$ 29,337	\$ 70,897
Savings Accounts	-	-
Money Market Accounts	123,809	124,933
Certificates of Deposit	50,000	50,000
Total Cash and Temporary Cash Investments	\$ 203,146	\$ 245,830

**Note 4: Program Service Fees**

FSC accounts for program service fees as exchange transactions rather than contributions. Exchange transactions are accounted for in the same manner as those for business enterprises; that is, they are recognized in the period in which the services are rendered.

**Note 5: Grants Receivable, Net**

Grants receivable, net consisted of the federal and state grants passed through the Texas Department of Protective and Regulatory Services and the State of Texas Criminal Justice Division, and are the result of restricted grant programs expending monies on a cost reimbursement basis. Monies are spent, then reimbursement requests are submitted to the grantor agency. Restricted funds are therefore utilizing unrestricted monies which are reimbursed to the unrestricted net assets when the grantor agency remits payment to the Family Service Center of Galveston County, Texas.

**Note 6: Property and Equipment and Depreciation**

Purchased property and equipment are carried at cost. Donated property and equipment are recorded at fair market value at the date of donation. Maintenance, repairs, and renewals which neither materially add to the value of the property or appreciably prolong its life are charged to expenses as incurred. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets as follows:

**Family Service Center of Galveston County, Texas**  
**Notes to the Financial Statements**  
**August 31, 2008 and 2007**

**Note 6: Property And Equipment And Depreciation**

Buildings are depreciated over 35 years. Property and Equipment are depreciated over 7 years. FSC made \$4,644 in building improvements during the 2007 fiscal year. No assets were retired.

Property and Equipment consisted of the following at August 31:

	<u>2008</u>	<u>2007</u>
Buildings	\$ 126,522	\$ 121,878
Equipment	44,511	44,511
Land	<u>2,000</u>	<u>2,000</u>
Total Property and Equipment	\$ 173,033	\$ 168,389
Less: Accumulated Depreciation	<u>69,701</u>	<u>56,960</u>
Property and Equipment, Net	<u><u>\$ 103,332</u></u>	<u><u>\$ 111,429</u></u>

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**Note 7: Contingencies Grants (Financial Awards):**

FSC receives significant financial assistance from governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowance of claims resulting from such audits could become a liability of the Unrestricted Net Assets. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the Family Service Center of Galveston County, Texas at August 31, 2008.

**Note 8: Financial Statement Presentation for Unrestricted and Restricted Revenue and Support**

Revenue and Support received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. Revenue and Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue or support is recognized. All other donor-restricted revenue and support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. There are no permanently restricted assets as of August 31, 2008.

**Note 9: Prepaid Expenses**

Prepaid expenses at August 31 for the Family Service Center of Galveston County, TX is made up of the following:

	<u>2008</u>	<u>2007</u>
Prepaid Insurance	\$ 4,024	\$ 3,762

**Family Service Center of Galveston County, Texas**  
**Notes to the Financial Statements**  
**August 31, 2008 and 2007**

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**Note 10: Functional Classification of Expenses**

FSC allocates its expenses on a functional basis among its various programs including support services. Expenses for program services and support services that can be identified specifically are classified directly to their natural expenditure classification. Other expenses that are common to program services or supporting services are allocated based on FSC's allocation plan.

**Note 11: Concentration of Credit Risk**

The Family Service Center of Galveston County, TX is subject to concentrations of credit risk with respect to grants receivable that are due to the Center for its federal and state grants that are passed through two state agencies ( Texas Department of Protective and Regulatory Services and State of Texas Criminal Justice Division).

**Note 12: Pension Plan**

On July 1, 1993, the Family Service Center of Galveston County, Texas adopted a 403(b) retirement plan. FSC contributes 3% of each eligible participant's salary to the plan. Participants will be 100 percent vested upon completion of 3 years of service. Pension plan costs totaled \$8,972.30 for the year ended August 31, 2008

**Note 13: Notes Payable**

On January 14, 2000, the Family Service Center of Galveston County, Texas purchased a new building located at Unit 13 Building C, Appomattox Square Office Park in Texas City, Texas. The contract price of this building plus settlement charges amounted to \$119,752.10. FSC obtained financing for this new building in the amount of \$68,000 bearing interest at the rate of nine and one-half (9.5%) percent per annum. The Family Service Center of Galveston County, Texas refinanced this note on September 25, 2002 for a loan amount of \$55,255.07 at the rate of six and one-half (6.5%) percent per annum. The note was again refinanced on September 25, 2005 for \$45,832.14 at the rate of seven (7%) percent per annum. Monthly payments are due in the amount of \$576.82 which began on October 25, 2005. The note will mature on September 25, 2008.

**Note 14: Litigation Expense**

In 2007, Family Service Center of Galveston County, Texas settled a lawsuit with two former employees. The total cost of the settlement was \$280,474 including attorneys fees. The agency received insurance reimbursement of \$279,157.