

FAMILY & CHILDREN'S AGENCY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

FAMILY & CHILDREN'S AGENCY, INC.

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Independent Auditors' Report

To the Board of Directors
Family & Children's Agency, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Family & Children's Agency, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, cash flows and functional expenses for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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 auditors' 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 auditors consider 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, we 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family & Children's Agency, Inc., as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of program service expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2015 on our consideration of Family & Children's Agency, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering Family & Children's Agency, Inc.'s internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 14, 2015

FAMILY & CHILDREN'S AGENCY, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 99,753	\$ 195,022
Investments	2,313,084	2,308,795
Accounts receivable, net	685,361	1,021,378
Grants receivable	313,641	159,036
Prepaid expenses	38,063	-
Funds held by auxiliary	100,019	96,718
Restricted cash	21,448	22,449
Security deposits	36,722	45,172
Property and equipment, net	<u>903,961</u>	<u>910,944</u>
Total Assets	<u>\$ 4,512,052</u>	<u>\$ 4,759,514</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 178,165	\$ 413,715
Accrued payroll and related expenses	748,669	572,363
Line of credit	200,000	500,000
Notes payable	317,534	438,057
Refundable deposits	21,448	22,449
Refundable advances	95,969	63,247
Total liabilities	<u>1,561,785</u>	<u>2,009,831</u>
Net Assets		
Unrestricted	595,361	408,952
Board-designated - endowment	<u>2,313,084</u>	<u>2,308,795</u>
Total unrestricted net assets	2,908,445	2,717,747
Temporarily restricted	<u>41,822</u>	<u>31,936</u>
Total net assets	<u>2,950,267</u>	<u>2,749,683</u>
Total Liabilities and Net Assets	<u>\$ 4,512,052</u>	<u>\$ 4,759,514</u>

The accompanying notes are an integral part of the financial statements

FAMILY & CHILDREN'S AGENCY, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Support and Other Changes						
Grant income	\$ 10,270,525	\$ -	\$ 10,270,525	\$ 7,791,745	\$ -	\$ 7,791,745
Program fees, net	3,239,389	-	3,239,389	3,667,931	-	3,667,931
Contributions	1,460,718	37,778	1,498,496	1,480,045	19,201	1,499,246
Special events	606,345	-	606,345	499,606	-	499,606
United Way	7,391	-	7,391	8,047	-	8,047
Other income	18	-	18	87,210	-	87,210
Net assets released from restrictions	27,892	(27,892)	-	25,846	(25,846)	-
Total revenue, support and other changes	<u>15,612,278</u>	<u>9,886</u>	<u>15,622,164</u>	<u>13,560,430</u>	<u>(6,645)</u>	<u>13,553,785</u>
Expenses						
Program services	13,855,520	-	13,855,520	12,272,895	-	12,272,895
Development and fundraising	1,005,144	-	1,005,144	980,069	-	980,069
Management and general	294,997	-	294,997	274,927	-	274,927
Total expenses before depreciation	<u>15,155,661</u>	<u>-</u>	<u>15,155,661</u>	<u>13,527,891</u>	<u>-</u>	<u>13,527,891</u>
Income (Loss) from Operations Before Depreciation	456,617	9,886	466,503	32,539	(6,645)	25,894
Depreciation	<u>270,208</u>	<u>-</u>	<u>270,208</u>	<u>284,102</u>	<u>-</u>	<u>284,102</u>
Income (Loss) from Operations	186,409	9,886	196,295	(251,563)	(6,645)	(258,208)
Other Changes in Net Assets						
Investment gains, net	4,289	-	4,289	325,528	-	325,528
Gain on disposal of property and equipment	-	-	-	500	-	500
Increase (Decrease) in Net Assets	190,698	9,886	200,584	74,465	(6,645)	67,820
Net Assets - Beginning of Year	<u>2,717,747</u>	<u>31,936</u>	<u>2,749,683</u>	<u>2,643,282</u>	<u>38,581</u>	<u>2,681,863</u>
Net Assets - End of Year	<u>\$ 2,908,445</u>	<u>\$ 41,822</u>	<u>\$ 2,950,267</u>	<u>\$ 2,717,747</u>	<u>\$ 31,936</u>	<u>\$ 2,749,683</u>

The accompanying notes are an integral part of the financial statements

FAMILY & CHILDREN'S AGENCY, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 200,584	\$ 67,820
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	270,208	284,102
Bad debts	188,000	-
(Gain) loss on investments	54,600	(227,215)
Gain on disposal of property and equipment	-	(500)
(Increase) decrease in operating assets:		
Accounts receivable	148,017	(211,423)
Grants receivable	(154,605)	20,331
Prepaid expenses	(38,063)	53,855
Funds held by auxiliary	(3,301)	8,148
Restricted cash	1,001	3,310
Security deposits	8,450	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(235,550)	21,382
Accrued payroll and related expenses	176,306	(1,666)
Refundable deposits	32,658	(3,310)
Refundable advances	(937)	52,763
Net cash provided by operating activities	<u>647,368</u>	<u>67,597</u>
Cash Flows from Investing Activities		
Cash outlay for property and equipment	(263,225)	(121,718)
Proceeds from disposal of property and equipment	-	500
Purchases of investments	(58,889)	(113,313)
Net cash used in investing activities	<u>(322,114)</u>	<u>(234,531)</u>
Cash Flows from Financing Activities		
Proceeds from (payments on) line of credit	(300,000)	300,000
Principal payments on notes payable	(120,523)	(105,897)
Net cash provided by (used in) financing activities	<u>(420,523)</u>	<u>194,103</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(95,269)	27,169
Cash and Cash Equivalents - Beginning of Year	<u>195,022</u>	<u>167,853</u>
Cash and Cash Equivalents - End of Year	<u>\$ 99,753</u>	<u>\$ 195,022</u>
Cash Paid During the Year for Interest	\$ 38,172	\$ 28,417

The accompanying notes are an integral part of the financial statements

FAMILY & CHILDREN'S AGENCY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015				2014			
	Program Services	Management and General	Development and Fundraising	Total	Program Services	Management and General	Development and Fundraising	Total
Salaries and benefits	\$ 8,392,069	\$ 265,148	\$ 661,589	\$ 9,318,806	\$ 7,741,751	\$ 238,559	\$ 657,494	\$ 8,637,804
Client support	3,220,501	-	-	3,220,501	2,485,450	-	-	2,485,450
Contract employees	542,747	6,855	18,485	568,087	525,031	7,307	20,392	552,730
Occupancy	473,880	4,081	24,887	502,848	498,383	8,456	19,904	526,743
Travel	253,314	760	2,892	256,966	268,805	963	3,644	273,412
Bad debts	188,000	-	-	188,000	-	-	-	-
Finance and other fees	151,757	4,356	12,020	168,133	152,987	4,524	12,625	170,136
Insurance	151,075	4,369	11,784	167,228	152,960	4,693	13,096	170,749
Fundraising events	-	-	156,900	156,900	-	-	149,587	149,587
Equipment rental	111,049	2,913	8,136	122,098	109,669	3,441	8,335	121,445
Professional fees	110,412	879	2,830	114,121	33,751	928	2,590	37,269
Telephone	82,515	1,429	3,768	87,712	79,883	1,368	3,646	84,897
Office supplies	56,931	1,566	26,239	84,736	85,583	2,100	30,874	118,557
Conferences	44,053	842	6,820	51,715	44,031	926	8,641	53,598
Public relations	10,256	255	31,524	42,035	6,227	116	16,796	23,139
Dues and memberships	33,185	856	5,934	39,975	38,546	1,261	5,633	45,440
Miscellaneous	13,805	410	23,143	37,358	27,129	141	19,629	46,899
Postage	19,971	278	8,193	28,442	22,709	144	7,183	30,036
Total Expenses Before Depreciation	13,855,520	294,997	1,005,144	15,155,661	12,272,895	274,927	980,069	13,527,891
Depreciation	244,107	7,060	19,041	270,208	254,505	7,808	21,789	284,102
Total Expenses	\$ 14,099,627	\$ 302,057	\$ 1,024,185	\$ 15,425,869	\$ 12,527,400	\$ 282,735	\$ 1,001,858	\$ 13,811,993

The accompanying notes are an integral part of the financial statements

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Family & Children's Agency Inc. (the Agency) is a nonstock, not-for-profit corporation formed as a social service agency engaged in assisting individuals and families primarily throughout Fairfield County who are faced with adversity. Assistance is available through various programs that provide professional guidance designed to promote harmonious family and interpersonal relationships and healthy personal development.

Program Services

The Agency provides the following services:

Behavioral Health Services

Behavioral Health Services include individual, family and group counseling. As a licensed child, adolescent and adult psychiatric clinic, the Agency provides assessment, psychiatric services and counseling to individuals ages five and up. Project Reward is a substance abuse treatment program for substance abusing woman and their children. The program provides intensive outpatient services and aftercare. Homeless service programs provide social rehabilitation case management and supportive housing. Revenues are received from client fees, federal and state grants, contributions and in-kind donations.

Home Care Services

Home Care Services include Live-In, Home Health Aide, Home Modification and Repair, Assisted Transportation, Chore, Companion and Homemaking services for the frail and elderly. Revenues are received from client fees that are largely paid by third-party payors including federal grants and private payors.

Adoption Services

Adoption Services provides home studies and support services for domestic and foreign adoption. Revenues are received from client fees and contributions.

Child Welfare Services

Child welfare services encompasses in-home child psychiatric services as well as specialized foster care, family support programs such as Family Enrichment Services, MOMs Nurturing Families and youth development programs such as the After School Program. Revenues are received from program fees, federal and state grants, contributions, in-kind donations and fundraising events.

Personal Alert

Personal Alert provides emergency response system services primarily to people living in Fairfield County and surrounding towns. Personal Alert receives income from client fees, which are paid by Southwestern Connecticut Agency on Aging and private payors. Additionally, Personal Alert receives funding from contributions, in-kind donations and fundraising events.

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The financial statements of the Agency have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of the Agency are reported in the following net asset categories:

Unrestricted Net Assets

Unrestricted net assets represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors. Designated net assets represent special designations established by the Board of Directors.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure.

Permanently Restricted Net Assets

Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Agency to expend the income earned thereon. The Agency did not have any permanently restricted net assets as of June 30, 2015 and 2014.

Measure of Operations

The Agency's measure of operations includes all changes in net assets except investment gains and losses, and gain and loss on disposal of property and equipment.

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 certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. It is management's opinion that the estimates applied in the accompanying financial statements are reasonable.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and certain highly liquid investments with original maturities of 90 days or less, exclusive of amounts held by brokers, which are considered to be investments.

The Agency places its cash deposits with high credit-quality institutions. Such deposits exceed federal depository insurance limits at times during the year. However, management believes that the Agency's deposits are not subject to significant credit risk.

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

Accounts Receivable

The Agency generally does not require collateral or other security in providing health care and other services to clients. However, the Agency routinely obtains assignment of clients' benefits payable under their health care insurance programs, plans or policies. Based on management's assessment of the credit history with clients having outstanding balances and their current relationships with them, it has concluded that a reserve of \$240,000 is deemed necessary at June 30, 2015 and 2014. Accounts receivable balances are written off when management has concluded that all reasonable methods of collection have been exhausted.

Grants Receivable

Grants from federal, state and other sources are recognized as revenue when the related expenditures are incurred or revenue otherwise earned. Grants receivable represents unreimbursed expenses at June 30, 2015 and 2014.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include the Agency's gains and losses on investments bought and sold as well as held during the year. Realized and unrealized gains and losses on these investments are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Property and Equipment

Property and equipment acquisitions and improvements thereon that exceed \$1,000 are recorded at cost or donated value. Depreciation is provided using the straight-line method based on the estimated useful lives.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Restricted Cash and Refundable Deposits

Restricted cash and refundable deposits represent adoption funds received from prospective parents, which are held in escrow for future payments.

Refundable Advances

Amounts of grants and contracts that are received but unearned are reflected as refundable advances in the accompanying statements of financial position and are subsequently reflected in the accompanying statements of activities during the period to which they apply as funds are expended.

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are discounted to their present value. The Agency reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Program Fees

Program fees are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered.

Governmental Grants and Contracts

Other than certain awards to fund capital expenditures, governmental grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost reimbursement grants and contracts is recognized to the extent of costs incurred. Revenue from performance-based grants and contracts are recognized to the extent of performance achieved.

The Agency receives a significant portion of its revenue from the State of Connecticut. A significant reduction in the level of this support, if it were to occur, could have a significant effect on the Agency's programs.

Donated Property and Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased by the Agency. Donated services meeting these criteria consisted of donated program supplies totaling \$27,833 and \$65,865 for the years ended June 30, 2015 and 2014, respectively, and are included in the revenues and expenses on the statements of activities. Donated property and goods are recorded as support and expensed at fair market value when determinable, otherwise at values indicated by the donor.

While many individuals volunteer their time and perform a variety of tasks that assist the Agency, no amounts have been recognized in the accompanying financial statements for such services because the criteria for recognition of such volunteer efforts have not been met.

Functional Expense Allocation

Expenses are charged directly to programs, development and fundraising, and management and general based on specific identification to the extent practicable. Expenses related to more than one function have been allocated based on periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with a specific function, but provide for the overall support and direction of the Agency.

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

Income Taxes

The Agency is exempt from federal income taxes under provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made.

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the current year's presentation.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through December 14, 2015, which represents the date the financial statements were available to be issued.

NOTE 3 - FAIR VALUE MEASUREMENT

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

Money Market Funds

Money market funds are valued at the quoted net asset value of shares reported in the active market in which the money market funds are traded.

Mutual Funds and Exchange-Traded Equity Funds

Mutual funds and exchange-traded equity funds are valued at the quoted net asset value of shares held by the Agency at year end.

There have been no changes in the methodologies used at June 30, 2015 and 2014.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair values of all investments are determined using quoted prices for identical assets in active markets in which the Agency has access (Level 1).

The following tables set forth the Agency's assets at fair value as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Exchange-traded equity funds	\$ 1,197,330	\$ 1,189,840
Mutual funds:		
Equity	643,875	678,049
Fixed Income	314,571	314,249
Money market funds	<u>157,308</u>	<u>126,657</u>
Total Assets at Fair Value	\$ <u>2,313,084</u>	\$ <u>2,308,795</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2015 and 2014, consist of the following:

	<u>2015</u>	<u>2014</u>
Buildings and improvements	\$ 1,485,745	\$ 1,485,745
Equipment and fixtures	937,708	901,311
Vehicles	100,152	100,152
Internal software	362,044	362,044
Construction in progress	<u>226,827</u>	<u>-</u>
	3,112,476	2,849,252
Less accumulated depreciation	<u>(2,208,515)</u>	<u>(1,938,308)</u>
Net Property and Equipment	\$ <u>903,961</u>	\$ <u>910,944</u>

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LINE OF CREDIT

During the year ended June 30, 2015, the Agency refinanced and extended its existing \$900,000 line of credit to \$1,400,000. Interest is payable monthly based on *The Wall Street Journal* Prime Rate (3.25% at June 30, 2015 and 2014), and will be renewed annually at the bank's discretion. The line of credit is secured by substantially all of the Agency's assets and contains various financial and other covenants.

The Agency had borrowings of \$200,000 and \$500,000 outstanding under the line of credit as of June 30, 2015 and 2014, respectively.

NOTE 6 - NOTES PAYABLE

The Agency obtained a \$418,000 note payable with an interest rate of 5.45% and monthly payments of principal and interest totaling \$6,012. This note matures on March 1, 2017 and is secured by the Agency's office building.

The Agency also obtained a \$300,000 note payable with an interest rate of 4.25% and monthly payments of principal and interest totaling \$5,567. This note matures on August 2, 2018 and is secured by the Agency's assets.

Both agreements include various restrictions and financial covenants.

Future maturities of the notes payable as of June 30, 2015 are as follows:

Year Ending June 30

2016	\$	127,270
2017		114,740
2018		64,858
2019		<u>10,666</u>
Total	\$	<u>317,534</u>

NOTE 7 - LEASE COMMITMENTS

The Agency leases various office equipment, facilities and vehicles under operating leases, which expire at various times through June 2023, with monthly payments ranging from \$108 to \$14,816. Rent expense for the years ended June 30, 2015 and 2014, amounted to \$383,732 and \$399,209, respectively.

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

At June 30, 2015, minimum future rental payments under these operating leases were as follows:

Year Ending June 30

2016	\$	353,279
2017		304,333
2018		254,282
2019		191,606
Thereafter		<u>775,258</u>
Total	\$	<u>1,878,758</u>

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or time periods at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
IT collaborative project	\$ 37,778	\$ 19,201
Child welfare services and client support fund	<u>4,044</u>	<u>12,735</u>
Total Temporarily Restricted Net Assets	<u>\$ 41,822</u>	<u>\$ 31,936</u>

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the following purpose or time restrictions for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Child welfare services and client support fund	\$ 27,892	\$ 6,656
Funds transferred to long-term investment	-	15,000
Adoption services	<u>-</u>	<u>4,190</u>
Total Net Assets Released from Restrictions	<u>\$ 27,892</u>	<u>\$ 25,846</u>

NOTE 10 - ENDOWMENT

The Agency's endowment consists of funds designated by the Board of Directors to function as an endowment. As required by accounting principles generally accepted in the United States of America, 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.

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

Changes in endowment net assets for the years ended June 30, 2015 and 2014, are as follows:

	<u>Unrestricted</u>
Endowment net assets - June 30, 2013	\$ <u>1,968,267</u>
Additional designations	<u>15,000</u>
Investment return:	
Investment income	98,313
Investment gain	<u>227,215</u>
Total investment return	<u>325,528</u>
Endowment net assets - June 30, 2014	<u>2,308,795</u>
Investment return:	
Investment income	58,889
Investment loss	<u>(54,600)</u>
Total investment return	<u>4,289</u>
Endowment Net Assets - June 30, 2015	\$ <u><u>2,313,084</u></u>

Return Objectives and Risk Parameters

The Agency has adopted investment and spending policies for endowment assets that attempt to maintain the purchasing power of the endowment assets. Endowment assets include only board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various industry benchmarks and indexes while assuming a moderate level of investment risk. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Agency 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 Agency 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 and How the Investment Objectives Relate to Spending Policy

The Agency has a policy allowing for the appropriation each year of up to 5% of its endowment fund's average fair value at the beginning of the fiscal year (July 1) in which the distribution is planned. In establishing this policy, the Agency considered the long-term expected return on its endowment. This is consistent with the Agency's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - DEFINED CONTRIBUTION RETIREMENT PLAN

The Agency maintains a defined contribution retirement plan as defined under Section 401(a) of the Internal Revenue Code. All employees are eligible to participate after one year and the completion of 1,000 hours of service. The Agency's annual contribution is equal to 3% of the eligible employee's annual salary. In addition, the Agency will contribute 100% of up to 2% of an employee's contribution. Employees are fully vested immediately for the first 3% and after three years of service for the 2% match. Employer contributions to the plan were \$236,358 and \$238,949 for 2015 and 2014, respectively.

NOTE 12 - FEDERAL AND STATE ASSISTANCE PROGRAMS

The Agency participates in a number of federal and state assisted grant programs. The use of grants in programs is subject to future review by the grantors. Such reviews may result in the Agency having liabilities to the grantors.

FAMILY & CHILDREN'S AGENCY, INC.

SCHEDULE OF PROGRAM SERVICES EXPENSES FOR THE YEAR ENDED JUNE 30, 2015

	<u>Behavioral Health</u>	<u>Home Care</u>	<u>Adoption</u>	<u>Child Welfare</u>	<u>Personal Alert</u>	<u>Total</u>
Program Services Expenses						
Salaries and benefits	\$ 2,349,357	\$ 1,394,914	\$ 500,725	\$ 3,885,729	\$ 261,344	\$ 8,392,069
Client support	49,142	7,464	23,789	3,013,301	126,805	3,220,501
Contract employees	292,733	41,598	14,436	186,583	7,397	542,747
Occupancy	165,402	35,896	31,817	231,184	9,581	473,880
Travel	43,897	15,098	20,868	167,924	5,527	253,314
Bad debts	-	18,000	-	170,000	-	188,000
Finance and other fees	41,716	26,478	9,243	68,615	5,705	151,757
Insurance	41,841	26,518	9,202	68,799	4,715	151,075
Equipment rental	37,117	11,484	12,878	46,005	3,565	111,049
Professional fees	8,417	5,334	81,873	13,839	949	110,412
Telephone	19,476	9,855	7,079	44,588	1,517	82,515
Office supplies	18,635	8,281	3,777	24,141	2,097	56,931
Conferences	14,869	6,012	2,067	19,325	1,780	44,053
Public relations	2,618	2,759	1,084	3,296	499	10,256
Dues and memberships	8,725	5,939	3,329	14,268	924	33,185
Miscellaneous	1,803	7,168	330	4,414	90	13,805
Postage	3,290	1,108	9,998	5,010	565	19,971
Total Expenses Before Depreciation	3,099,038	1,623,906	732,495	7,967,021	433,060	13,855,520
Depreciation	67,607	42,848	14,869	111,164	7,619	244,107
Total	<u>\$ 3,166,645</u>	<u>\$ 1,666,754</u>	<u>\$ 747,364</u>	<u>\$ 8,078,185</u>	<u>\$ 440,679</u>	<u>\$ 14,099,627</u>

FAMILY & CHILDREN'S AGENCY, INC.

SCHEDULE OF PROGRAM SERVICES EXPENSES FOR THE YEAR ENDED JUNE 30, 2014

	<u>Behavioral Health</u>	<u>Home Care</u>	<u>Adoption</u>	<u>Child Welfare</u>	<u>Personal Alert</u>	<u>Total</u>
Program Services Expenses						
Salaries and benefits	\$ 2,214,813	\$ 1,422,374	\$ 626,132	\$ 3,251,555	\$ 226,877	\$ 7,741,751
Client support	35,452	7,043	11,248	2,300,904	130,803	2,485,450
Contract employees	239,550	45,559	30,306	202,857	6,759	525,031
Occupancy	200,854	39,137	41,962	196,623	19,807	498,383
Travel	51,356	18,861	26,133	167,350	5,105	268,805
Finance and other fees	41,886	28,207	12,004	65,558	5,332	152,987
Insurance	43,199	29,257	12,425	63,738	4,341	152,960
Equipment rental	35,920	12,172	15,873	42,378	3,326	109,669
Professional fees	9,157	5,787	5,342	12,606	859	33,751
Telephone	20,057	8,421	10,962	38,940	1,503	79,883
Office supplies	29,151	11,824	6,802	35,377	2,429	85,583
Conferences	10,875	6,825	3,400	21,935	996	44,031
Public relations	594	1,671	2,412	650	900	6,227
Dues and memberships	10,292	7,145	4,957	15,180	972	38,546
Miscellaneous	3,863	12,835	1,707	7,653	1,071	27,129
Postage	3,800	2,094	11,159	4,699	957	22,709
Total Expenses Before Depreciation	2,950,819	1,659,212	822,824	6,428,003	412,037	12,272,895
Depreciation	71,877	48,680	20,674	106,052	7,222	254,505
Total	<u>\$ 3,022,696</u>	<u>\$ 1,707,892</u>	<u>\$ 843,498</u>	<u>\$ 6,534,055</u>	<u>\$ 419,259</u>	<u>\$ 12,527,400</u>