

**FAMILY & CHILDREN'S AGENCY, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**

# **FAMILY & CHILDREN'S AGENCY, INC.**

## **CONTENTS**

---

Independent Auditors' Report	1-2
Statements of Financial Position - June 30, 2017 and 2016	3
Statements of Activities for the Years Ended June 30, 2017 and 2016	4
Statements of Cash Flows for the Years Ended June 30, 2017 and 2016	5
Statements of Functional Expenses for the Years Ended June 30, 2017 and 2016	6
Notes to Financial Statements	7-16
Schedules of Program Services Expenses for the Years Ended June 30, 2017 and 2016	17-18

# BlumShapiro

Accounting | Tax | Business Consulting

## Independent Auditors' Report

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

### 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, 2017 and 2016, and the related statements of activities, functional expenses and cash flows 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, 2017 and 2016, 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 services 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 6, 2017 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 solely 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 effectiveness of Family & Children's Agency, Inc.'s 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 6, 2017

# FAMILY & CHILDREN'S AGENCY, INC.

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 199,726	\$ 522,807
Investments	2,704,189	2,384,248
Accounts receivable, net	869,508	627,945
Grants receivable	141,788	234,087
Prepaid expenses	41,472	31,830
Funds held by auxiliary	96,844	96,383
Restricted cash	5,021	5,481
Security deposits	38,373	37,748
Property and equipment, net	<u>702,524</u>	<u>771,208</u>
<b>Total Assets</b>	<u>\$ 4,799,445</u>	<u>\$ 4,711,737</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 330,025	\$ 256,438
Accrued payroll and related expenses	845,958	992,555
Notes payable	75,903	191,305
Refundable deposits	5,954	5,481
Refundable advances	<u>21,192</u>	<u>49,636</u>
Total liabilities	<u>1,279,032</u>	<u>1,495,415</u>
<b>Net Assets</b>		
Unrestricted	769,783	785,174
Board-designated - endowment	<u>2,704,189</u>	<u>2,384,248</u>
Total unrestricted net assets	<u>3,473,972</u>	<u>3,169,422</u>
Temporarily restricted	<u>46,441</u>	<u>46,900</u>
Total net assets	<u>3,520,413</u>	<u>3,216,322</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 4,799,445</u>	<u>\$ 4,711,737</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, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue, Support and Other Changes</b>						
Grant income	\$ 10,645,592	\$ -	\$ 10,645,592	\$ 10,594,457	\$ -	\$ 10,594,457
Program fees	3,390,198	-	3,390,198	3,545,482	-	3,545,482
Contributions	2,024,488	42,191	2,066,679	1,651,426	42,856	1,694,282
Special events	622,495	-	622,495	571,846	-	571,846
Other income	202,887	-	202,887	104,376	-	104,376
Net assets released from restrictions	42,650	(42,650)	-	37,778	(37,778)	-
Total revenue, support and other changes	<u>16,928,310</u>	<u>(459)</u>	<u>16,927,851</u>	<u>16,505,365</u>	<u>5,078</u>	<u>16,510,443</u>
<b>Expenses</b>						
Program services	15,276,168	-	15,276,168	14,685,553	-	14,685,553
Development and fundraising	1,096,788	-	1,096,788	1,031,622	-	1,031,622
Management and general	349,751	-	349,751	319,322	-	319,322
Total expenses before depreciation	<u>16,722,707</u>	<u>-</u>	<u>16,722,707</u>	<u>16,036,497</u>	<u>-</u>	<u>16,036,497</u>
<b>Income (Loss) from Operations Before Depreciation</b>	205,603	(459)	205,144	468,868	5,078	473,946
<b>Depreciation</b>	<u>220,994</u>	<u>-</u>	<u>220,994</u>	<u>263,045</u>	<u>-</u>	<u>263,045</u>
<b>Income (Loss) from Operations</b>	(15,391)	(459)	(15,850)	205,823	5,078	210,901
<b>Other Changes in Net Assets</b>						
Investment gains, net	319,941	-	319,941	46,164	-	46,164
Gain on disposal of property and equipment	-	-	-	8,990	-	8,990
<b>Increase (Decrease) in Net Assets</b>	304,550	(459)	304,091	260,977	5,078	266,055
<b>Net Assets - Beginning of Year</b>	<u>3,169,422</u>	<u>46,900</u>	<u>3,216,322</u>	<u>2,908,445</u>	<u>41,822</u>	<u>2,950,267</u>
<b>Net Assets - End of Year</b>	<u>\$ 3,473,972</u>	<u>\$ 46,441</u>	<u>\$ 3,520,413</u>	<u>\$ 3,169,422</u>	<u>\$ 46,900</u>	<u>\$ 3,216,322</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 304,091	\$ 266,055
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	220,994	263,045
Change in allowance for doubtful accounts	(167,000)	-
Realized and unrealized gain on investments	(271,937)	(46,164)
Gain on disposal of property and equipment	-	(8,990)
(Increase) decrease in operating assets:		
Accounts receivable	(74,563)	57,416
Grants receivable	92,299	79,554
Prepaid expenses	(9,642)	6,233
Funds held by auxiliary	(461)	3,636
Restricted cash	460	15,967
Security deposits	(625)	(1,026)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	73,587	78,273
Accrued payroll and related expenses	(146,597)	243,886
Refundable deposits	473	(15,967)
Refundable advances	(28,444)	(46,333)
Net cash provided by (used in) operating activities	<u>(7,365)</u>	<u>895,585</u>
<b>Cash Flows from Investing Activities</b>		
Cash outlay for property and equipment	(152,310)	(130,292)
Proceeds from disposal of property and equipment	-	8,990
Purchases of investments	(48,004)	(25,000)
Net cash used in investing activities	<u>(200,314)</u>	<u>(146,302)</u>
<b>Cash Flows from Financing Activities</b>		
Payments on line of credit	-	(200,000)
Principal payments on notes payable	(115,402)	(126,229)
Net cash used in financing activities	<u>(115,402)</u>	<u>(326,229)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(323,081)	423,054
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>522,807</u>	<u>99,753</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 199,726</u>	<u>\$ 522,807</u>
<b>Cash Paid During the Year for Interest</b>	\$ 8,745	\$ 15,303

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, 2017 AND 2016

	2017				2016			
	Program Services	Management and General	Development and Fundraising	Total	Program Services	Management and General	Development and Fundraising	Total
Salaries and benefits	\$ 9,159,238	\$ 299,531	\$ 708,121	\$ 10,166,890	\$ 9,294,692	\$ 282,108	\$ 696,062	\$ 10,272,862
Client support	3,484,727	-		3,484,727	3,487,049	-	-	3,487,049
Contract employees	1,030,172	5,794	25,424	1,061,390	481,483	5,970	15,917	503,370
Occupancy	573,267	2,572	27,231	603,070	503,410	1,863	25,962	531,235
Travel	280,762	1,008	3,266	285,036	241,645	669	2,737	245,051
Equipment rental	202,604	4,980	16,696	224,280	144,567	3,090	13,721	161,378
Fundraising events	-	-	218,141	218,141	-	-	164,312	164,312
Telephone	102,406	2,145	5,286	109,837	97,062	1,864	4,701	103,627
Insurance	90,732	2,713	6,881	100,326	87,541	2,482	6,465	96,488
Finance and other fees	84,153	2,517	6,382	93,052	103,513	2,921	7,611	114,045
Office supplies	66,878	754	23,051	90,683	78,753	1,052	25,164	104,969
Conferences	64,983	3,587	13,159	81,729	47,970	2,343	8,439	58,752
Professional fees	36,376	21,062	2,591	60,029	31,154	11,859	2,237	45,250
Dues and memberships	40,034	1,096	9,859	50,989	34,863	872	6,817	42,552
Public relations	15,399	1,742	19,222	36,363	5,172	2,006	32,658	39,836
Postage	23,095	157	6,006	29,258	20,505	112	6,186	26,803
Miscellaneous	21,342	93	5,472	26,907	26,174	111	12,633	38,918
<b>Total Expenses Before Depreciation</b>	<b>15,276,168</b>	<b>349,751</b>	<b>1,096,788</b>	<b>16,722,707</b>	<b>14,685,553</b>	<b>319,322</b>	<b>1,031,622</b>	<b>16,036,497</b>
<b>Depreciation</b>	<b>199,860</b>	<b>5,977</b>	<b>15,157</b>	<b>220,994</b>	<b>238,655</b>	<b>6,766</b>	<b>17,624</b>	<b>263,045</b>
<b>Total Expenses</b>	<b>\$ 15,476,028</b>	<b>\$ 355,728</b>	<b>\$ 1,111,945</b>	<b>\$ 16,943,701</b>	<b>\$ 14,924,208</b>	<b>\$ 326,088</b>	<b>\$ 1,049,246</b>	<b>\$ 16,299,542</b>

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:

##### **Adoption Services**

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

##### **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.

##### **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.

##### **Home Care Services**

Home Care Services include Live-In, Home Health Aide, 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 private payors and contributions.

##### **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.

# **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, 2017 and 2016.

#### **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 \$50,000 and \$240,000 is deemed necessary at June 30, 2017 and 2016, respectively. 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, 2017 and 2016.

### **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 \$33,423 and \$31,870 for the years ended June 30, 2017 and 2016, 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.

### **Subsequent Events**

In preparing these financial statements, management has evaluated subsequent events through December 6, 2017, 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, 2017 and 2016.

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Exchange-traded equity funds	\$ 1,406,808	\$ 1,329,368
Mutual funds:		
Equity	668,140	623,535
Fixed income	347,087	318,502
Total assets at fair value	<u>4,844,070</u>	<u>4,542,810</u>
Money market funds	<u>282,154</u>	<u>112,843</u>
Total Investments	<u>\$ 6,141,451</u>	<u>\$ 5,597,690</u>

# FAMILY & CHILDREN'S AGENCY, INC.

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2017 and 2016, consist of the following:

	<u>2017</u>	<u>2016</u>
Buildings and improvements	\$ 1,574,545	\$ 1,493,984
Equipment and fixtures	1,039,745	981,736
Vehicles	108,850	77,317
Internal software	649,104	649,104
Construction in progress	-	17,792
	<u>3,372,244</u>	<u>3,219,933</u>
Less accumulated depreciation	<u>(2,669,720)</u>	<u>(2,448,725)</u>
Net Property and Equipment	<u>\$ 702,524</u>	<u>\$ 771,208</u>

### 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 (4.25% and 3.50% at June 30, 2017 and 2016, respectively), 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.

There was no balance outstanding as of June 30, 2017 and 2016.

### 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 matured on March 1, 2017 and was 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, 2017 are as follows:

#### Year Ending June 30

2018	\$ 64,858
2019	<u>11,045</u>
Total	<u>\$ 75,903</u>

# FAMILY & CHILDREN'S AGENCY, INC.

## NOTES TO FINANCIAL STATEMENTS

---

### 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 \$52 to \$15,259. Rent expense for the years ended June 30, 2017 and 2016, amounted to \$437,480 and \$391,437, respectively.

At June 30, 2017, minimum future rental payments under these operating leases were as follows:

#### Year Ending June 30

2018	\$	374,911
2019		310,897
2020		217,210
2021		197,599
Thereafter		<u>387,029</u>
Total	\$	<u><u>1,487,646</u></u>

### NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Scholarship and staff enhancement	\$ 35,737	\$ 42,650
Child welfare services and client support fund	<u>10,704</u>	<u>4,250</u>
Total Temporarily Restricted Net Assets	<u>\$ 46,441</u>	<u>\$ 46,900</u>

Net assets released from restriction by incurring expenses satisfying the purpose restrictions for child welfare services and client support were \$42,650 and \$37,778 for the years ended June 30, 2017 and 2016, respectively.

### NOTE 9 - 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, 2017 and 2016, are as follows:

	<u>Unrestricted</u>
Endowment net assets - June 30, 2015	\$ <u>2,313,084</u>
Additional designations	<u>25,000</u>
Investment return:	
Investment income	52,750
Investment loss	<u>(6,586)</u>
Total investment return	<u>46,164</u>
Endowment net assets - June 30, 2016	<u>2,384,248</u>
Investment return:	
Investment income	48,004
Investment gain	<u>271,937</u>
Total investment return	<u>319,941</u>
Endowment Net Assets - June 30, 2017	\$ <u><u>2,704,189</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 10 - 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 \$285,653 and \$276,327 for 2017 and 2016, respectively.

### **NOTE 11 - 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, 2017

	<u>Behavioral Health</u>	<u>Home Care</u>	<u>Adoption</u>	<u>Child Welfare</u>	<u>Personal Alert</u>	<u>Total</u>
<b>Program Services Expenses</b>						
Salaries and benefits	\$ 2,428,184	\$ 1,549,720	\$ 494,228	\$ 4,429,324	\$ 257,782	\$ 9,159,238
Client support	47,623	6,707	18,540	3,288,819	123,038	3,484,727
Contract employees	866,204	35,733	10,812	112,057	5,366	1,030,172
Occupancy	249,132	55,494	22,163	237,104	9,374	573,267
Travel	41,260	16,013	24,207	192,945	6,337	280,762
Equipment rental	61,515	33,766	13,459	88,698	5,166	202,604
Telephone	24,046	13,941	6,609	56,030	1,780	102,406
Insurance	23,689	16,778	4,882	42,864	2,519	90,732
Finance and other fees	21,971	15,561	4,528	39,756	2,337	84,153
Office supplies	20,636	9,040	7,698	25,318	4,186	66,878
Conferences	18,040	10,925	4,251	30,137	1,630	64,983
Professional fees	8,919	6,317	4,054	16,137	949	36,376
Dues and memberships	12,118	7,400	1,971	17,528	1,017	40,034
Public relations	3,411	3,017	3,184	5,262	525	15,399
Postage	4,273	1,973	10,813	5,446	590	23,095
Miscellaneous	2,721	8,675	935	8,013	998	21,342
<b>Total Expenses Before Depreciation</b>	<u>3,833,742</u>	<u>1,791,060</u>	<u>632,334</u>	<u>8,595,438</u>	<u>423,594</u>	<u>15,276,168</u>
<b>Depreciation</b>	<u>52,180</u>	<u>36,958</u>	<u>10,754</u>	<u>94,418</u>	<u>5,550</u>	<u>199,860</u>
<b>Total</b>	<u>\$ 3,885,922</u>	<u>\$ 1,828,018</u>	<u>\$ 643,088</u>	<u>\$ 8,689,856</u>	<u>\$ 429,144</u>	<u>\$ 15,476,028</u>

# FAMILY & CHILDREN'S AGENCY, INC.

## SCHEDULE OF PROGRAM SERVICES EXPENSES FOR THE YEAR ENDED JUNE 30, 2016

	<u>Behavioral Health</u>	<u>Home Care</u>	<u>Adoption</u>	<u>Child Welfare</u>	<u>Personal Alert</u>	<u>Total</u>
<b>Program Services Expenses</b>						
Salaries and benefits	\$ 2,535,510	\$ 1,630,563	\$ 466,429	\$ 4,364,631	\$ 297,559	\$ 9,294,692
Client support	48,964	8,407	13,850	3,295,607	120,221	3,487,049
Contract employees	286,202	39,638	10,637	138,378	6,628	481,483
Occupancy	200,922	51,993	26,051	215,389	9,055	503,410
Travel	37,977	16,316	15,808	167,104	4,440	241,645
Equipment rental	49,482	22,454	9,938	58,959	3,734	144,567
Telephone	22,860	13,217	7,204	51,859	1,922	97,062
Insurance	23,584	16,479	4,371	40,351	2,756	87,541
Finance and other fees	27,765	19,438	5,145	47,507	3,658	103,513
Office supplies	22,571	10,835	10,058	30,248	5,041	78,753
Conferences	13,953	6,209	2,309	24,220	1,279	47,970
Professional fees	8,162	5,703	2,370	13,965	954	31,154
Dues and memberships	9,152	6,194	4,280	14,269	968	34,863
Public relations	830	2,473	189	1,419	261	5,172
Postage	3,552	1,835	8,988	5,748	382	20,505
Miscellaneous	5,586	10,212	3,409	6,705	262	26,174
<b>Total Expenses Before Depreciation</b>	<u>3,297,072</u>	<u>1,861,966</u>	<u>591,036</u>	<u>8,476,359</u>	<u>459,120</u>	<u>14,685,553</u>
<b>Depreciation</b>	<u>64,294</u>	<u>44,924</u>	<u>11,915</u>	<u>110,010</u>	<u>7,512</u>	<u>238,655</u>
<b>Total</b>	<u><u>\$ 3,361,366</u></u>	<u><u>\$ 1,906,890</u></u>	<u><u>\$ 602,951</u></u>	<u><u>\$ 8,586,369</u></u>	<u><u>\$ 466,632</u></u>	<u><u>\$ 14,924,208</u></u>