SCHALL & ASHENFARB Certified Public Accountants LLC

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THE FAMILY CENTER, INC.

Audited Financial Statements

June 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Family Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Family Center, Inc. (the "Center"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditor's 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 auditor considers internal control relevant to the organization'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 organization'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Family Center, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

November 22, 2013

THE FAMILY CENTER, INC.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2013

Assets

Cash and cash equivalents (Notes 2c and 2d)	$1,604,610
Government grants receivable (Notes 2b and 2e)	680,089
Contributions receivable (Notes 2b and 2e)	224,637
Prepaid expenses and other assets	169,551
Security deposits	317,750
Fixed assets, net (Notes 2f and 3)	555,356
Total assets	$3,551,993

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	$275,552
Government grant advances (Note 2b)	34,653
Deferred rent (Note 2g)	177,013
Total liabilities	487,218
Net assets: (Note 2b)	
Unrestricted	1,199,729
Board designated	1,200,000
Total unrestricted net assets	2,399,729
Temporarily restricted (Note 4)	665,046
Total net assets	3,064,775
Total liabilities and net assets	$3,551,993

The attached notes and auditors' report are an integral part of these financial statements.

THE FAMILY CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Total
Public support and revenue:			
Government grant income	$3,841,269		$3,841,269
Contributions	263,655	$624,273	887,928
In-kind contributions	6,000		6,000
Interest and other income	3,223		3,223
Special events (net of direct expenses of $11,870)	71,491		71,491
Net assets released from restrictions	743,184	(743,184)	0
Total public support and revenue	4,928,822	(118,911)	4,809,911
Expenses:			
Program services:			
Social services	2,004,267		2,004,267
Legal services	645,855		645,855
Child welfare	1,271,702		1,271,702
Total program services	3,921,824	0	3,921,824
Supporting services:			
Management and general	709,048		709,048
Fundraising	287,869		287,869
Total supporting services	996,917	0	996,917
Total expenses	4,918,741	0	4,918,741
Change in net assets	10,081	(118,911)	(108,830)
Net assets - beginning of year	2,389,648	783,957	3,173,605
Net assets - end of year	$2,399,729	$665,046	$3,064,775

The attached notes and auditors' report are an integral part of these financial statements.

THE FAMILY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services				Supporting Services			
	Social Services	Legal Services	Child Welfare	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$1,088,543	$352,921	$717,871	$2,159,335	$333,407	$161,030	$494,437	$2,653,772
Payroll taxes and benefits	259,737	84,210	171,291	515,238	79,554	38,423	117,977	633,215
Total personnel services	1,348,280	437,131	889,162	2,674,573	412,961	199,453	612,414	3,286,987
Professional fees (including in-kind)	216,828	55,115	109,866	381,809	165,957	22,121	188,078	569,887
Supplies	12,017	3,896	7,925	23,838	3,680	11,919	15,599	39,437
Occupany	244,079	79,134	160,965	484,178	74,758	36,107	110,865	595,043
Direct service to clients	36,117	23,178	8,224	67,519	4,960		4,960	72,479
Insurance	11,530	3,738	7,604	22,872	6,953	1,706	8,659	31,531
Postage and printing	9,221	2,989	6,081	18,291	2,824	1,364	4,188	22,479
Communication	12,521	4,060	8,258	24,839	3,835	1,852	5,687	30,526
Maintenance and repairs	22,324	7,238	14,722	44,284	6,837	3,302	10,139	54,423
Travel	23,445	7,360	14,114	44,919	1,527		1,527	46,446
Office expenses	20,200	6,549	13,321	40,070	10,145	2,988	13,133	53,203
Depreciation	47,705	15,467	31,460	94,632	14,611	7,057	21,668	116,300
Total	$2,004,267	$645,855	$1,271,702	$3,921,824	$709,048	$287,869	$996,917	$4,918,741

The attached notes and auditors' report are an integral part of these financial statements.

THE FAMILY CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

Cash flows from operating activities:	
Change in net assets	($108,830)
Adjustments to reconcile change in net assets	
to net cash provided by operating activities:	
Depreciation expense	116,300
(Increase)/decrease in assets:	
Government grants receivable	309,450
Contributions receivable	222,863
Prepaid expenses and other assets	(33,094)
Security deposits	5,801
Increase/(decrease) in liabilities:	
Accounts payable and accrued expenses	(8,797)
Government grant advances	(71,318)
Deferred rent	(17,942)
Total adjustments	523,263
Net cash provided by operating activities	414,433
Cash flows from investing activities:	
Purchases of furniture, equipment, and leasehold improvements	(215,681)
Net cash used for investing activities	(215,681)
Net increase in cash and cash equivalents	198,752
Cash and cash equivalents - beginning of year	1,405,858
Cash and cash equivalents - end of year	$1,604,610

Interest & taxes paid	$0

The attached notes and auditors' report
are an integral part of these financial statements.

THE FAMILY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 - Nature of the Organization

The Family Center, Inc. (the "Center") is a non-profit organization whose mission is to strengthen families affected by illness, crisis or loss to create a more secure present and future for their children. The Center serves as an expert support system for New Yorkers confronting a family crisis or loss. Our team of social-service, legal, and health professionals uses a comprehensive yet personalized approach. We tailor programs for each family, so that they get essential care on all fronts. Together, we work to keep families stronger, longer.

Since our founding in 1994, we have specialized in helping New York's most vulnerable families when a parent or other primary caregiver faces a serious or terminal illness, such as HIV or cancer. Our seasoned team coordinates options for both immediate needs and long-term planning, so that families can prepare for a secure future. Working with their innate strengths, we help our clients stabilize and regain control. With a staff of medical care managers, lawyers, social workers, early childhood specialists, and more, we provide the right advocates at every step, until these families are back on their feet.

Our results show that this integrated process is key to sustainable success. We also build a sense of community among the Center's families, broadening their support network. To continually improve our agency, we regularly evaluate both our organization and the community we serve. By analyzing internal data and participating in independent research studies, we pinpoint the most effective strategies for our clients. With clear business principles and passionate dedication, we restore families' health *and* hope.

The Center is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements. The Center has not been designated as a private foundation.

Note 2 - Summary of Significant Accounting Policies

a. <u>Basis of Presentation</u>
The accompanying financial statements have been prepared using the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than when received or paid. All significant receivables, payables, and other liabilities have been reflected.

The Center's net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted* – represent those resources for which there are no restrictions by donors as to their use.

- *Temporarily restricted* – represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

- *Permanently restricted* – accounts for activity restricted by donors that must remain intact in perpetuity. The Center did not have any permanently restricted net assets at June 30, 2013.

b. Revenue Recognition

Contributions are recorded as revenue at the earlier of the receipt of cash or at the time a pledge is considered unconditional. Contributions received with specific donor restrictions are recorded in the temporarily restricted class of net assets. All other contributions are recorded as unrestricted. When the restrictions from temporarily restricted contributions have been met in the year of donation, they are reported as unrestricted.

Contributions expected to be received within one year are recorded at their net realizable value. Conditional contributions received are recorded as liabilities and are recognized as income when the conditions have been substantially met.

Each government grant is reviewed to determine if they contain traits more similar to contributions or exchange transactions. All government grants have been determined to be exchange transactions and have been recognized as income when earned, either based on performance of certain milestones or by incurring expenses that can be reimbursed under the terms of the grant agreement.

The difference between cash received and government grant income recognized is reflected as government grants receivable or government grants payable.

c. Cash and Cash Equivalents

The Center considers all liquid investments available for current use and with an initial maturity of three months or less to be cash and cash equivalents.

d. Concentration of Credit

Financial instruments which potentially subject the Center to concentration of credit risk consist of cash and money market accounts which have been placed with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. While at year-end the Organization had material uninsured balances, management feels they have little risk and has not experienced any losses due to bank failure.

e. Allowance for Doubtful Accounts

At June 30, 2013, all pledges and grants receivable are due within one year. The Center reviews receivables that are unlikely to be collected based on historical experience and a review of activity subsequent to the balance sheet date. No allowance for doubtful accounts exists as of June 30, 2013. Write-offs will be made directly to operations in the period the receivable is deemed to be uncollected.

f. Capitalization Policy

Property and equipment that exceed pre-determined amounts and have a useful life of greater than one year are recorded at cost or at the fair market value at the date of gift. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

Leasehold improvements – *Life of lease*
Furniture and fixtures –*3-5 year life*
Office equipment – *5 year life*

Maintenance and repairs, which neither materially add to the value of the asset nor appreciably prolong its life, are charged to expenses as incurred.

According to federal regulations, any equipment items obtained through federal funds are subject to a lien by the federal government. As long as the Center maintains its tax exempt status, or so long as the equipment is used for its intended purpose, the Center is not required to reimburse the federal government. If the stated requirements are not met, the Center would be obligated to the federal government in an amount equal to the fair value of the equipment.

g. Deferred Rent

Rent expense is recognized evenly over the life of the lease using the straight-line method. In the earlier years of the lease, as rent expense exceeds amounts paid, a deferred rent liability is created. In later years of the lease, as payments exceed the amount of expense recognized, deferred rent will be reduced until it is zero at the end of the lease.

h. In-Kind Services

The Center records donated services if they either create or enhance non-financial assets or if the service requires specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contributions. During the fiscal year, the Center received $6,000 of donated professional legal fees. This amount has been reflected in support services on the statement of functional expenses.

i. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

j. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

k. Contingencies

Government contracts are subject to audit by the grantor. Management does not believe that any audits, if they were to occur, would result in material disallowed costs, and has not established any reserves. Any disallowed costs would be recorded in the period notified, if it is probable that a liability has been incurred.

l. Accounting for Uncertainty of Income Taxes

The Center does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2010 and later are subject to examination by applicable taxing authorities.

m. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through November 22, 2013, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

Note 3 - Fixed Assets

Fixed assets consist of the following:

Leasehold improvements	$959,903
Furniture and fixtures	321,354
Office equipment	48,950
Total fixed assets - cost	1,330,207
Less: accumulated depreciation and amortization	(774,851)
Total fixed assets - net	$555,356

Note 4 - Temporarily Restricted Net Assets

The following summarizes the changes in temporarily restricted net assets:

	Beginning Balance 7/1/12	Contributions	Released from Restrictions	Ending Balance 6/30/13
Program restricted:				
Servicing needs of poor families	$345,959	$275,000	($397,585)	$223,374
Breast cancer	94,827	96,263	(137,308)	53,782
Capital campaign	283,409	25,000	(72,772)	235,637
Children's grief grant	0	28,010	(266)	27,744
Bridges to Care program	59,762	200,000	(135,253)	124,509
Total	$783,957	$624,273	($743,184)	$665,046

Note 5 - Commitments

The Center is obligated under a non cancellable operating lease for office space in Manhattan, New York, which expires in January 2017. In addition to the base rent, the Center is obligated to pay its pro rata share of real estate tax escalations, and certain other operating costs. The Center entered into a second operating lease in Brooklyn, New York, for a space that is under construction. Under the terms of the agreement, the lease will commence when the building is completed.

Minimum lease commitments are summarized as follows:

June 30, 2014	$547,333
June 30, 2015	523,875
June 30, 2016	497,396
June 30, 2017	295,167
Total	$1,863,771

Rent expense for the year ended June 30, 2013 was $524,000.

Note 6 - Line of Credit

The Center has an available line of credit with a bank in the amount of $250,000 at a prevailing base rate set by the bank, which was 3.25% as of June 30, 2013. There was no outstanding balance at June 30, 2013. Collateral on the line of credit is all of the Center's personal property of any kind and nature without limitation.

Note 7 - Pension Plan

The Center has a defined contribution pension plan covering all employees who are at least 21 years of age and have worked at least one year of service with the Center. Contributions are one percent of covered employees' salaries. Forfeitures are used to reduce administrative expenses. Total contributions to the plan were $17,500 for the year.

The following vesting schedule applies to contributions to each employee's plan:

Employee's Service	Vested Percentage
1 year	0%
2 years	40%
3 years	60%
4 years	80%
5 years	100%

Note 8 - Significant Concentrations

The Center derives its income primarily from reimbursements from government funding sources and from donations and grants. For the year ended June 30, 2013, approximately 64% of the Center's support was derived from the three largest government funding sources.

Note 9 - Fundraising Event

The Center's fundraising event income is summarized as follows:

	BLOOM 2013	Other	Total
Gross revenue	$75,342	$8,019	$83,361
Less: expenses with a direct benefit to donor	(11,870)	0	(11,870)
Net	63,472	8,019	71,491
Less: indirect expenses	(5,736)	0	(5,736)
Total	$57,736	$8,019	$65,755