

**FOCUS ON ALL CHILD THERAPIES, INC.
DBA FAMILY, ADULT & CHILD THERAPIES**

FINANCIAL STATEMENTS

JUNE 30, 2016

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Focus On All Child Therapies, Inc.
dba Family, Adult & Child Therapies
Los Angeles, California

I have audited the accompanying financial statements of Focus On All Child Therapies, Inc. dba Family, Adult & Child Therapies (a nonprofit organization) ("Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on our audit. I conducted my audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Kevin Wong, CPA". The signature is written in a cursive style with a large, stylized "K" and "W".

Kevin Wong, CPA

Arcadia, California
January 30, 2017

**FOCUS ON ALL CHILD THERAPIES, INC.
DBA FAMILY, ADULT AND CHILD THERAPIES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016**

ASSETS

Assets	
Cash and cash equivalents	\$ 233,380
Accounts receivable, net	400,947
Prepaid expenses	<u>4,215</u>
Total current assets	638,542
Property and equipment, net	18,372
Deposits and other assets	<u>5,785</u>
Total assets	<u><u>\$ 662,699</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	10,974
Accrued compensation	66,299
Accrued vacation	<u>53,317</u>
Total current liabilities	<u>130,590</u>
Net assets:	
Unrestricted	<u>532,109</u>
Total net assets	<u>532,109</u>
Total liabilities and net assets	<u><u>\$ 662,699</u></u>

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

**FOCUS ON ALL CHILD THERAPIES, INC.
DBA FAMILY, ADULT AND CHILD THERAPIES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Total
Changes in net assets:			
Revenues and support:			
Program service revenue	2,745,671	-	2,745,671
Contributions	12,937	53,133	66,070
Special events, net of expenses \$2,832	(227)	-	(227)
Interest and miscellaneous	156	-	156
Contributed legal services	25,673	-	25,673
Total revenue and support	<u>2,784,210</u>	<u>53,133</u>	<u>2,837,343</u>
Net assets released from purpose restrictions	<u>53,133</u>	<u>(53,133)</u>	<u>-</u>
Total revenue and support and net assets released from purpose restrictions	<u>2,837,343</u>	<u>-</u>	<u>2,837,343</u>
Expenses:			
Program expenses:	2,335,102	-	2,335,102
General and administrative expenses:	412,516	-	412,516
Fundraising	12,850	-	12,850
Total expenses	<u>2,760,468</u>	<u>-</u>	<u>2,760,468</u>
Change in net assets	76,875	-	76,875
Net assets - beginning of year	<u>455,234</u>	<u>-</u>	<u>455,234</u>
Net assets - end of year	<u>\$ 532,109</u>	<u>\$ -</u>	<u>\$ 532,109</u>

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

FOCUS ON ALL CHILD THERAPIES, INC.
DBA FAMILY, ADULT AND CHILD THERAPIES
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2016

	Program	General and Administrative	Fundraising	Total
Personnel expense				
Salaries and wages	\$ 1,666,981	\$ 186,700	\$ -	\$ 1,853,681
Employee benefits and taxes	291,290	37,109	-	328,399
Total personal expenses.	<u>1,958,271</u>	<u>223,809</u>	<u>-</u>	<u>2,182,080</u>
Other expenses				
Accounting fees	-	5,195	-	5,195
Advertising	40	67	3,289	3,396
Background checks	4,042	515	-	4,557
Bad debt expense	49,447	-	-	49,447
Bank charges	-	3,746	-	3,746
Change in allowance for doubtful accounts	-	10,000	-	10,000
Computer expense	1,453	14,592	7,621	23,666
Conferences and meetings	5,328	1,008	1,000	7,336
Contributed legal services	-	25,673	-	25,673
Consulting	1,970	87,340	940	90,250
Depreciation	9,279	1,182	-	10,461
Dues and subscriptions	-	1,861	-	1,861
Information technology	8,544	1,088	-	9,632
Insurance - liability	10,811	1,377	-	12,188
Insurance - worker's compensation	48,247	6,147	-	54,394
Insurance processing services	26,468	-	-	26,468
Interest	-	322	-	322
Other contract services	590	1,102	-	1,692
Payroll service fees	37,019	4,716	-	41,735
Postage	13	2,383	-	2,396
Printing	706	2,437	-	3,143
Program specialists	30,854	-	-	30,854
Repairs and maintenance	14,188	1,176	-	15,364
Rent and parking	62,697	7,988	-	70,685
Staff development	8,027	1,023	-	9,050
Supplies	28,735	3,660	-	32,395
Taxes and licenses	1,500	664	-	2,164
Telephone	14,873	1,895	-	16,768
Travel	8,294	865	-	9,159
Utilities	3,706	472	-	4,178
Miscellaneous expenses	-	213	-	213
Total other expenses	<u>376,831</u>	<u>188,707</u>	<u>12,850</u>	<u>578,388</u>
Total expenses	<u>\$ 2,335,102</u>	<u>\$ 412,516</u>	<u>\$ 12,850</u>	<u>\$ 2,760,468</u>

The accompanying notes are an integral part of this financial statement

**FOCUS ON ALL CHILD THERAPIES, INC.
DBA FAMILY, ADULT AND CHILD THERAPIES
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

Cash flows used for operating activities:	
Change in net assets	\$ 76,875
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation and amortization	10,461
Bad debt	49,447
Change in allowance for doubtful accounts	10,000
Changes in:	
(Increase) decrease in assets:	
Accounts receivable	(187,312)
Prepaid expenses	(4,215)
Other receivable	
Deposits and other assets	(1,745)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(3,778)
Accrued compensation	16,989
Accrued vacation	27,653
	<u> </u>
Net cash used for operating activities	<u>(5,625)</u>
Cash flows used for investing activities:	
Purchases of property and equipment	<u>(11,551)</u>
Net cash used for investing activities	<u>(11,551)</u>
Cash flows provided by investing activities:	
Proceeds from line of credit	65,000
Payments on line of credit	<u>(65,000)</u>
Net cash provided by financing activities	<u>-</u>
Net decrease in cash	(17,176)
Cash - beginning of year	<u>250,556</u>
Cash - end of year	<u><u>\$ 233,380</u></u>

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

**FOCUS ON ALL CHILD THERAPIES, INC.
DBA FAMILY, ADULT & CHILD THERAPIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. NATURE OF OPERATIONS

General

Focus On All Child Therapies, Inc. dba Family, Adult & Child Therapies (Organization) dates back to a pioneering group of professionals and parents in the 1980's. Founded on inventive applications of expertise and careful attention to fulfilling parent & client needs, the Organization provided services and support to a small group of families. The Organization quickly became a leader in a greater movement towards acceptance and appreciation of differing abilities. The Organization filled a need that the autism community had, and continues to fill their needs and of the broader mental health community. The Organization provides affordable and quality care to children, adults, couples and families managing a large range of diagnoses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and in accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide, "Not-For-Profit Organizations," which requires the Organization to classify its net assets into three categories according to donor-imposed restrictions or provisions of law: unrestricted, temporarily restricted, and permanently restricted.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments with a maturity of three months or less from the date purchased to be cash equivalents.

Uninsured Cash Balances

The Organization maintains its bank accounts with a commercial bank. The balance in these bank accounts may from time to time in excess of the federally insured limit should the bank become insolvent. The Organization believes the risk of loss is not significant.

Net assets

Revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets: Unrestricted net assets represent the portion of expendable net assets that are neither permanently restricted nor temporarily restricted by donor-imposed restrictions. These net assets are used to carry on the operations of the Organization in accordance with its bylaws.

Temporarily Restricted Net Assets: The part of the net assets of the Organization resulting from (a) contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations and (b) reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations. At June 30, 2016, the Organization had no such assets.

FOCUS ON ALL CHILD THERAPIES, INC.
DBA FAMILY, ADULT & CHILD THERAPIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets (continued)

Permanently Restricted Net Assets: The part of the net assets of the Organization, which include gifts in which donors have stipulated that the principle be invested in perpetuity. At June 30, 2016, the Organization had no such net assets.

Accounts Receivables

The Organization receives payments from individuals receiving services, and from third-party payors. Accounts receivable are stated net of an allowance for doubtful accounts. Management reviews its accounts and provides allowances for uncollectible accounts. When an account is deemed uncollectible, the amount is charged-off against the allowance. Management periodically reviews all receivable balances and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected, Management considers the allowance for doubtful accounts to be \$10,000 at June 30, 2016. The Organization's estimated its allowance for doubtful accounts based on past bad debt history and the collectability of the current year's receivables.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 7 years.

Depreciation expense totaled \$10,461 for the year ended June 30, 2016.

Expenditures for repairs and maintenance are charged directly to the appropriate operating account at the time the expense is incurred. Expenditures determined to represent additions and betterments are capitalized and depreciated.

Revenue Recognition

The Organization records revenue when it is realized, or realizable and earned. The Organization considers revenue to be realized, or realizable and earned, when the following revenue recognition requirements are met: persuasive evidence of an arrangement exists, which is typically a contract; the performance of services; the price is fixed or determinable within the contract; and collectability is reasonably assured.

Revenue from contributions are typically recognized when received and are considered to be unrestricted unless specifically restricted by the donor. Pledged contributions, if any, are recognized at fair value as of the date of the pledge.

Advertising Expense

The Organization expenses advertising cost as they are incurred. Advertising expenses for the year ended June 30, 2016 totaled \$3,396.

Donated and Services and Facilities

Non-cash donations are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization received donated legal services with a fair value of \$25,673 for the year ended June 30, 2016. These donated services are included in the Statement of Activities as both revenue and expense.

FOCUS ON ALL CHILD THERAPIES, INC.
DBA FAMILY, ADULT & CHILD THERAPIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization follows the provisions of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), *Accounting for Uncertainty in Income Taxes*, which prescribes a minimum recognition threshold and measurement methodology for tax positions taken, or expected to be taken, in a tax return prior to recognition in the financial statements. The standard also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The Organization is exempt from tax under Section 501(c)(3) of the Internal Revenue Code. The Organization believes that it has appropriate support for the positions taken on its tax returns and that the exempt status would be sustained on examination.

The Organization classifies interest and penalties on underpayments of income taxes, if any, as interest expense and penalties, respectively, on the statements of activities.

The Organization files tax returns in the United States federal and California state jurisdictions.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated using various appropriate methods.

Recent Accounting Pronouncements

In February 2016, FASB issued updated guidance on leases. The new standard requires all lessees to recognize a lease liability and a right-of-use asset, measured at the present value of the future minimum lease payments, at the lease commencement date. Lessor accounting remains largely unchanged under the new guidance. A modified retrospective approach should be applied for leases existing at the beginning of the earliest comparative period presented in the financial statements. The guidance is effective for annual and interim periods beginning after December 15, 2019, and early adoption is permitted. The Organization is currently assessing the impact of adopting this guidance on the financial statements.

Use of Estimates

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

3. ACCOUNTS RECEIVABLE

Accounts receivable	\$ 410,947
Less allowance for doubtful accounts	<u>(10,000)</u>
	<u>\$ 400,947</u>

FOCUS ON ALL CHILD THERAPIES, INC.
DBA FAMILY, ADULT & CHILD THERAPIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(continued)

4. PROPERTY AND EQUIPMENT

Property and equipment, net of accumulated depreciation consists of the following:

Furniture and fixtures	\$	45,095
Vehicles		<u>14,000</u>
		59,095
Less accumulated depreciation		<u>(40,723)</u>
	<u>\$</u>	<u>18,372</u>

5. TEMPORARILY RESTRICTED NET ASSETS

The temporary restrictions on funds at June 30, 2016, are donor imposed, requiring that the funds are to be used to cover expenses under specific programs. The Organization did not have funds with temporary restrictions at June 30, 2016.

Temporarily restricted net assets consist of:

General program	\$	-
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6. LINE OF CREDIT

The Organization has a \$65,000 unsecured line of credit with a commercial bank. The line is due on demand, and payable in monthly installments, interest only, at 6.00% per annum. The line had no outstanding balance at June 30, 2016.

7. LEASE COMMITMENT

The Organization leases its office facility under a non-cancellable lease agreements through August 2019. Future minimum lease payments under the agreement are as follows:

For the year ending June 30,		
2017	\$	55,070
2018		58,656
2019		58,656
2020		<u>9,776</u>
	<u>\$</u>	<u>182,158</u>

Rent expense totaled 62,857 for the year ended June 30, 2016.

FOCUS ON ALL CHILD THERAPIES, INC.
DBA FAMILY, ADULT & CHILD THERAPIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
(continued)

8. CONCENTRATIONS

Revenues from two payors accounted for approximately 85% of the Organizations program service revenue for the year ended June 30, 2016. Two payors accounted for approximately 85% of accounts receivable at June 30, 2016.

9. COMMITMENTS AND CONTINGENCIES

The Organization is subject to various claims and legal proceeding that arise in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance after the Organization's insurance deductible is met or by accruals and, if not so covered, are without merit or are of such kind or involve such amounts that would not have a significant effect on the Organization's financial statements.

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 30, 2017, which is the date the financial statements were available to be issued.