FAMILY & CHILDREN'S AGENCY, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2023 AND 2022

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FAMILY & CHILDREN'S AGENCY, INC.

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Family & Children's Agency, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Family & Children's Agency, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2023, Family & Children's Agency, Inc. adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Family & Children's Agency, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Family & Children's Agency, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Family & Children's Agency, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

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, 2023 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut
December 21, 2023

FAMILY & CHILDREN'S AGENCY, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 1,640,152	$ 984,278
Investments	3,552,684	3,227,179
Accounts receivable, net	174,161	1,714,203
Grants receivable	509,093	319,949
Prepaid expenses	177,593	208,402
Funds held by auxiliary	70,993	101,679
Restricted cash	2,235	3,731
Other assets	285,445	293,499
Property and equipment, net	234,925	303,307
Operating lease right-of-use assets	257,105	-
Total Assets	$ 6,904,386	$ 7,156,227
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 476,193	$ 820,558
Accrued payroll and related expenses	549,865	673,072
Notes payable	-	4,114
Refundable deposits	45,353	140,176
Refundable advances and deferred revenue	126,577	141,919
Lease liability - operating	257,552	-
Total liabilities	1,455,540	1,779,839
Net Assets		
Net assets without donor restrictions:		
Undesignated	1,792,558	2,109,196
Board-designated - endowment	3,552,684	3,227,179
Total net assets without donor restrictions	5,345,242	5,336,375
Net assets with donor restrictions	103,604	40,013
Total net assets	5,448,846	5,376,388
Total Liabilities and Net Assets	$ 6,904,386	$ 7,156,227

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, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Other Changes						
Grant income	$ 8,873,532	$ -	$ 8,873,532	$ 12,537,574	$ -	$ 12,537,574
Program fees	2,365,953	-	2,365,953	2,419,772	-	2,419,772
Sale of Personal Alert Program	304,877	-	304,877	-	-	-
Contributions	2,823,301	98,901	2,922,202	2,371,018	56,778	2,427,796
Donated nonfinancial assets	100,851	-	100,851	89,270	-	89,270
Special events	652,958	-	652,958	695,754	-	695,754
Other income	22,407	-	22,407	483	-	483
Net assets released from restrictions	35,310	(35,310)	-	382,471	(382,471)	-
Total revenue, support and other changes	15,179,189	63,591	15,242,780	18,496,342	(325,693)	18,170,649
Expenses						
Program services	13,670,335	-	13,670,335	15,996,316	-	15,996,316
Development and fundraising	1,387,903	-	1,387,903	1,331,462	-	1,331,462
Management and general	361,726	-	361,726	424,797	-	424,797
Total expenses before depreciation	15,419,964	-	15,419,964	17,752,575	-	17,752,575
Income (Loss) from Operations Before Depreciation	(240,775)	63,591	(177,184)	743,767	(325,693)	418,074
Depreciation	108,355	-	108,355	135,679	-	135,679
Income (Loss) from Operations	(349,130)	63,591	(285,539)	608,088	(325,693)	282,395
Other Changes in Net Assets						
Investment return, net	357,997	-	357,997	(439,424)	-	(439,424)
Increase (Decrease) in Net Assets	8,867	63,591	72,458	168,664	(325,693)	(157,029)
Net Assets - Beginning of Year	5,336,375	40,013	5,376,388	5,167,711	365,706	5,533,417
Net Assets - End of Year	$ 5,345,242	$ 103,604	$ 5,448,846	$ 5,336,375	$ 40,013	$ 5,376,388

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, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ 72,458	$ (157,029)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	108,355	135,679
Noncash lease expense	447	-
Realized and unrealized (gain) loss on investments	(234,638)	570,602
Loss on disposal of property and equipment	-	18,805
(Increase) decrease in operating assets:		
Accounts receivable	1,540,042	179,592
Grants receivable	(189,144)	(49,817)
Prepaid expenses	30,809	(48,428)
Funds held by auxiliary	30,686	(71,478)
Other assets	8,054	(30,903)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(344,365)	346,977
Accrued payroll and related expenses	(123,207)	(781,549)
Refundable deposits	(94,823)	(98,535)
Refundable advances and deferred revenue	(15,342)	(307,618)
Net cash provided by (used in) operating activities	789,332	(293,702)
Cash Flows from Investing Activities		
Cash outlay for property and equipment	(39,972)	(76,057)
Purchases of investments	(90,868)	(138,333)
Net cash used in investing activities	(130,840)	(214,390)
Cash Flows from Financing Activities		
Payments on note payable	(4,114)	(5,764)
Net cash used in financing activities	(4,114)	(5,764)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted	654,378	(513,856)
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	988,009	1,501,865
Cash, Cash Equivalents and Restricted Cash - End of Year	$ 1,642,387	$ 988,009

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, 2023 AND 2022

	2023				2022			
	Program Services	Management and General	Development and Fundraising	Total	Program Services	Management and General	Development and Fundraising	Total
Salaries and benefits	$ 9,582,340	$ 293,531	$ 787,000	$ 10,662,871	$ 10,084,785	$ 322,192	$ 816,477	$ 11,223,454
Client support	834,282	-	-	834,282	2,788,637	-	-	2,788,637
Contract employees	1,820,863	3,919	15,149	1,839,931	1,806,203	60,145	23,791	1,890,139
Occupancy	556,138	1,299	23,900	581,337	505,302	1,352	26,781	533,435
Fundraising events	-	4,849	354,047	358,896	-	9,916	251,076	260,992
Telephone	174,485	4,383	13,082	191,950	183,371	5,509	13,835	202,715
Insurance	144,736	4,096	11,680	160,512	144,136	4,205	11,466	159,807
Equipment rental	139,583	3,861	10,801	154,245	114,966	3,089	8,681	126,736
Travel	145,585	3,414	2,701	151,700	122,228	1,350	1,735	125,313
Miscellaneous	26,595	3,886	36,274	66,755	17,981	4,649	88,141	110,771
Office supplies	40,166	1,931	58,564	100,661	36,542	796	34,368	71,706
Finance and other fees	71,339	2,019	5,757	79,115	62,379	1,820	4,962	69,161
Professional fees	47,878	1,757	3,797	53,432	51,937	1,333	3,634	56,904
Dues and memberships	29,120	4,432	7,081	40,633	30,374	1,697	7,144	39,215
Conferences	38,972	27,658	10,615	77,245	25,848	4,071	8,141	38,060
Public relations	4,721	541	37,538	42,800	8,089	2,512	21,089	31,690
Postage	13,532	150	9,917	23,599	13,538	161	10,141	23,840
Total Expenses Before Depreciation	13,670,335	361,726	1,387,903	15,419,964	15,996,316	424,797	1,331,462	17,752,575
Depreciation	97,705	2,765	7,885	108,355	122,374	3,570	9,735	135,679
Total Expenses	$ 13,768,040	$ 364,491	$ 1,395,788	$ 15,528,319	$ 16,118,690	$ 428,367	$ 1,341,197	$ 17,888,254

The accompanying notes are an integral part of the 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:

Parenting Services
FCA's early childhood home visiting programs provide a continuum of care for pregnant women and families with children birth to age 8 and are designed to promote healthy birth outcomes, strong parent-child relationships, and healthy child development. FCA's Adoption Program is licensed in Connecticut and New York to provide home study and child placement services through international and domestic adoption programs. FCA also provides birth parent counseling to pregnant women and expectant fathers considering a plan of adoption.

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 Parents as Teachers and our MOM'S programs and youth development programs such as the ASPIRE 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 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.

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:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors. The Board of Directors has established a portion of the net assets without donor restrictions to function as an endowment.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent contributions that are restricted by the donor as to purpose or time of expenditure. Net assets with donor restrictions also 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 net assets with restrictions in perpetuity as of June 30, 2023 and 2022.

Adoption of New Accounting Standards:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, Leases (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Agency adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Agency has elected to adopt the package of practical expedients available in the year of adoption. The Agency has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Agency's ROU assets.

The Agency elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Agency recognized on July 1, 2022, beginning of the year of adoption a lease liability of $502,996, which represents the present value of the remaining operating lease payments of $521,889, discounted using the Agency's risk free rate of return of 2.88%, and a right-of-use asset of $493,685.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued):

The standard had a material impact on the statements of financial position but did not have an impact on the statements of activities, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Measure of Operations

The Agency's measure of operations includes all changes in net assets except investment return.

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.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows.

	2023	2022
Cash and cash equivalents	$ 1,640,152	$ 984,278
Restricted cash	2,235	3,731
Total Cash, Cash Equivalents and Restricted Cash Shown in the Statements of Cash Flows	$ 1,642,387	$ 988,009

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, 2023 and 2022. Accounts receivable balances are written off when management has concluded that all reasonable methods of collection have been exhausted.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 net assets without donor restrictions unless their use is 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.

Leases

The Agency leases certain office equipment, facilities and vehicles. The Agency determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position.

ROU assets represent the Agency's right to use an underlying asset for the lease term and lease liabilities represent the Agency's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Agency uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Agency will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Agency has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position.

The Agency has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Agency has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Revenue Recognition

Family & Children's Agency, Inc. recognize revenue at an amount that reflects the consideration to which Family & Children's Agency, Inc. expect to be entitled in exchange for transferring goods or services to its customers using the following five step process:

1. Identify the contract(s) with the customer
2. Identify the performance obligation(s) in the contract
3. Determine the transaction price
4. Allocate the transaction price to performance obligations in the contract
5. Recognize revenue when (or as) the company satisfies a performance obligation

Refer to the following disclosures for details on how the above five step process is applied to the Agency's contracts with customers.

Contracts

Family & Children's Agency, Inc. revenue is derived from contracts for adoption services, behavioral health services, child welfare services, home care services and personal alert program. Income is recognized at a point in time when the performance obligations have been met.

On March 31, 2023, Family & Children's Agency, Inc. sold its Personal Alert Program including client accounts and business assets to an unrelated organization for $304,877. Income on the sale was recognized at a point in time when the performance obligations had been met.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract Balances

The opening and closing balances of Family & Children's Agency, Inc.' accounts receivable related to service contracts are as follows:

		Receivables
Opening (July 1, 2021)	$	666,970
Closing (June 30, 2022)		633,090
Decrease	$	33,880
Opening (July 1, 2022)	$	633,090
Closing (June 30, 2023)		150,025
Decrease	$	483,065

There was no deferred revenue related to service contracts.

Transaction Price

Adoption services, behavioral health services, child welfare services, home care services and personal alert program are identified through contracts. The transaction price is determined upon establishment of the contract that contains the final terms of the agreement, including the description and price of each service and payment terms. Management has determined that Family & Children's Agency, Inc.'s contracts do not contain a significant financial component.

Personal Alert Program sale, transaction price was determined upon establishment of the contract that contains the final terms of the agreement, including the description and price of assets included and calculation of the estimated amounts payable and accrued on or before the date of determination for services to the extent billed in regular monthly amounts to Customers (or RMR), excluding one-time or not-recurring items. Transaction price was determined in 3 periods with an initial payment, interim payment and final purchase. Initial payment was determined at closing for 25% of the Estimated RMR multiplied by 18.5. The interim payment was determined as the excess of any transferred RMR as of the interim payment date multiplied by 18.5 over the initial payment amount. For final purchase price the buyer paid the excess of transferred RMR multiplied by 18.5 over the sum of the initial and interim payments made.

Performance Obligations

Contracts for services are assessed for performance obligations at contract inception. Family & Children's Agency, Inc. determines the performance obligations based on contract specifics and ultimate deliverables to the client. To identify the performance obligations, Family & Children's Agency, Inc. consider all of the services promised in the contract regardless of whether they are explicitly stated or implied by customary business practices.

The services rendered represent point in time transactions for services rendered and invoiced at a point in time. Revenue is not recognized until the service has been rendered and the performance obligation has been met.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions, Including Government Grants and Contracts

In accordance with ASU 2018-08, certain governmental grants and contracts received by a not-for-profit, including certain awards to fund capital expenditures, are generally considered to be contributions rather than exchange transactions since there was not commensurate value transferred between the resource provider and the Agency. Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of return of assets) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor.

The Agency reports contributions of cash and other assets as donor-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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented as net assets without donor restrictions. Transfers of assets from a resource provider received before the barriers are overcome are reported as deferred revenue on the accompanying consolidated statements of financial position.

Conditional government grants and contracts not recognized as revenue as of June 30, 2023 total $7,866,804, Government grants and contracts are conditioned on incurring qualified program expenses.

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.

Program Fees

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

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 $100,851 and $89,270 for the years ended June 30, 2023 and 2022, 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Allocation

The cost of providing the various program and supporting services has been reported on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefitted. Such allocations have been determined by management on an equitable basis. Allocation of overhead expenses including occupancy and depreciation are allocated to functional areas based upon square footage. The allocations of other common expenses that by their nature are administrative in support of the overall agency are accumulated in a pool and allocated to programs and supporting services by cost center based upon the total salary expenses in each cost center.

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 21, 2023, 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.

NOTE 3 - FAIR VALUE MEASUREMENT (CONTINUED)

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.

There have been no changes in the methodologies used at June 30, 2023 and 2022.

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.

NOTE 3 - FAIR VALUE MEASUREMENT

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, 2023 and 2022:

	2023			
Description	**Fair Value June 30**	**Level 1**	**Level 2**	**Level 3**
Exchange-traded equity funds	$ 1,134,188	$ 1,134,188	$ -	$ -
Mutual Funds:				
Equity	1,069,273	1,069,273	-	-
Fixed income	901,701	901,701	-	-
Total assets at fair value	3,105,162	3,105,162	-	-
Money market funds	447,522	447,522	-	-
Total investments	$ 3,552,684	$ 3,552,684	$ -	$ -

	2022			
Description	**Fair Value June 30**	**Level 1**	**Level 2**	**Level 3**
Exchange-traded equity funds	$ 1,003,130	$ 1,003,130	$ -	$ -
Mutual Funds:				
Equity	902,639	902,639	-	-
Fixed income	896,602	896,602	-	-
Total assets at fair value	2,802,371	2,802,371	-	-
Money market funds	424,808	424,808	-	-
Total investments	$ 3,227,179	$ 3,227,179	$ -	$ -

NOTE 4 - UNEMPLOYMENT SERVICES TRUST

The Agency is self-insured for unemployment claims through Unemployment Services Trust (UST). Contributions to UST are accumulated and used to pay future claims. The Agency could be required to make additional payments if claims exceed the accumulated contributions. As of June 30, 2023 and 2022, accumulated contributions of $241,772 and $222,031, respectively, were included in other assets on the statements of financial position, and there was an estimated claim liability of $5,232 and $16,583, respectively, included in accounts payable and accrued expenses on the statements of financial position. Per the contract with UST, the Agency has the ability to withdraw funds if accumulated contributions exceed the estimated liability.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2023 and 2022 consist of the following:

	2023	2022
Buildings and improvements	$ 1,620,297	$ 1,688,964
Equipment and fixtures	1,324,398	1,437,647
Vehicles	126,864	126,863
Internal software	756,495	724,031
	3,828,054	3,977,505
Less accumulated depreciation	(3,593,129)	(3,674,198)
Net Property and Equipment	$ 234,925	$ 303,307

NOTE 6 - 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 (8.25% and 4.75% at June 30, 2023 and 2022, 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, 2023 and 2022.

NOTE 7 - NOTES PAYABLE

The Agency has an interest-free loan agreement with Eversource Energy for an energy efficient improvement project in Norwalk, Connecticut. The total amount of improvements financed was $17,371. The term on the loans was for 40 months commencing in July 2020. Total payments of $434 consisting of principal only were due monthly. The balance on the note as of June 30, 2022 was $4,114, with balance being paid in full in 2023. There is no balance on the note as of June 30, 2023.

NOTE 8 – LEASES – ASC842

The Agency leases various office equipment, facilities and vehicles for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2026 and provide for renewal options for one year. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

The following table provides quantitative information concerning the Agency's leases.

	2023
Lease Costs	
Operating lease costs	$ 268,122
Other information:	
Operating cash flows from operating leases	(275,255)
Right-of-use assets obtained in exchange for new operating lease liabilities	20,739
Weighted-average remaining lease term - operating leases	2.5 years
Weighted-average discount rate - operating leases	2.94%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

Year	Operating Leases
2024	$ 129,922
2025	102,814
2026	67,868
Total Lease Payments	300,604
Less: Interest	43,052
Present Value of Lease Liabilities	$ 257,552

OPERATING LEASE AGREEMENTS – ASC 840

The Agency elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Agency leases various office equipment, facilities and vehicles under operating leases, which expire at various times through August 2024, with monthly payments ranging from $80 to $15,716. Rent expense for the years ended June 30, 2023 and 2022 amounted to $358,811 and $317,644, respectively.

NOTE 9 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Agency's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

	2023	2022
Cash and cash equivalents	$ 1,640,152	$ 984,278
Investments	3,552,684	3,227,179
Accounts receivable, net	174,161	1,714,203
Grants receivable	509,093	319,949
Total financial assets available within one year	5,876,090	6,245,609
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(103,604)	(40,013)
Amounts unavailable without Board's approval:		
Board-designated endowment	(3,552,684)	(3,227,179)
Total Financial Assets Available to Management for General Expenditure Within One Year	$ 2,219,802	$ 2,978,417

Liquidity Management

The Agency maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Agency invests cash in excess of weekly requirements in short-term investments. The Agency also has a line of credit it could draw upon in the event of an unanticipated liquidity need.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2023 and 2022:

	2023	2022
Child welfare services and client support fund	$ 68,084	$ 40,013
Time restricted	30,000	-
Auxiliary	5,520	-
Total Net Assets with Donor Restrictions	$ 103,604	$ 40,013

Net assets were released from restrictions during the years ended June 30, 2023 and 2022 by incurring expenses satisfying the following purpose restrictions:

	2023	2022
Child welfare services and client support fund	$ 35,310	$ 94,306
Scholarship and staff enhancement	-	288,165
Total Net Assets with Donor Restrictions	$ 35,310	$ 382,471

NOTE 11 - 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, 2023 and 2022 are as follows:

		Without Donor Restrictions
Endowment net assets - June 30, 2021	$	3,659,448
Investment loss:		
Investment income		138,333
Investment loss		(570,602)
Total investment loss		(432,269)
Endowment net assets - June 30, 2022		3,227,179
Investment return:		
Investment income		90,011
Investment gain		235,494
Total investment return		325,505
Endowment Net Assets - June 30, 2023	$	3,552,684

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.

NOTE 11 – ENDOWMENT (CONTINUED)

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 12 - DEFINED CONTRIBUTION RETIREMENT PLAN

The Agency maintains a defined contribution retirement plan as defined under Section 401(k) 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 $137,031 and $341,790 for 2023 and 2022, respectively. Effective September 1, 2022, management elected to suspend the 3% annual contribution. In addition, the Agency may also elect to make additional profit-sharing contributions at the discretion of the Board of Directors.

NOTE 13 - 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.

Laws and regulations concerning government programs, including the PPP loan and Employee Retention Credit established by the CARES Act are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Agency's claim to the PPP loan, and Employee Retention Credit and it is not possible to determine the impact (if any) this would have upon the Agency.

NOTE 14 - CORONAVIRUS

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. As a result of the spread of coronavirus, economic uncertainties have arisen which have resulted in significant volatility in the investment markets.

On March 10, 2020, Connecticut Governor Ned Lamont declared a Public Health and Civil Preparedness Emergency. As a result, the Agency announced that it would close offices and employees would transition into remote working. Once vaccinations were available to employees, the Agency created COVID-19 policies for return to work.

The Agency received an Employee Retention Credit (ERC) of $1,124,382 for the second quarter of 2021 and $1,177,163 for the third quarter of 2021. The ERC is a credit against certain payroll taxes allowed to an eligible employer for qualifying wages, which was established by the CARES Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). During the year ended June 30, 2023 and 2022, the Agency recognized $0 and $1,177,163, respectively, as grant income based on certain payroll tax credits allowed for qualified wages that the Agency had incurred through June 30, 2023 and 2022. Included in accounts receivable was $1,124,382 relating to the ERC at June 30, 2022.

The duration of the uncertainties around the coronavirus and the ultimate financial effects cannot be reasonably estimated at this time.

Supplementary Information

FAMILY & CHILDREN'S AGENCY, INC.

SCHEDULE OF PROGRAM SERVICES EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Behavioral Health	Home Care	Parenting Services	Child Welfare	Personal Alert	Total
Program Services Expenses						
Salaries and benefits	$ 2,445,774	$ 1,794,295	$ 1,733,844	$ 3,531,865	$ 76,562	$ 9,582,340
Client support	10,927	2,817	67,783	689,818	62,937	834,282
Contract employees	510,445	27,251	532,648	749,404	1,115	1,820,863
Occupancy	204,833	72,762	58,155	212,793	7,595	556,138
Telephone	45,195	31,794	29,908	66,152	1,436	174,485
Insurance	36,511	28,484	25,734	52,840	1,167	144,736
Travel	39,200	11,124	20,271	72,889	2,101	145,585
Equipment rental	34,214	27,229	25,749	51,116	1,275	139,583
Finance and other fees	17,996	14,040	12,684	26,044	575	71,339
Professional fees	11,870	9,260	9,192	17,178	378	47,878
Office supplies	10,261	7,503	7,907	14,208	287	40,166
Dues and memberships	4,892	4,192	12,801	7,079	156	29,120
Conferences	8,207	5,730	8,376	16,388	271	38,972
Miscellaneous	3,945	3,047	13,319	5,990	294	26,595
Postage	1,768	1,249	7,316	2,370	829	13,532
Public relations	1,054	1,458	713	1,465	31	4,721
Total Expenses Before Depreciation	3,387,092	2,042,235	2,566,400	5,517,599	157,009	13,670,335
Depreciation	24,647	19,229	17,372	35,670	787	97,705
Total	$ 3,411,739	2,061,464	2,583,772	5,553,269	157,796	13,768,040

FAMILY & CHILDREN'S AGENCY, INC.

SCHEDULE OF PROGRAM SERVICES EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Behavioral Health	Home Care	Parenting Services	Child Welfare	Personal Alert	Total
Program Services Expenses						
Salaries and benefits	$ 2,315,737	$ 1,880,362	$ 1,657,569	$ 4,098,268	$ 132,849	$ 10,084,785
Client support	23,188	4,870	27,837	2,635,925	96,817	2,788,637
Contract employees	486,947	28,870	506,067	782,374	1,945	1,806,203
Occupancy	119,665	58,446	56,961	261,536	8,694	505,302
Telephone	42,560	32,783	28,950	76,714	2,364	183,371
Insurance	32,901	27,939	23,462	57,952	1,882	144,136
Travel	25,532	8,708	17,468	68,035	2,485	122,228
Equipment rental	25,246	23,727	18,826	45,313	1,854	114,966
Finance and other fees	14,239	12,091	10,154	25,080	815	62,379
Professional fees	10,428	8,856	13,687	18,369	597	51,937
Office supplies	7,520	7,463	7,992	11,817	1,750	36,542
Dues and memberships	5,717	5,613	8,646	10,071	327	30,374
Conferences	4,218	3,421	10,544	7,389	276	25,848
Miscellaneous	3,154	8,425	1,582	4,550	270	17,981
Postage	1,647	1,204	6,976	2,918	793	13,538
Public relations	1,189	2,726	1,921	2,095	158	8,089
Total Expenses Before Depreciation	3,119,888	2,115,504	2,398,642	8,108,406	253,876	15,996,316
Depreciation	27,933	23,721	19,920	49,202	1,598	122,374
Total	$ 3,147,821	$ 2,139,225	$ 2,418,562	$ 8,157,608	$ 255,474	$ 16,118,690