

FAMILY & CHILDREN'S AGENCY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

FAMILY & CHILDREN'S AGENCY, INC.

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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, 2016 and 2015, 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, 2016 and 2015, 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 is 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 8, 2016 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 8, 2016

FAMILY & CHILDREN'S AGENCY, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 522,807	\$ 99,753
Investments	2,384,248	2,313,084
Accounts receivable, net	627,945	685,361
Grants receivable	234,087	313,641
Prepaid expenses	31,830	38,063
Funds held by auxiliary	96,383	100,019
Restricted cash	5,481	21,448
Security deposits	37,748	36,722
Property and equipment, net	<u>771,208</u>	<u>903,961</u>
Total Assets	<u>\$ 4,711,737</u>	<u>\$ 4,512,052</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 256,438	\$ 178,165
Accrued payroll and related expenses	992,555	748,669
Line of credit	-	200,000
Notes payable	191,305	317,534
Refundable deposits	5,481	21,448
Refundable advances	49,636	95,969
Total liabilities	<u>1,495,415</u>	<u>1,561,785</u>
Net Assets		
Unrestricted	785,174	595,361
Board-designated - endowment	<u>2,384,248</u>	<u>2,313,084</u>
Total unrestricted net assets	3,169,422	2,908,445
Temporarily restricted	<u>46,900</u>	<u>41,822</u>
Total net assets	<u>3,216,322</u>	<u>2,950,267</u>
Total Liabilities and Net Assets	<u>\$ 4,711,737</u>	<u>\$ 4,512,052</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, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Support and Other Changes						
Grant income	\$ 10,594,457	\$ -	\$ 10,594,457	\$ 10,270,525	\$ -	\$ 10,270,525
Program fees, net	3,545,482	-	3,545,482	3,239,389	-	3,239,389
Contributions	1,651,426	42,856	1,694,282	1,460,718	37,778	1,498,496
Special events	571,846	-	571,846	606,345	-	606,345
United Way	-	-	-	7,391	-	7,391
Other income	104,376	-	104,376	18	-	18
Net assets released from restrictions	37,778	(37,778)	-	27,892	(27,892)	-
Total revenue, support and other changes	<u>16,505,365</u>	<u>5,078</u>	<u>16,510,443</u>	<u>15,612,278</u>	<u>9,886</u>	<u>15,622,164</u>
Expenses						
Program services	14,685,553	-	14,685,553	13,855,520	-	13,855,520
Development and fundraising	1,031,622	-	1,031,622	1,005,144	-	1,005,144
Management and general	319,322	-	319,322	294,997	-	294,997
Total expenses before depreciation	<u>16,036,497</u>	<u>-</u>	<u>16,036,497</u>	<u>15,155,661</u>	<u>-</u>	<u>15,155,661</u>
Income from Operations Before Depreciation	468,868	5,078	473,946	456,617	9,886	466,503
Depreciation	<u>263,045</u>	<u>-</u>	<u>263,045</u>	<u>270,208</u>	<u>-</u>	<u>270,208</u>
Income from Operations	205,823	5,078	210,901	186,409	9,886	196,295
Other Changes in Net Assets						
Investment gains, net	46,164	-	46,164	4,289	-	4,289
Gain on disposal of property and equipment	8,990	-	8,990	-	-	-
Increase in Net Assets	260,977	5,078	266,055	190,698	9,886	200,584
Net Assets - Beginning 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>
Net Assets - End of Year	<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>

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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 266,055	\$ 200,584
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	263,045	270,208
Bad debts	-	188,000
Realized and unrealized gain on investments	(46,164)	(4,289)
Gain on disposal of property and equipment	(8,990)	-
(Increase) decrease in operating assets:		
Accounts receivable	57,416	148,017
Grants receivable	79,554	(154,605)
Prepaid expenses	6,233	(38,063)
Funds held by auxiliary	3,636	(3,301)
Restricted cash	15,967	1,001
Security deposits	(1,026)	8,450
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	78,273	(235,550)
Accrued payroll and related expenses	243,886	176,306
Refundable deposits	(15,967)	32,658
Refundable advances	(46,333)	(937)
Net cash provided by operating activities	<u>895,585</u>	<u>588,479</u>
Cash Flows from Investing Activities		
Cash outlay for property and equipment	(130,292)	(263,225)
Proceeds from disposal of property and equipment	8,990	-
Purchases of investments	(25,000)	-
Net cash used in investing activities	<u>(146,302)</u>	<u>(263,225)</u>
Cash Flows from Financing Activities		
Payments on line of credit	(200,000)	(300,000)
Principal payments on notes payable	(126,229)	(120,523)
Net cash used in financing activities	<u>(326,229)</u>	<u>(420,523)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	423,054	(95,269)
Cash and Cash Equivalents - Beginning of Year	<u>99,753</u>	<u>195,022</u>
Cash and Cash Equivalents - End of Year	<u>\$ 522,807</u>	<u>\$ 99,753</u>
Cash Paid During the Year for Interest	\$ 15,303	\$ 38,172

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, 2016 AND 2015

	2016				2015			
	Program Services	Management and General	Development and Fundraising	Total	Program Services	Management and General	Development and Fundraising	Total
Salaries and benefits	\$ 9,294,692	\$ 282,108	\$ 696,062	\$ 10,272,862	\$ 8,392,069	\$ 265,148	\$ 661,589	\$ 9,318,806
Client support	3,487,049	-	-	3,487,049	3,220,501	-	-	3,220,501
Contract employees	481,483	5,970	15,917	503,370	542,747	6,855	18,485	568,087
Occupancy	503,410	1,863	25,962	531,235	473,880	4,081	24,887	502,848
Travel	241,645	669	2,737	245,051	253,314	760	2,892	256,966
Bad debts	-	-	-	-	188,000	-	-	188,000
Finance and other fees	103,513	2,921	7,611	114,045	151,757	4,356	12,020	168,133
Insurance	87,541	2,482	6,465	96,488	151,075	4,369	11,784	167,228
Fundraising events	-	-	164,312	164,312	-	-	156,900	156,900
Equipment rental	144,567	3,090	13,721	161,378	111,049	2,913	8,136	122,098
Professional fees	31,154	11,859	2,237	45,250	110,412	879	2,830	114,121
Telephone	97,062	1,864	4,701	103,627	82,515	1,429	3,768	87,712
Office supplies	78,753	1,052	25,164	104,969	56,931	1,566	26,239	84,736
Conferences	47,970	2,343	8,439	58,752	44,053	842	6,820	51,715
Public relations	5,172	2,006	32,658	39,836	10,256	255	31,524	42,035
Dues and memberships	34,863	872	6,817	42,552	33,185	856	5,934	39,975
Miscellaneous	26,174	111	12,633	38,918	13,805	410	23,143	37,358
Postage	20,505	112	6,186	26,803	19,971	278	8,193	28,442
Total Expenses Before Depreciation	14,685,553	319,322	1,031,622	16,036,497	13,855,520	294,997	1,005,144	15,155,661
Depreciation	238,655	6,766	17,624	263,045	244,107	7,060	19,041	270,208
Total Expenses	\$ 14,924,208	\$ 326,088	\$ 1,049,246	\$ 16,299,542	\$ 14,099,627	\$ 302,057	\$ 1,024,185	\$ 15,425,869

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, 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.

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, 2016 and 2015.

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, 2016 and 2015. 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, 2016 and 2015.

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 \$31,870 and \$27,833 for the years ended June 30, 2016 and 2015, 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 8, 2016, 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, 2016 and 2015.

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Exchange-traded equity funds	\$ 1,329,368	\$ 1,197,330
Mutual funds:		
Equity	623,535	643,875
Fixed income	318,502	314,571
Money market funds	<u>112,843</u>	<u>157,308</u>
Total Assets at Fair Value	\$ <u>2,384,248</u>	\$ <u>2,313,084</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2016 and 2015, consist of the following:

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 1,493,984	\$ 1,485,745
Equipment and fixtures	981,736	937,708
Vehicles	77,317	100,152
Internal software	649,104	362,044
Construction in progress	<u>17,792</u>	<u>226,827</u>
	3,219,933	3,112,476
Less accumulated depreciation	<u>(2,448,725)</u>	<u>(2,208,515)</u>
Net Property and Equipment	\$ <u>771,208</u>	\$ <u>903,961</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 (3.50% and 3.25% at June 30, 2016 and 2015, 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, 2016 and \$200,000 outstanding as of June 30, 2015.

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, 2016 are as follows:

Year Ending June 30

2017	\$	115,781
2018		64,858
2019		<u>10,666</u>
Total	\$	<u><u>191,305</u></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, 2016 and 2015, amounted to \$391,437 and \$383,732, respectively.

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

At June 30, 2016, minimum future rental payments under these operating leases were as follows:

Year Ending June 30

2017	\$	329,924
2018		277,972
2019		210,831
2020		195,487
Thereafter		<u>584,473</u>
Total	\$	<u>1,598,687</u>

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Scholarship and staff enhancement	\$ 42,650	\$ -
Child welfare services and client support fund	4,250	4,044
IT collaborative project	<u>-</u>	<u>37,778</u>
Total Temporarily Restricted Net Assets	<u>\$ 46,900</u>	<u>\$ 41,822</u>

Net assets were released from restriction during 2016 and 2015 by incurring expenses satisfying the purpose restrictions for child welfare services and client support.

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, 2016 and 2015, are as follows:

	<u>Unrestricted</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>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><u>2,384,248</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 \$276,237 and \$236,358 for 2016 and 2015, 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, 2016

	<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	\$ 2,535,510	\$ 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
Finance and other fees	27,765	19,438	5,145	47,507	3,658	103,513
Insurance	23,584	16,479	4,371	40,351	2,756	87,541
Equipment rental	49,482	22,454	9,938	58,959	3,734	144,567
Professional fees	8,162	5,703	2,370	13,965	954	31,154
Telephone	22,860	13,217	7,204	51,859	1,922	97,062
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
Public relations	830	2,473	189	1,419	261	5,172
Dues and memberships	9,152	6,194	4,280	14,269	968	34,863
Miscellaneous	5,586	10,212	3,409	6,705	262	26,174
Postage	3,552	1,835	8,988	5,748	382	20,505
Total Expenses Before Depreciation	<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>
Depreciation	<u>64,294</u>	<u>44,924</u>	<u>11,915</u>	<u>110,010</u>	<u>7,512</u>	<u>238,655</u>
Total	<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>

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
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	<u>3,099,038</u>	<u>1,623,906</u>	<u>732,495</u>	<u>7,967,021</u>	<u>433,060</u>	<u>13,855,520</u>
Depreciation	<u>67,607</u>	<u>42,848</u>	<u>14,869</u>	<u>111,164</u>	<u>7,619</u>	<u>244,107</u>
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>