

FAMILY & CHILDREN'S AGENCY, INC.

**FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

FAMILY & CHILDREN'S AGENCY, INC.

CONTENTS

Independent Auditors' Report	1-2
Statements of Financial Position - June 30, 2018 and 2017	3
Statements of Activities for the Years Ended June 30, 2018 and 2017	4
Statements of Cash Flows for the Years Ended June 30, 2018 and 2017	5
Statements of Functional Expenses for the Years Ended June 30, 2018 and 2017	6
Notes to Financial Statements	7-15
Schedules of Program Services Expenses for the Years Ended June 30, 2018 and 2017	16-17

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, 2018 and 2017, 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, 2018 and 2017, 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 21, 2018, 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 21, 2018

FAMILY & CHILDREN'S AGENCY, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 99,712	\$ 199,726
Investments	2,944,400	2,704,189
Accounts receivable, net	841,164	869,508
Grants receivable	115,726	141,788
Prepaid expenses	59,779	41,472
Funds held by auxiliary	95,637	96,844
Restricted cash	5,021	5,021
Security deposits	33,878	38,373
Property and equipment, net	<u>708,916</u>	<u>702,524</u>
Total Assets	<u>\$ 4,904,233</u>	<u>\$ 4,799,445</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 496,433	\$ 330,025
Accrued payroll and related expenses	766,043	845,958
Notes payable	11,103	75,903
Refundable deposits	55,200	5,954
Refundable advances	<u>70,177</u>	<u>21,192</u>
Total liabilities	<u>1,398,956</u>	<u>1,279,032</u>
Net Assets		
Unrestricted	488,018	769,783
Board-designated - endowment	<u>2,944,400</u>	<u>2,704,189</u>
Total unrestricted net assets	3,432,418	3,473,972
Temporarily restricted	<u>72,859</u>	<u>46,441</u>
Total net assets	<u>3,505,277</u>	<u>3,520,413</u>
Total Liabilities and Net Assets	<u>\$ 4,904,233</u>	<u>\$ 4,799,445</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, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Support and Other Changes						
Grant income	\$ 11,539,493	\$ -	\$ 11,539,493	\$ 10,645,592	\$ -	\$ 10,645,592
Program fees	3,252,375	-	3,252,375	3,390,198	-	3,390,198
Contributions	1,783,001	58,438	1,841,439	2,024,488	42,191	2,066,679
Special events	656,755	-	656,755	622,495	-	622,495
Other income	3,948	-	3,948	202,887	-	202,887
Net assets released from restrictions	32,020	(32,020)	-	42,650	(42,650)	-
Total revenue, support and other changes	<u>17,267,592</u>	<u>26,418</u>	<u>17,294,010</u>	<u>16,928,310</u>	<u>(459)</u>	<u>16,927,851</u>
Expenses						
Program services	15,985,021	-	15,985,021	15,276,168	-	15,276,168
Development and fundraising	1,003,524	-	1,003,524	1,096,788	-	1,096,788
Management and general	352,002	-	352,002	349,751	-	349,751
Total expenses before depreciation	<u>17,340,547</u>	<u>-</u>	<u>17,340,547</u>	<u>16,722,707</u>	<u>-</u>	<u>16,722,707</u>
Income (Loss) from Operations Before Depreciation	(72,955)	26,418	(46,537)	205,603	(459)	205,144
Depreciation	<u>220,728</u>	<u>-</u>	<u>220,728</u>	<u>220,994</u>	<u>-</u>	<u>220,994</u>
Income (Loss) from Operations	(293,683)	26,418	(267,265)	(15,391)	(459)	(15,850)
Other Changes in Net Assets						
Investment gains, net	240,211	-	240,211	319,941	-	319,941
Gain on disposal of property and equipment	11,918	-	11,918	-	-	-
Increase (Decrease) in Net Assets	(41,554)	26,418	(15,136)	304,550	(459)	304,091
Net Assets - Beginning of Year	<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>
Net Assets - End of Year	<u>\$ 3,432,418</u>	<u>\$ 72,859</u>	<u>\$ 3,505,277</u>	<u>\$ 3,473,972</u>	<u>\$ 46,441</u>	<u>\$ 3,520,413</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (15,136)	\$ 304,091
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	220,728	220,994
Change in allowance for doubtful accounts	-	(167,000)
Realized and unrealized gain on investments	(190,032)	(271,937)
Gain on disposal of property and equipment	(11,918)	-
(Increase) decrease in operating assets:		
Accounts receivable	28,344	(74,563)
Grants receivable	26,062	92,299
Prepaid expenses	(18,307)	(9,642)
Funds held by auxiliary	1,207	(461)
Restricted cash	-	460
Security deposits	4,495	(625)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	166,408	73,587
Accrued payroll and related expenses	(79,915)	(146,597)
Refundable deposits	49,246	473
Refundable advances	48,985	(28,444)
Net cash provided by (used in) operating activities	<u>230,167</u>	<u>(7,365)</u>
Cash Flows from Investing Activities		
Cash outlay for property and equipment	(229,702)	(152,310)
Proceeds from disposal of property and equipment	14,500	-
Purchases of investments	(50,179)	(48,004)
Net cash used in investing activities	<u>(265,381)</u>	<u>(200,314)</u>
Cash Flows from Financing Activities		
Principal payments on notes payable	(64,800)	(115,402)
Net cash used in financing activities	<u>(64,800)</u>	<u>(115,402)</u>
Net Decrease in Cash and Cash Equivalents	(100,014)	(323,081)
Cash and Cash Equivalents - Beginning of Year	<u>199,726</u>	<u>522,807</u>
Cash and Cash Equivalents - End of Year	<u>\$ 99,712</u>	<u>\$ 199,726</u>
Cash Paid During the Year for Interest	\$ 13,471	\$ 8,745

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, 2018 AND 2017

	2018				2017			
	Program Services	Management and General	Development and Fundraising	Total	Program Services	Management and General	Development and Fundraising	Total
Salaries and benefits	\$ 9,626,479	\$ 308,760	\$ 634,252	\$ 10,569,491	\$ 9,159,238	\$ 299,531	\$ 708,121	\$ 10,166,890
Client support	3,613,182	-	-	3,613,182	3,484,727	-	-	3,484,727
Contract employees	1,235,357	8,026	28,396	1,271,779	1,030,172	5,794	25,424	1,061,390
Occupancy	645,652	2,598	24,300	672,550	573,267	2,572	27,231	603,070
Travel	253,256	1,835	2,930	258,021	280,762	1,008	3,266	285,036
Equipment rental	102,681	2,355	7,363	112,399	202,604	4,980	16,696	224,280
Fundraising events	-	-	198,868	198,868	-	-	218,141	218,141
Telephone	105,988	1,950	4,308	112,246	102,406	2,145	5,286	109,837
Insurance	92,859	2,700	5,997	101,556	90,732	2,713	6,881	100,326
Finance and other fees	61,916	1,801	3,999	67,716	84,153	2,517	6,382	93,052
Office supplies	79,147	1,185	32,564	112,896	66,878	754	23,051	90,683
Conferences	53,699	16,552	11,274	81,525	64,983	3,587	13,159	81,729
Professional fees	36,309	3,000	2,221	41,530	36,376	21,062	2,591	60,029
Dues and memberships	31,792	735	3,648	36,175	40,034	1,096	9,859	50,989
Public relations	3,568	307	22,970	26,845	15,399	1,742	19,222	36,363
Postage	26,522	162	6,616	33,300	23,095	157	6,006	29,258
Miscellaneous	16,614	36	13,818	30,468	21,342	93	5,472	26,907
Total Expenses Before Depreciation	15,985,021	352,002	1,003,524	17,340,547	15,276,168	349,751	1,096,788	16,722,707
Depreciation	201,825	5,869	13,034	220,728	199,860	5,977	15,157	220,994
Total Expenses	\$ 16,186,846	\$ 357,871	\$ 1,016,558	\$ 17,561,275	\$ 15,476,028	\$ 355,728	\$ 1,111,945	\$ 16,943,701

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 women 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, 2018 and 2017.

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 is deemed necessary at June 30, 2018 and 2017, 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, 2018 and 2017.

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 \$42,200 and \$33,423 for the years ended June 30, 2018 and 2017, 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 31, 2018, 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.

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.

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

There have been no changes in the methodologies used at June 30, 2018 and 2017.

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Exchange-traded equity funds	\$ 1,338,729	\$ 1,406,808
Mutual funds:		
Equity	730,276	668,140
Fixed income	360,732	347,087
Total assets at fair value	<u>2,429,737</u>	<u>2,422,035</u>
Money market funds	<u>514,663</u>	<u>282,154</u>
Total Investments	<u>\$ 2,944,400</u>	<u>\$ 2,704,189</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 1,631,208	\$ 1,574,545
Equipment and fixtures	1,194,776	1,039,745
Vehicles	83,029	108,850
Internal software	667,221	649,104
	<u>3,576,234</u>	<u>3,372,244</u>
Less accumulated depreciation	<u>(2,867,318)</u>	<u>(2,669,720)</u>
Net Property and Equipment	<u>\$ 708,916</u>	<u>\$ 702,524</u>

NOTE 5 - LINE OF CREDIT

The Agency has an available line of credit in the amount of \$1,400,000. Interest is payable monthly based on *The Wall Street Journal* Prime Rate (5.00% and 4.25% at June 30, 2018 and 2017, 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, 2018 and 2017.

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - NOTES PAYABLE

The Agency 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. The outstanding balance is expected to be paid in full during fiscal year 2019.

The agreement includes various restrictions and financial covenants.

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, 2018 and 2017 amounted to \$384,156 and \$437,480, respectively.

At June 30, 2018, minimum future rental payments under these operating leases were as follows:

Year Ending June 30

2019	\$	310,897
2020		217,210
2021		197,599
Thereafter		<u>387,029</u>
Total	\$	<u><u>1,112,735</u></u>

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Scholarship and staff enhancement	\$ 59,639	\$ 35,737
Child welfare services and client support fund	7,871	10,704
Summer camp scholarships	<u>5,349</u>	<u>-</u>
Total Temporarily Restricted Net Assets	<u><u>\$ 72,859</u></u>	<u><u>\$ 46,441</u></u>

Net assets released from restriction by incurring expenses satisfying the purpose restrictions for child welfare services and client support were \$32,020 and \$42,650 for the years ended June 30, 2018 and 2017, respectively.

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

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.

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	<u>Unrestricted</u>
Endowment net assets - June 30, 2016	\$ <u>2,384,248</u>
Investment return:	
Investment income	48,003
Investment gain	<u>271,938</u>
Total investment return	<u>319,941</u>
Endowment net assets - June 30, 2017	<u>2,704,189</u>
Investment return:	
Investment income	50,179
Investment gain	<u>190,032</u>
Total investment return	<u>240,211</u>
Endowment Net Assets - June 30, 2018	\$ <u><u>2,944,400</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 rate of return objectives within prudent risk constraints.

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

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.

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 \$352,920 and \$285,653 for 2018 and 2017, 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, 2018

	<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	\$ 2,619,719	\$ 1,556,655	\$ 469,360	\$ 4,751,388	\$ 229,357	\$ 9,626,479
Client support	45,216	2,985	24,553	3,414,393	126,035	3,613,182
Contract employees	1,000,627	48,454	13,403	166,387	6,486	1,235,357
Occupancy	241,350	47,203	22,259	324,890	9,950	645,652
Travel	41,175	11,981	24,746	172,047	3,307	253,256
Equipment rental	29,610	16,656	6,580	47,347	2,488	102,681
Telephone	26,161	13,110	4,895	60,294	1,528	105,988
Insurance	24,778	16,532	4,573	44,763	2,213	92,859
Finance and other fees	16,522	11,023	3,049	29,847	1,475	61,916
Office supplies	28,880	7,911	5,097	35,091	2,168	79,147
Conferences	21,591	6,096	2,203	22,233	1,576	53,699
Professional fees	9,177	6,123	3,612	16,578	819	36,309
Dues and memberships	10,074	4,873	3,958	12,206	681	31,792
Public relations	952	635	176	1,720	85	3,568
Postage	5,600	1,570	12,336	6,505	511	26,522
Miscellaneous	2,505	6,349	716	6,699	345	16,614
Total Expenses Before Depreciation	<u>4,123,937</u>	<u>1,758,156</u>	<u>601,516</u>	<u>9,112,388</u>	<u>389,024</u>	<u>15,985,021</u>
Depreciation	<u>53,854</u>	<u>35,932</u>	<u>9,939</u>	<u>97,291</u>	<u>4,809</u>	<u>201,825</u>
Total	<u>\$ 4,177,791</u>	<u>\$ 1,794,088</u>	<u>\$ 611,455</u>	<u>\$ 9,209,679</u>	<u>\$ 393,833</u>	<u>\$ 16,186,846</u>

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>
Program Services Expenses						
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
Total Expenses Before Depreciation	<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>
Depreciation	<u>52,180</u>	<u>36,958</u>	<u>10,754</u>	<u>94,418</u>	<u>5,550</u>	<u>199,860</u>
Total	<u><u>\$ 3,885,922</u></u>	<u><u>\$ 1,828,018</u></u>	<u><u>\$ 643,088</u></u>	<u><u>\$ 8,689,856</u></u>	<u><u>\$ 429,144</u></u>	<u><u>\$ 15,476,028</u></u>