

**OUR FAMILY SERVICES, INC. AND OUR
FAMILY SERVICES FOUNDATION, INC.**

**AUDITED COMBINED FINANCIAL STATEMENTS
AND A-133 SINGLE AUDIT REPORTS AND SCHEDULES
Year ended June 30, 2011**

**OUR FAMILY SERVICES, INC.
AND OUR FAMILY SERVICES FOUNDATION, INC.
AUDITED COMBINED FINANCIAL STATEMENTS AND
A-133 SINGLE AUDIT REPORTS AND SCHEDULES
Year ended June 30, 2011**

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A-133 SINGLE AUDIT REPORTS AND SCHEDULES

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INDEPENDENT AUDITORS' REPORT

Boards of Directors
Our Family Services, Inc. and Our Family Services Foundation, Inc.
Tucson, Arizona

We have audited the accompanying combined statement of financial position of Our Family Services, Inc. and Our Family Services Foundation, Inc. (Arizona nonprofit organizations) as of June 30, 2011, and the related combined statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Our Family Services, Inc. and Our Family Services Foundation, Inc.'s management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Our Family Services, Inc. and Our Family Services Foundation, Inc. as of June 30, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2011 on our consideration of Our Family Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic combined financial statements of Our Family Services, Inc. and Our Family Services Foundation, Inc. taken as a whole. The accompanying schedule of expenditures of federal and other governmental awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



DEVRIES CPAS OF ARIZONA, P.C.

December 23, 2011

Integrity is the highest form of service.

**OUR FAMILY SERVICES, INC.
AND OUR FAMILY SERVICES FOUNDATION, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
June 30, 2011**

ASSETS

Cash and cash equivalents	\$ 585,890
Beneficial interest in funds held by others - Notes 3 and 14	272,939
Contracts and grants receivable - Notes 4 and 7	587,250
Other receivables	2,591
Prepaid expenses and other assets	20,214
Property and equipment - Notes 5, 7 and 8	<u>894,391</u>
	<u><u>\$ 2,363,275</u></u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 128,206
Accrued payroll and related expenses	124,031
Custodial liabilities - Note 6	43,444
Notes payable - Note 8	<u>842,982</u>
	1,138,663
 Net assets:	
Unrestricted:	
Available for operations	534,665
Board designated reserve	205,430
Expended for property and equipment	<u>51,409</u>
	791,504
Temporarily restricted - Notes 9 and 11	178,101
Permanently restricted - Notes 10 and 11	<u>255,007</u>
	<u>1,224,612</u>
	<u><u>\$ 2,363,275</u></u>

See Accompanying Notes.

OUR FAMILY SERVICES, INC.
AND OUR FAMILY SERVICES FOUNDATION, INC.
COMBINED STATEMENT OF ACTIVITIES
Year ended June 30, 2011

	<u>Unrestricted net assets</u>	<u>Temporarily restricted net assets</u>	<u>Permanently restricted net assets</u>	<u>Total</u>
Public support and revenues:				
Government grants	\$ 4,087,168			\$ 4,087,168
Contributions and grants	48,594	\$ 291,653	\$ 211,666	551,913
Other support and revenue	52,273			52,273
Program income	158,052			158,052
Donated materials and services - Note 12	95,432			95,432
United Way	5,000			5,000
Special events	12,483			12,483
Rental income - Note 13	45,424			45,424
Investment income - Note 3	1,776	17,902		19,678
	<u>4,506,202</u>	<u>309,555</u>	<u>211,666</u>	<u>5,027,423</u>
Net assets released from restrictions	258,304	(258,304)		0
Total public support and revenues	4,764,506	51,251	211,666	5,027,423
Expenses and losses:				
Program services	3,742,829			3,742,829
Management and general	666,669			666,669
Fundraising	306,560			306,560
Total expenses and losses	<u>4,716,058</u>	<u>0</u>	<u>0</u>	<u>4,716,058</u>
Change in net assets	48,448	51,251	211,666	311,365
Net assets, beginning of year	<u>743,056</u>	<u>126,850</u>	<u>43,341</u>	<u>913,247</u>
Net assets, end of year	<u>\$ 791,504</u>	<u>\$ 178,101</u>	<u>\$ 255,007</u>	<u>\$ 1,224,612</u>

See Accompanying Notes.

OUR FAMILY SERVICES, INC.
AND OUR FAMILY SERVICES FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2011

	<u>Counseling services</u>	<u>Community services</u>	<u>Teens in transition</u>	<u>SODA</u>	<u>Refugee services</u>	<u>Total program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Contract employees and personnel expense	\$ 752,362	\$ 303,394	\$ 740,701	\$ 480,743	\$ 6,971	\$ 2,284,171	\$ 508,670	\$ 224,821	\$ 3,017,662
Advertising and public relations		542		364		906	6,095	1,791	8,792
Bad debt	44	55	590	4,660		5,349		1,755	7,104
Bank fees	1,691	653	3,090	1,368		6,802	1,966	287	9,055
Client housing	1,100		161,517			162,617			162,617
Depreciation	35,658	10,851	35,121	18,312		99,942	5,859	2,205	108,006
Donated materials and services - Note 12		15,378	8,617	17,138		41,133		54,299	95,432
Equipment	11,365	3,538	10,917	5,067		30,887	16,899	1,468	49,254
Facilities expense	35,236	14,648	43,772	12,494		106,150	2,353	2,166	110,669
Insurance	11,617	4,373	12,551	7,230		35,771	5,778	1,729	43,278
Interest	15,695	13,146	15,236	11,276		55,353	1,145	2,186	58,684
Loss on disposal of property and equipment							698		698
Membership, dues and licensing	2,690	1,055	7,106	2,212		13,063	7,775	1,391	22,229
Miscellaneous							21,804		21,804
Office supplies	5,802	2,641	4,829	4,496	105	17,873	9,178	2,642	29,693
Other client expense	14,481	15,336	71,268	8,837		109,922	1,092	3,616	114,630
Payments to subrecipients		39,272	265,468			304,740			304,740
Professional and outside services	24,070	22,018	27,506	15,384		88,978	54,705	3,178	146,861
Recruitment and staff development	4,536	3,343	5,573	4,460	108	18,020	14,344	1,262	33,626
Telephone	34,932	4,563	17,447	8,653		65,595	1,384	941	67,920
Travel and auto	45,820	20,152	28,692	21,022		115,686	6,924	823	123,433
Volunteer expenses				179,871		179,871			179,871
	<u>\$ 997,099</u>	<u>\$ 474,958</u>	<u>\$ 1,460,001</u>	<u>\$ 803,587</u>	<u>\$ 7,184</u>	<u>\$ 3,742,829</u>	<u>\$ 666,669</u>	<u>\$ 306,560</u>	<u>\$ 4,716,058</u>

See Accompanying Notes.

**OUR FAMILY SERVICES, INC.
AND OUR FAMILY SERVICES FOUNDATION, INC.
COMBINED STATEMENT OF CASH FLOWS
Year ended June 30, 2011**

Cash flows from operating activities:	
Change in net assets	\$ 311,365
Adjustment to reconcile change in net assets to net cash from operating activities:	
Change in value of beneficial interest in funds held by others	(17,902)
Depreciation	108,006
Loss on disposal of property and equipment	698
(Increase) in operating assets:	
Contracts and grants receivable	(129,656)
Other receivables	(41)
Prepaid expenses and other assets	(2,817)
Increase (decrease) in operating liabilities:	
Accounts payable	55,936
Accrued payroll and related expenses	10,706
Other accrued expenses	(6,521)
Custodial liabilities	(3,615)
Contributions restricted for long-term purposes	<u>(211,666)</u>
Net cash provided by operating activities	114,493
Cash flows (used in) investing activities:	
Transfer of assets to a recipient organization	(255,037)
Purchases of property and equipment	<u>(85,742)</u>
Net cash (used in) investing activities	(340,779)
Cash flows from financing activities:	
Contributions restricted for long-term purposes	211,666
Repayment of note payable	<u>(25,490)</u>
Net cash provided by financing activities	<u>186,176</u>
Net change in cash and cash equivalents	(40,110)
Cash and cash equivalents, beginning of year	<u>626,000</u>
Cash and cash equivalents, end of year	<u>\$ 585,890</u>
<u>Supplemental cash flow information:</u>	
Cash paid for interest	<u>\$ 58,684</u>
No cash paid for income taxes in 2011.	

See Accompanying Notes.

OUR FAMILY SERVICES, INC. AND OUR FAMILY SERVICES FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – Organization

Our Family Services, Inc. (Our Family) is a nonprofit incorporated in Arizona to provide counseling, community services, and services to teens in transition, senior/older and disabled adults (SODA) and refugees in Southern Arizona.

Our Family helps runaway and homeless youth come off the streets, promotes civil discourse and peace by helping people talk to each other, helps high risk children learn to read, helps troubled families cope with addiction and find healing, assists people in learning to be better parents, improves lives and their relationships, helps build stronger families, and assists older and disabled people to live safely and with dignity in their own homes.

Our Family Services Foundation (Foundation) was incorporated in 1996 to raise contributions for Our Family. Our Family and the Foundation are collectively referred to as the Organization.

NOTE 2 – Summary of significant accounting policies

Financial statement presentation

The Organization is required under generally accepted accounting principles to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Principles of combination

The accompanying combined financial statements include the accounts of Our Family and the Foundation. Inter-organization transactions and balances have been eliminated in combination.

Use of estimates

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

Cash and cash equivalents

The Organization considers all cash and highly liquid investments with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash in brokerage accounts and in bank deposit accounts which may exceed federally insured limits. At June 30, 2011, there were no funds in excess of insured limits.

Property and equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$500 with a useful life greater than one year. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful life of the asset, as follows:

Buildings and improvements	7-40 years
Furniture and equipment	3-7 years
Vehicles	5 years

OUR FAMILY SERVICES, INC. AND OUR FAMILY SERVICES FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - continued
June 30, 2011

NOTE 2 – Summary of significant accounting policies – continued

Endowments

The Organizations' endowments consist of funds held at the Jewish Community Foundation (JCF). As required by generally accepted accounting principles, net assets associated with endowment funds (including funds designated by the Board of Directors to function as endowments) are classified and reported based on the existence or absence of donor-imposed restrictions.

During 2008, the State of Arizona adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) (the Act). The Board of Directors of the Organization has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the Act.

In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate 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.

Contributions/restricted revenue

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. Time and purpose restrictions are reported as temporarily restricted support and then reclassified to unrestricted net assets upon expiration of the time or purpose restriction.

Donated goods, facilities and services

Donated goods and facilities are valued at their fair market value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

Although the Organization utilizes the services of many outside volunteers, the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

OUR FAMILY SERVICES, INC. AND OUR FAMILY SERVICES FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - continued
 June 30, 2011

NOTE 2 – Summary of significant accounting policies – continued

Income tax status

Our Family and the Foundation are exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization’s tax-exempt purpose may be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, the Organization holds no uncertain tax positions and, therefore, has no policy for evaluating them. The Organization’s Forms 990, *Return of Organization Exempt from Income Taxes*, and Arizona Forms 99, *Arizona Exempt Organization Annual Information Return*, are generally subject to examination by the Internal Revenue Service for four years after the date filed.

Functional expenses

The costs of providing the various program services and supporting activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefited.

Advertising

The Organization expenses all advertising costs as incurred. Advertising expense for the year ended June 30, 2011 was \$17,555.

NOTE 3 – Beneficial interest in funds held by others

The Organization has established beneficial interest in various endowment funds held at the Jewish Community Foundation (JCF). JCF does not have variance power related to these endowments. The balance in these accounts was \$272,939 at June 30, 2011.

Investment income for the year ended June 30, 2011 was as follows:

Interest and dividends	\$	1,776
Change in value of beneficial interest in funds held by others		17,902
	\$	<u>19,678</u>

NOTE 4 – Contracts and grants receivable

Contracts and grants receivable at June 30, 2011 consisted of the following:

Arizona Department of Economic Security	\$	126,136
Casa de los Ninos		98,862
Pima Health Systems		96,835
City of Tucson		36,868
U.S. Department of Health and Human Services		33,124
Other contracts and grants receivable		195,425
	\$	<u>587,250</u>

OUR FAMILY SERVICES, INC. AND OUR FAMILY SERVICES FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - continued
 June 30, 2011

NOTE 5 – Property and equipment

Property and equipment at June 30, 2011 consisted of the following:

Land	\$	128,000
Building and improvements		1,037,524
Leasehold improvements		13,189
Furniture, equipment and computers		357,703
Vehicles		38,800
		<u>1,575,216</u>
Less accumulated depreciation		<u>(680,825)</u>
	\$	<u><u>894,391</u></u>

NOTE 6 – Custodial liabilities

Our Family has custodial liabilities totaling \$43,444 at June 30, 2011, related to its role as a fiscal agent for three nonprofit organizations. Related administrative fees received totaled \$2,839 for the year ended June 30, 2011, and are included in program service fees on the statement of activities.

NOTE 7 – Line of credit

Our Family has a \$250,000 revolving line of credit that bears interest at 6% at June 30, 2011. The line is collateralized by contracts and grants receivable and equipment and matures January 2012. The outstanding balance was \$0 at June 30, 2011. The line of credit is subject to certain financial covenants, with which Our Family was in compliance at June 30, 2011.

NOTE 8 – Notes payable

Notes payable at June 30, 2011 consisted of the following:

Note holder	Interest rate	Maturity date	Collateral	Payments	Balance
Bank	6.9%	September 2018	Real property	\$6,896 monthly	\$ 828,759
City of Tucson	0 % *	August 2020	Real property	\$1,422 annually	14,223
					<u>\$ 842,982</u>

* Non-interest bearing

Future maturities of the notes payable are as follows at June 30, 2011:

Year ended June 30, 2012	\$	27,128
2013		29,127
2014		31,116
2015		33,249
2016		35,399
Thereafter		686,963
	\$	<u><u>842,982</u></u>

OUR FAMILY SERVICES, INC. AND OUR FAMILY SERVICES FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - continued
 June 30, 2011

NOTE 9 – Temporarily restricted net assets

Temporarily restricted net asset activity was as follows during the year ended June 30, 2011:

	Beginning balance	Contributions	Investment income	Releases/ Appropri- ations	Ending balance
Community services	\$ 109,500			\$ (107,083)	\$ 2,417
Senior companion	15,000	\$ 56,650		(44,000)	27,650
Teens in transition		23,003		(10,125)	12,878
Mediation		34,500		(19,500)	15,000
Parenting education		15,000		(7,500)	7,500
La Escuelita		26,000		(6,000)	20,000
Reunion house		25,000		(24,259)	741
Street outreach		2,000		(2,000)	0
SODA		21,000		(16,017)	4,983
Vehicle purchase		19,500		(19,500)	0
2012 data resources		69,000			69,000
Accumulated endowment earnings:					
Operating endowment	2,350		\$ 120	(2,320)	150
Homeless teens endowment			17,782		17,782
	<u>2,350</u>	<u>0</u>	<u>17,902</u>	<u>(2,320)</u>	<u>17,932</u>
	<u>\$ 126,850</u>	<u>\$ 291,653</u>	<u>\$ 17,902</u>	<u>\$ (258,304)</u>	<u>\$ 178,101</u>

NOTE 10 – Permanently restricted net assets

Permanently restricted net asset activity was as follows during the year ended June 30, 2011:

	Beginning balance	Contributions	Ending balance
Operating endowment	\$ 43,341		\$ 43,341
Endowment - earnings restricted for homeless teens	0	\$ 211,666	211,666
	<u>\$ 43,341</u>	<u>\$ 211,666</u>	<u>\$ 255,007</u>

NOTE 11 – Endowments

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 the Act requires the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature to be reported as of June 30, 2011.

OUR FAMILY SERVICES, INC. AND OUR FAMILY SERVICES FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - continued
 June 30, 2011

NOTE 11 – Endowments – continued

Return objectives and risk parameters

The Organization has no formally adopted investment policies for the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds.

Investment strategies

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy

The Organization has two endowment funds held at JCF, and has adopted the spending policy of the JCF for these funds. Accumulated earnings on these endowments are released as appropriations from temporarily restricted net assets when distributed by JCF and the related restriction (if any) has been met.

Endowment fund net assets

Net assets in the endowment funds consisted of the following at June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Beginning balance	\$ 0	\$ 2,350	\$ 43,341	\$ 45,691
Contributions			211,666	211,666
Change in value of beneficial interest in funds held by others		17,902		17,902
Appropriations		(2,320)		(2,320)
Ending balance	<u>\$ 0</u>	<u>\$ 17,932</u>	<u>\$ 255,007</u>	<u>\$ 272,939</u>

See Note 9 for endowment related activities in temporarily restricted net assets, and Note 10 for endowment related activities in permanently restricted net assets.

NOTE 12 – Donated materials and services

In-kind contributions at June 30, 2011 consisted of the following:

Advertising	\$ 8,562
Equipment	19,555
Other client expense	63,074
Travel and auto	4,241
	<u>\$ 95,432</u>

OUR FAMILY SERVICES, INC. AND OUR FAMILY SERVICES FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS - continued
June 30, 2011

NOTE 13 – Rental income

Our Family leases office space to a nonprofit organization on a month-to-month basis. Total rental income under this lease was \$45,424 for the year ended June 30, 2011.

NOTE 14 – Fair value measurements

Fair value measurements are determined based on the assumptions—referred to as inputs—that market participants would use in pricing the asset. Generally accepted accounting principles establish a fair value hierarchy that distinguishes between market participant assumptions and the Organization’s own assumptions about market participant assumptions. Observable inputs are assumptions based on market data obtained from independent sources; while unobservable inputs are the Organization’s own assumptions about what market participants would assume based on the best information available in the circumstances.

Level 1 inputs. A quoted price in an active market for an identical asset or liability is considered to be the most reliable evidence of fair value. The Organization does not utilize Level 1 inputs.

Level 2 inputs. These are observable inputs, either directly or indirectly, other than quoted prices included within Level 1. The Organization does not utilize Level 2 inputs.

Level 3 inputs. These inputs are unobservable and are used to measure fair value only when observable inputs are not available. Beneficial interest in funds held at JCF are considered as valued based on Level 3 inputs, because the Organization owns units of pooled funds held JCF, and relies on JCF to provide the value of those funds. At JCF, these pooled investments are primarily held in marketable securities and are considered to be valued based on Level 1 inputs. The fair value of the beneficial interest in funds held at JCF at June 30, 2011 was \$272,939, the activity of which is reported in Note 11.

NOTE 15 – Retirement plan

The Organization has a 403(b) thrift plan (Plan) that allows eligible employees to defer pretax annual compensation up to certain limitations imposed by the Internal Revenue Service. The Organization may also make matching contributions to the Plan. The Organization’s matching contribution for the year ended June 30, 2011 was \$23,265.

NOTE 16 – Commitments

Our Family leases office space and office equipment for its operation under non-cancelable operating leases. Rent expense for the year ended June 30, 2011 was \$86,916. Future maturities of these leases are as follows:

Year ended June 30, 2012	\$ 71,804
2013	20,463
2014	4,439
2015	1,287
2016	858
	<u>\$ 98,851</u>

NOTE 17 – Subsequent events

Subsequent events have been evaluated through December 23, 2011, which is the date the financial statements were available to be issued.

A-133 SINGLE AUDIT REPORTS AND SCHEDULES

**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
Our Family Services, Inc.
Tucson, Arizona

We have audited the financial statements of Our Family Services, Inc. (a nonprofit organization) as of and for the year ended June 30, 2011 and have issued our report thereon dated December 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Our Family Services, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Our Family Services, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Our Family Services, Inc.'s internal control over financial reporting.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Board of Directors
Our Family Services, Inc.
Page two

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

Devries CPAs of Arizona, P.C.
DEVRIES CPAS OF ARIZONA, P.C.

December 23, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited Our Family Services, Inc.'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Our Family Services, Inc.'s major federal programs for the year ended June 30, 2011. Our Family Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Our Family Services, Inc.'s management. Our responsibility is to express an opinion on Our Family Services, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Our Family Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Our Family Services, Inc.'s compliance with those requirements.

In our opinion, Our Family Services, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

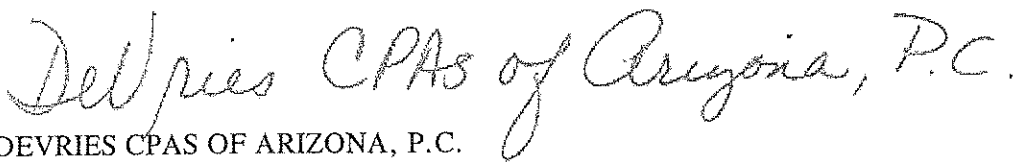
Internal Control Over Compliance

Management of Our Family Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Our Family Services, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Our Family Services, Inc.'s internal control over compliance.

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

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

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


DEVRIES CPAS OF ARIZONA, P.C.

December 23, 2011

OUR FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
No material weaknesses identified.
No significant deficiencies identified.

No noncompliance material to financial statements noted.

Federal awards

Internal control over major programs:
No material weaknesses identified.
No significant deficiencies identified.

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

No audit findings disclosed as required to be reported in accordance with Circular A-133, Section .510(a).

Identification of major programs:

93.044	Special Programs for the Aging – Title II Part B – Grants for Supportive Services and Senior Centers
93.667	Social Service Block Grant
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low risk auditee.

SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

OUR FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER GOVERNMENTAL AWARDS
Year ended June 30, 2011

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA number</u>	<u>Pass-through grantor's number</u>	<u>Expenditures</u>	
			<u>Federal</u>	<u>Other</u>
<u>U.S. Department of Housing and Urban Development</u>				
<i>Direct:</i>				
Supportive Housing Program	14.235	AZ004B9T010802	\$ 55,448	\$ 0
<i>Passed through City of Tucson:</i>				
Public Housing Capital Fund	14.872	0810-50	54,871	0
<i>Passed through Jackson Employment Center:</i>				
Supportive Housing Program	14.235	07-69-O-143051-0710	107,386	0
<i>Passed through Open Inn:</i>				
Emergency Shelter Grants Program	14.231	N/A	31,607	0
<i>Passed through Pima County:</i>				
Emergency Shelter Grants Program	14.231	02-70-O-143527-1010	8,118	0
<i>Passed through Primavera Foundation:</i>				
Community Development Block Grants/ Entitlement Grants	14.218	076-114-9624-761	8,000	0
<u>U.S. Department of Health and Human Services</u>				
<i>Direct:</i>				
Drug-free Communities Support Program Grants	93.276	5H79SP015916-02	127,145	0
Transitional Living for Homeless Youth	93.550	09CX05046/04	190,440	0
Transitional Living for Homeless Youth	93.550	09CX5061/04	197,643	0
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557	90YO013801	104,203	0
Basic Center Grant	93.623	90CY2442/01	194,267	0
Adolescent Family Life Demonstration Projects	93.995	1APHPA006039-05-00	382,406	0
<i>Passed through Arizona Department of Economic Security:</i>				
Temporary Assistance for Needy Families	93.558	DES080051-1-A1	5,615	0
Temporary Assistance for Needy Families	93.558	4325040	28,142	0
Temporary Assistance for Needy Families	93.558	DES070063-001	5,603	0
Foster Care - Title IV	93.658	4325040	50,360	26,137
Foster Care - Title IV	93.658	E4373028	1,004	335
Social Service Block Grant	93.667	DES080051-1-A1	4,272	14,473
Social Service Block Grant	93.667	4325040	53,381	5,808
Social Service Block Grant	93.667	DES070063-001	35,403	14,897
Social Service Block Grant	93.667	DES080058-80-A2	8,684	2,372
Social Service Block Grant	93.667	4324287	42,350	0
<i>Passed through Arizona Department of Health Services:</i>				
Injury Prevention and Control Research and State and Community Based Programs	93.136	HR061094-004	82,890	0
<i>Passed through Casa de los Ninos:</i>				
Medical Assistance Program	93.778	CDLN01	303,552	0

OUR FAMILY SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER GOVERNMENTAL AWARDS - continued
Year ended June 30, 2011

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA number</u>	<u>Pass-through grantor's number</u>	<u>Expenditures</u>	
			<u>Federal</u>	<u>Other</u>
<u>U.S. Department of Health and Human Services - continued</u>				
<i>Passed through Community Partnership of Southern Arizona:</i>				
Temporary Assistance for Needy Families	93.558	AF0506	\$ 91,046	\$ 176,735
<i>Passed through La Frontera Center:</i>				
Medical Assistance Program	93.778	139	17,834	5,916
<i>Passed through Pima Health System:</i>				
Special Programs for the Aging - Title II Part B - Grants for supportive Services and Senior Centers	93.044	07-15-O-141132-0708-04	109,931	
Social Service Block Grant	93.667	07-15-O-141132-0708-04	152,730	115,759
Social Service Block Grant	93.667	07-15-O-140973-0708	18,799	33,831
<i>Passed through University of Arizona:</i>				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	Y553525	40,754	0
<u>Center for National and Community Service</u>				
<i>Direct:</i>				
Senior Companion Program	94.016	09SCWAZ001	226,924	0
<u>U.S. Department of Homeland Security</u>				
<i>Passed through Pima County:</i>				
Emergency Food and Shelter National Board Program	97.024	LRO ID 027200-034	1,750	0
<u>Other governmental awards</u>				
<i>Arizona Department of Juvenile Corrections:</i>				
Shelter Grant	N/A	J10010003	0	2,639
<i>Arizona Department of Economic Security:</i>				
Family Support, Preservation and Reunification Therapy	N/A	DES 060021-A4-5	0	582,748
	N/A	DES 080058-80-A2	0	6,425
<i>Arizona Supreme Court:</i>				
Pima County Juvenile Court Center	N/A	750	0	14,690
<i>City of Tucson:</i>				
ADA eligibility testing	N/A	071007-01	0	5,680
<i>City of Tucson - Housing and Community Development Department:</i>				
Senior Companion Program	N/A	17017	0	27,240
Teens in Transition Case Management	N/A	17018	0	27,240
Teens in Transition Parenting/Life Skills	N/A	17019	0	27,240
<i>Community Partnership of Southern Arizona:</i>				
Data project	N/A	L0707	0	25,000
<i>Jewish Family and Children's Services:</i>				
Non-Title 19/21 Substance Abuse Services	N/A	D0501	0	42,500
<i>Open Inn:</i>				
I-Team project	N/A	N/A	0	2,400

OUR FAMILY SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER GOVERNMENTAL AWARDS - continued
Year ended June 30, 2011

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA number	Pass-through grantor's number	Expenditures	
			Federal	Other
<u>Other governmental awards - continued</u>				
<i>Town of Oro Valley:</i>				
Grant funding	N/A	N/A	\$ 0	\$ 2,000
<i>Pima County Outside Agencies:</i>				
Common Unity Program	N/A	11-70-O-143269-0710	0	19,000
La Escuelita	N/A	11-70-O-1433122-0710	0	68,998
Mediation	N/A	11-70-O-143243-0710	0	15,000
School-based	N/A	11-70-O-143428-0710	0	23,000
Senior Companion	N/A	11-70-O-143327-0710	0	15,000
House of Neighborly Service Seniors	N/A	11-70-O-143268-0710	0	28,500
<i>Pima County Health Department:</i>				
Animal Care	N/A	141147	0	8,000
<i>Providence of Arizona:</i>				
Grant funding	N/A	810110	0	5,047
			<u>\$ 2,742,558</u>	<u>\$ 1,344,610</u>

NOTE 1: Basis of accounting

The schedule of expenditures of federal and other governmental awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: Federal expenditures by CFDA #

CFDA #	Federal Expenditures	Payments to Subrecipients
14.218	\$ 8,000	\$ 0
14.231	39,725	0
14.235	162,834	38,041
14.872	54,871	0
93.044	109,931	0
93.136	82,890	0
93.243	40,754	0
93.276	127,145	39,272
93.550	388,083	0
93.557	104,203	0
93.558	130,406	0
93.623	194,267	0
93.658	51,364	0
93.667	315,619	0
93.778	321,386	0
93.995	382,406	227,427
94.016	226,924	0
97.024	1,750	0
	<u>\$ 2,742,558</u>	<u>\$ 304,740</u>

INFORMATION PREPARED BY AUDITEE

OUR FAMILY SERVICES, INC.
SUMMARY OF PRIOR YEAR FINDINGS
For the year ended June 30, 2011

FINDING/NONCOMPLIANCE

None