

Board of Directors Family Design Resources, Inc.  
D/B/A VOCE  
Camp Hill, Pennsylvania

This letter is to inform the Board of Directors of Family Design Resources, Inc., D/B/A VOCE, (the Organization) about significant matters related to the conduct of our audit as of and for the year ended June 30, 2023, so that it can appropriately discharge its oversight responsibility and we comply with our professional responsibilities.

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process:

### **The Auditor's Responsibility under Applicable Auditing Standards**

Our responsibility under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States have been described to you in our arrangement letter dated September 20, 2023. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

### **Overview of the Planned Scope and Timing of the Financial Statement Audit**

We have issued a separate communication dated September 20, 2023, regarding the planned scope and timing of our audit and identified significant risks.

### **Accounting Policies and Alternative Treatments**

The Members of the Board have the ultimate responsibility for the appropriateness of the accounting policies used by the Organization.

The following is a description of an accounting pronouncement which was implemented during the current year:

In July 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which requires lessees to recognize leases on the Statements of Financial Position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, The Organization recognized right-of-use assets of \$23,963 and lease liabilities totaling \$23,963 in its Statements of Financial Position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2023.

### **Accounting Policies and Alternative Treatments (Continued)**

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

We did not discuss with management any alternative treatments within accounting principles generally accepted in the United States of America for accounting policies and practices related to material items during the current audit period.

### **Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. Estimates significant to the financial statements include such items as allocation of expenses. The Board may wish to monitor, throughout the year, the process used to compute and record these accounting estimates.

### **Financial Statement Disclosures**

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users.

The most sensitive disclosures affecting the financial statements were related to the concentration of revenue net assets designated for future contingencies, and the disclosure of the line-of-credit. Management has informed us they used all relevant facts available to them at the time to make the disclosures and we considered this information in the scope of our audit. We evaluated the key factors and assumptions used to develop the above disclosures in determining that they were neutral, consistent and clear in relation to the financial statements taken as a whole.

### **Audit Adjustments**

All audit adjustments proposed by us were accepted by management.

### **Uncorrected Misstatements**

There were no uncorrected misstatements accumulated by us during the year ended June 30, 2023.

### **Other Information in Documents Containing Audited Financial Statements**

We are not aware of any other documents that contain the audited basic financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of the Organization.

### **Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

### **Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

### **Major Issues Discussed with Management Prior to Retention**

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

### **Shared Responsibilities: AICPA Independence**

The AICPA regularly emphasizes that auditor independence is a **joint responsibility** and is managed most effectively when management, audit committees, and audit firms work together in considering compliance with AICPA independence rules. For Boyer & Ritter LLC to fulfill its professional responsibility to maintain and monitor independence, it is essential that management, the audit committee, and Boyer & Ritter LLC each play an important role.

#### *Our Responsibilities*

- AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. Boyer & Ritter LLC is to ensure that the AICPA's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality control over compliance with independence rules and firm policies.

### **Shared Responsibilities: AICPA Independence (Continued)**

#### *The Organization's Responsibilities*

- Timely inform Boyer & Ritter LLC, before the effective date of transactions or other business changes, of the following:
  - New affiliates, directors, officers, or person in financial reporting oversight roles.
  - New beneficial owners of the Organization's equity securities that have significant influence.
  - Change in corporate structure impacting affiliates such as add-on acquisitions or exits.

## **Shared Responsibilities: AICPA Independence (Continued)**

### *The Organization's Responsibilities (Continued)*

- Provide necessary affiliate information such as new or updated investment structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Organization and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with Boyer & Ritter LLC.
- Not entering into relationships resulting in Boyer & Ritter LLC, Boyer & Ritter LLC covered persons or their close family members, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the Organization.

## **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated MONTH XX, 2024.

## **Closing**

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to Family Design Resources, Inc., D/B/A VOCE.

Camp Hill, Pennsylvania  
MONTH XX, 2024

Board of Directors  
Family Design Resources, Inc.  
D/B/A VOCE  
Camp Hill, Pennsylvania

In planning and performing our audit of the financial statements of Family Design Resources, Inc., D/B/A VOCE (the Organization) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses; therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified a certain matter involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated MONTH XX, 2024, on the financial statements of the Organization. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, perform an additional study of the matter, or assist you in implementing the recommendation. Our comments are summarized as follows:

### **Segregation of Duties**

#### *Cash Disbursements*

Due to the limited number of people working in the office, many critical duties are combined and given structure. One individual enters invoices into the accounting software, prepares checks, maintains custody of unused checks and mails signed checks to the vendor. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system possible.

We feel segregation could be improved if the Organization were to implement the following procedures:

- Different employees should perform the separate duties of mailing checks once the endorsed checks are ready for mailing.

## Segregation of Duties (Continued)

### *Payroll*

Due to the limited number of people working in the office, many critical duties are combined and given to the available employees. Presently, one person performs all payroll duties such as reviewing and approving timesheets, entering the payroll into the processing system and processing the payroll. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system possible. We feel segregation could be improved if the Organization were to implement the following procedures:

- We suggest that management review the payroll report prepared and processed by the Organization for each payroll period prior to the execution of the payroll. We also suggest that documentation of the review of these reports be made on the reports and maintained.

### *Cash Receipts*

Due to the limited number of people working in the office, many critical duties are combined and given to the available employees. Presently, one person performs all cash receipt duties such as opening the mail, preparing any invoices to funding sources, preparing the deposit, recording the deposit, and making the deposit. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system possible. We feel segregation could be improved if the Organization were to implement the following procedures:

- One employee should prepare invoice/billings to customers. Another employee should review and document the review prior to sending out the invoice.
- One employee, should open the mail, make a control list of all receipts and restrictively endorse all items received as "for deposit only." This would prevent any unauthorized endorsement should the checks be misplaced or lost before being deposited.
- The receipts should then go to another employee for further processing and deposit to the bank on a timely basis.
- Then, someone who does not otherwise handle receipts should compare the deposit slips to the list of receipts to ensure that all funds reflected on the receipts were deposited.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Camp Hill, Pennsylvania

DATE XX, 2024

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**FAMILY DESIGN RESOURCES, INC.  
DBA VOCE, AND SUBSIDIARY**

**FINANCIAL REPORT**

**JUNE 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Family Design Resources Inc., DBA VOCE, and Subsidiary  
Camp Hill, Pennsylvania

### Opinion

We have audited the accompanying consolidated financial statements of Family Design Resources Inc., DBA VOCE, and Subsidiary (the Organization), which comprise the consolidated statement of financial position as of June 30, 2023, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively the financial statements).

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Family Design Resources Inc., DBA VOCE, and Subsidiary as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Other Matter

The financial statements of the Organization, as of and for the year ended June 30, 2022, were audited by other auditors, whose report, dated January 3, 2023, expressed an unmodified opinion on those statements.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 GAAS and *Government Auditing Standard*, 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 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 GAAS 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 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 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 the Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated MONTH XX, 2024, 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 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.

Camp Hill, Pennsylvania  
MONTH XX, 2024

**FAMILY DESIGN RESOURCES, INC. DBA VOCE, AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,010,986	\$ 2,422,575
Accounts receivable	1,876,784	1,992,444
Prepaid expenses	35,332	20,064
Intangible assets	221,612	221,612
Operating lease right-of-use asset	1,869	-
	<b>\$ 5,146,583</b>	<b>\$ 4,656,695</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Losses incurred but not reported	\$ 203,831	\$ 204,127
Accounts payable	173,369	72,340
Accrued payroll and related taxes and withholdings	710,309	640,245
Operating lease liability	1,875	-
<b>Total liabilities</b>	<b>1,089,384</b>	<b>916,712</b>
 Net Assets		
Without donor restriction		
Undesignated	1,694,218	1,383,747
Designated-self insurance contingency reserve	2,362,981	2,356,236
<b>Total net assets</b>	<b>4,057,199</b>	<b>3,739,983</b>
 <b>Total liabilities and net assets</b>	<b>\$ 5,146,583</b>	<b>\$ 4,656,695</b>

See Notes to Consolidated Financial Statements.

**FAMILY DESIGN RESOURCES, INC. DBA VOCE, AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Years Ended June 30, 2023 and 2022**

	2023	2022
<b>Revenues and Other Support</b>		
Contract Income		
Salaries and benefits	\$ 22,939,032	\$ 22,919,527
General and administrative	2,265,684	2,270,220
Reimbursed expenses	183,921	170,582
Consulting and training	31,228	23,085
Contributions	30,395	13,978
Recovered expenses	76,240	23,690
Interest income	18,752	2,301
<b>Total revenues and other support</b>	<b>25,545,252</b>	<b>25,423,383</b>
<b>Expenses and Losses</b>		
Program service expenses	21,903,321	21,816,203
Management and general	3,324,715	3,261,449
<b>Total functional expenses</b>	<b>25,228,036</b>	<b>25,077,652</b>
<b>Changes in net assets</b>	<b>317,216</b>	<b>345,731</b>
Net Assets - Beginning	3,739,983	3,394,252
Net Assets - Ending	<b>\$ 4,057,199</b>	<b>\$ 3,739,983</b>

See Notes to Financial Statements.

**FAMILY DESIGN RESOURCES, INC. DBA VOCE, AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2023**

	Program Services	Management and General	Total
Salaries	\$ 16,531,012	\$ 2,355,098	\$ 18,886,110
Retirement plan	982,496	139,972	1,122,468
Employee benefits	2,638,276	375,863	3,014,139
Payroll taxes	1,338,532	190,694	1,529,226
Advertising and promotion	1,951	278	2,229
Clearances	4,606	-	4,606
Conferences and meetings	153,876	21,922	175,798
Donations	5,474	780	6,254
Information technology	29,932	4,264	34,196
Insurance	85,603	12,195	97,798
Member dues	9,425	1,343	10,768
Occupancy	43,384	6,181	49,565
Office expense	39,063	5,565	44,628
Professional development	17,645	2,514	20,159
Professional fees	-	204,905	204,905
Subcontractor	3,851	549	4,400
Travel	18,195	2,592	20,787
<b>Total functional expenses</b>	<b>\$ 21,903,321</b>	<b>\$ 3,324,715</b>	<b>\$ 25,228,036</b>

See Notes to Consolidated Financial Statements.

**FAMILY DESIGN RESOURCES, INC. DBA VOCE, AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2022**

	Program Services	Management and General	Total
Salaries	\$ 16,423,480	\$ 2,339,778	\$ 18,763,258
Retirement plan	945,753	134,737	1,080,490
Employee benefits	2,731,208	389,103	3,120,311
Payroll taxes	1,314,550	187,278	1,501,828
Advertising and promotion	2,967	423	3,390
Clearances	6,482	-	6,482
Conferences and meetings	124,195	17,693	141,888
Donations	853	122	975
Information technology	46,197	6,581	52,778
Insurance	83,638	11,916	95,554
Member dues	8,111	1,156	9,267
Occupancy	40,782	5,810	46,592
Office expense	30,108	4,289	34,397
Professional development	17,775	2,532	20,307
Professional fees	-	154,318	154,318
Subcontractor	33,612	4,788	38,400
Travel	6,492	925	7,417
<b>Total functional expenses</b>	<b>\$ 21,816,203</b>	<b>\$ 3,261,449</b>	<b>\$ 25,077,652</b>

See Notes to Consolidated Financial Statements.

**FAMILY DESIGN RESOURCES, INC. DBA VOCE, AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2023 and 2022**

	<b>2023</b>	2022
Cash Flows From Operating Activities		
Changes in net assets	\$ 317,216	\$ 345,731
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Non-cash lease expense	6	-
(Increase) decrease in:		
Accounts receivable	115,660	16,601
Prepaid expenses	(15,268)	12,119
(Decrease) increase in:		
Losses incurred but not reported	(296)	(30,051)
Accounts payable	101,029	18,199
Accrued payroll and related taxes and withholdings	70,064	60,458
Other liabilities	-	(8,041)
<b>Net cash provided by operating activities</b>	<b>588,411</b>	<b>415,016</b>
<b>Increase in cash and cash equivalents</b>	<b>588,411</b>	<b>415,016</b>
Cash and Cash Equivalents:		
Beginning	2,422,575	2,007,559
Ending	<b>\$ 3,010,986</b>	<b>\$ 2,422,575</b>

See Notes to Consolidated Financial Statements.

## FAMILY DESIGN RESOURCES, INC. DBA VOCE, AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 1. Nature of Activities

Family Design Resources, Inc., DBA VOCE (the Organization), is a nonprofit organization whose mission is to promote permanency for children through the provision of technical assistance and training to public and private children and youth agencies. VOCE's services are intended to be widely available, not limited to south central Pennsylvania, but also to be available statewide and nationwide. The major source of revenue is from VOCE's contract with Diakon Lutheran Social Ministries.

VOCE Solutions, LLC (the Subsidiary) is a single member limited liability company organized under the laws of the Commonwealth of Pennsylvania effective March 22, 2021. VOCE and the Subsidiary are organizations under common control. The Subsidiary builds on the mission of VOCE by developing new technologies to benefit children and families served by human services professionals nationwide. There was no activity in the Subsidiary for the year ended June 30, 2023.

#### Note 2. Summary of Significant Accounting Policies

Principles of Consolidation: The accompanying, financial statements include the accounts of both organizations. All material intercompany transactions have been eliminated in the financial statements.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this basis, revenue and support are recognized when earned and expenses are recognized when incurred.

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require reporting information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities.

## FAMILY DESIGN RESOURCES, INC. DBA VOCE, AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents: For the purpose of the Statements of Cash Flows, cash and cash equivalents include all highly liquid investments with an initial maturity date of three months or less.

Accounts Receivable: Accounts Receivable are reported at the amount that VOCE expects to collect. Amounts recorded in the financial statements at June 30, 2023 and 2022, are considered to be collectible by management. Accordingly, no allowance for uncollectible balances was determined to be necessary.

Fixed Assets: It is the policy of the Organization to record purchased fixed assets at cost and donated assets at their fair value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

New acquisitions of fixed assets having a low acquisition cost, or which are not expected to last for more than a year, are expensed in the year of acquisition. Repairs and maintenance charges are capitalized and depreciated when they materially extend the useful life of the related asset.

Intangible Assets: The Organization capitalized the cost of creating two online software platforms. The platforms are not subject to amortization and are expected to be used indefinitely. The Organization periodically reviews the carrying value of the software to determine whether an impairment exists.

Unpaid Claims Liability: VOCE establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation and changes in doctrines of legal liability, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed annually using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claim liabilities are charged or credited to expense in the periods they are made.

Revenue Recognition: The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. The Organization has no net assets with donor restrictions.

## FAMILY DESIGN RESOURCES, INC. DBA VOCE, AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued): A portion of the Organization's revenue 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 statement of financial position. As of June 30, 2023 and 2022, the Organization had \$-0- recorded as refundable advances in the Statement of Financial Position. All cost-reimbursable grants were recognized as qualifying expenditures had been incurred.

Leases: The Organization adopted ASC 842, Leases, effective January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Entity has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

The Organization determines if an arrangement is a lease at inception. All leases are recorded on the statements of financial position except for leases with an initial term less than 12 months for which the Organization made the short-term lease election.

Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842). Operating lease cost is recognized on a straight-line basis over the lease term as rent expense in the statements of functional expense. Lease and non-lease components of lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Institution will exercise that option.

## FAMILY DESIGN RESOURCES, INC. DBA VOCE, AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 2. Summary of Significant Accounting Policies (Continued)

Income Taxes: Family Design Resources Inc. is a not-for-profit entity described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related activities pursuant to Section 509(a) of the Code. If income is generated from activities not related to its exempt purpose, the Organization becomes subject to unrelated business income tax. In addition, they were organized under the Pennsylvania Nonprofit Corporation Law and are exempt from state income taxes.

The Subsidiary is a single member limited liability company which is disregarded for federal income tax purposes.

The Organization follows the provisions of FASB's Income Tax Topic of the ASC which requires an assessment of the Organization's exposure to income taxes at the entity level as a result of uncertain tax positions taken in current and previously filed tax returns. Examples of tax positions taken at the entity level include continued qualification as a tax-exempt organization and the existence of unrelated-business taxable income arising from the conduct of unrelated-business activities. Any tax benefits associated with uncertain tax positions that are in excess of a realization threshold must be recorded as a liability for unrecognized tax benefits in the financial statements, including any associated interest and penalties. Presently, management believes that it is more likely than not that its tax positions will be sustained upon examination, including any appeals and litigation, and therefore, management believes the Organization has no exposure to income taxes arising from uncertain tax positions.

Advertising: Advertising costs are expensed as incurred. Total advertising and promotional expenses were \$2,229 and \$3,390 for the years ended June 30, 2023 and 2022, respectively.

Self-Insured Health Plan: In July 2015, the Organization implemented a Self-Insured Health Plan (Plan) for its employees. The Plan covers all eligible employees for Medical and Prescription Services. VOCE's maximum exposure for an individual employee is \$75,000 annually. The Plan utilizes stop-loss insurance for any individual's claims above the \$75,000 annual limit.

Allocations of Functional Expenses: The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses subject to allocation between programs or supporting function are allocated on the basis of estimates and time and effort.

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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassifications: Certain amounts in the 2022 financial statements have been reclassified with no effects on the 2022 financial position, changes in net assets and cash flows to be consistent with the classifications utilized in the 2023 financial statements.

## FAMILY DESIGN RESOURCES, INC. DBA VOCE, AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 2. Summary of Significant Accounting Policies (Continued)

Adoption of New FASB Accounting Standards: In 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized right-of-use assets and lease liabilities of \$23,963 in its statement of financial position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the Statement of Activities for the year ended June 30, 2022.

Subsequent Events: Management of the Organization has evaluated subsequent events through **MONTH XX, 2024**, which is the date the financial statements were available to be issued. See Note 12.

#### Note 3. Concentration of Credit Risk

VOCE places its cash with three financial institutions. The account balances are insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA) up to \$250,000 at each institution. VOCE's bank balances may exceed the FDIC or NCUA limit at various times throughout the year. The Organization's cash balances in financial institutions, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. Management regularly monitors the financial condition of the financial institution, along with their cash balances, and tries to keep risks to a minimum. The Organization has not experienced any losses and believes it is not exposed to significant credit risk. VOCE had cash in excess of FDIC coverage of \$2,247,534 and \$1,795,993 at June 30, 2023 and 2022, respectively. VOCE had cash in excess of the NCUA limit of \$43,560 and \$-0- at June 30, 2023 and 2022, respectively.

## FAMILY DESIGN RESOURCES, INC. DBA VOCE, AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 4. Availability and Liquidity

The following table reflects the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the Statements of Financial Position date because of contractual restrictions or internal Board designations. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,010,986	\$ 2,422,575
Accounts receivable	1,876,784	1,992,444
Total financial assets	4,887,770	4,415,019
Less amounts not available to be used within one year:		
Board designated net asset's-self insurance contingency reserve	(2,362,981)	(2,356,236)
Financial assets available to meet general expenditures over the next twelve months	\$ 2,524,789	\$ 2,058,783

The Organization's plan is generally to maintain financial assets to meet 90 days of operating expenses. As described in Note 7, VOCE also has a line of credit in the amount of \$1,000,000, which it could draw upon in the event of an unanticipated liquidity need.

#### Note 5. Fixed Assets

Fixed assets consist of the following at June 30:

	2023	2022
Equipment	\$ -	\$ 25,027
Furniture and fixtures	-	13,176
Less accumulated depreciation	-	(38,203)
Net property and equipment	\$ -	\$ -

Depreciation for both the years ended June 30, 2023 and 2022, was \$-0-.

## FAMILY DESIGN RESOURCES, INC. DBA VOCE, AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 6. Intangible Assets

Intangible assets consist of the following at June 30:

	2023	2022
Unamortized intangible assets		
Learning management system	\$ 32,063	\$ 32,063
LinkingLives software	189,549	189,549
	<u>\$ 221,612</u>	<u>\$ 221,612</u>

#### Note 7. Line-of-Credit

The Organization has a \$1,000,000 line of credit with a financial institution at June 30, 2023 and 2022. It is secured by a lien on all business assets. Bank advances are payable on demand and interest is variable, charged at the *Wall Street Journal* prime rate plus 1.25%. There were no amounts outstanding at June 30, 2023 and 2022. There was no interest expense for the years ended June 30, 2023 and 2022.

#### Note 8. Net Assets Designated for Future Contingencies

The Self-Insurance Plan's actuary estimated that there were future contingencies of \$2,362,981 and \$2,356,236 at June 30, 2023 and 2022, respectively. As such, the board has chosen to designate net assets for future contingencies to recognize the likelihood that the Plan's most recent quarter may not be the worst possible. Therefore, net assets are designated, after providing for known or reasonably foreseeable liabilities, in order to be reasonably assured of meeting future obligations in the event of unforeseen contingencies.

#### Note 9. Contract Income Concentration

During the years ended June 30, 2023 and 2022, VOCE received 99% of its revenue from its contract with Diakon Lutheran Social Ministries (Diakon). Accounts receivable from the contract amounted to approximately 99% as of June 30, 2023 and 2022. All contract income comes through Diakon. Diakon has been awarded contracts by the Commonwealth of Pennsylvania Department of Public Welfare (DPW) for the Statewide Adoption Network (SWAN) program to increase adoption opportunities for children in the custody of a county children and youth agency who have a goal of adoption. VOCE was engaged by Diakon to perform services pertaining to the execution of its contracts.

If a significant reduction in the level funding in the contract would occur or the agreement would not be renewed, the VOCE's programs and activities may be adversely impacted.

**FAMILY DESIGN RESOURCES, INC. DBA VOCE, AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 10. Retirement Plan**

VOCE has a 401(k) retirement plan (the plan), which is a defined contribution plan. All eligible employees have the option of deferring a portion of their salary to the plan. VOCE contributed an amount equal to 6% of all eligible employee salaries, and the retirement plan expense was \$1,122,468 and \$1,080,490 for the years ended June 30, 2023 and 2022, respectively.

**Note 11. Leases**

During September 2021, VOCE entered into a lease with 471 AD Associates, LLC. The term of the lease was five years ending on August 31, 2026. VOCE would have had the option to renew the lease for one additional five year term. This lease was terminated in July 2023.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended June 30, 2023:

Components of lease cost	Amount
Operating lease cost	\$ 22,431
Total lease costs	\$ 22,431

Supplemental cash flow information related to leases is as follows:

Other Information	Amount
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 22,425
ROU assets obtained in exchange for new operating lease liabilities	\$ 23,963
Weighted-average remaining lease term in years for operating leases	0.08
Weighted-average discount rate for operating leases	2.80%

The future maturities of the Organization's operating leases as of June 30, 2023, are as follows:

Year	Amount
2024	\$ 1,875

**FAMILY DESIGN RESOURCES, INC. DBA VOCE, AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 11. Leases (Continued)**

Future minimum lease commitments, as determined under ASC Topic 840, for all non-cancelable leases as of June 30, 2022, are as follows:

Year	Amount
2023	22,425
2024	1,875
	<u>24,300</u>

VOCE leases part of its office space under a short-term lease with Diakon. The lease is month-to-month and automatically terminates upon the termination of the subcontractor agreement with Diakon or upon termination of Diakon's prime lease. Rent is based on square footage of the space being used for non-SWAN projects. Rent expenses were \$19,057 and \$18,684 for the years ended June 30, 2023 and 2022, respectively.

**Note 12. Subsequent Event**

Subsequent to the year end, VOCE entered into a lease with Linlo Corporate Center, LLC where VOCE had the right to use office space beginning on October 1, 2023. The term of the lease is six years ending on September 30, 2029 with monthly payments ranging from \$9,369 to \$13,693.

## **SUPPLEMENTARY INFORMATION**

**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  
Family Design Resources Inc., DBA VOCE, and Subsidiary  
Camp Hill, Pennsylvania

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 financial statements of Family Design Resources Inc., DBA VOCE, and Subsidiary (the Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated **MONTH XX, 2024**.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the 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 may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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.

Camp Hill, Pennsylvania  
MONTH XX, 2024