

**THE FAMILY CENTER, INC.**  
**Audited Financial Statements**  
**June 30, 2014**

## **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, 2014, 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.

### ***Auditors' 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 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 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.

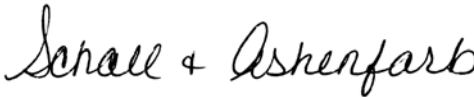
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***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, 2014, 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.

***Report on Summarized Comparative Information***

We have previously audited the Center's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 22, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

  
Schall & Ashenfarb  
Certified Public Accountants, LLC

December 4, 2014

**THE FAMILY CENTER, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AT JUNE 30, 2014**  
(With comparative totals for June 30, 2013)

	<u>6/30/14</u>	<u>6/30/13</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 2c and 2d)	\$1,106,705	\$1,604,610
Government grants receivable (Notes 2b and 2e)	689,886	680,089
Contributions receivable (Notes 2b and 2e)	475,000	224,637
Prepaid expenses and other assets	110,647	169,551
Security deposits	196,000	317,750
Fixed assets, net (Notes 2f and 3)	<u>238,522</u>	<u>555,356</u>
 Total assets	 <u><u>\$2,816,760</u></u>	 <u><u>\$3,551,993</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$339,782	\$275,552
Government grant advances (Note 2b)	39,200	34,653
Conditional contributions (Note 2b)	38,000	0
Deferred rent (Note 2g)	<u>162,870</u>	<u>177,013</u>
 Total liabilities	 <u>579,852</u>	 <u>487,218</u>
Net assets: (Note 2a)		
Unrestricted	725,916	1,199,729
Board designated	<u>1,200,000</u>	<u>1,200,000</u>
Total unrestricted net assets	<u>1,925,916</u>	<u>2,399,729</u>
 Temporarily restricted (Note 4)	 <u>310,992</u>	 <u>665,046</u>
 Total net assets	 <u>2,236,908</u>	 <u>3,064,775</u>
 Total liabilities and net assets	 <u><u>\$2,816,760</u></u>	 <u><u>\$3,551,993</u></u>

*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, 2014**  
(With comparative totals for the year ended June 30, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 6/30/14</u>	<u>Total 6/30/13</u>
Public support and revenue:				
Government grant income	\$3,058,525		\$3,058,525	\$3,841,269
Contributions	529,011	\$447,500	976,511	887,928
In-kind contributions	5,000		5,000	6,000
Interest and other income	3,479		3,479	3,223
Special events (net of direct expenses) (Note 9)			0	71,491
Net assets released from restrictions	801,554	(801,554)	0	0
	<u>4,397,569</u>	<u>(354,054)</u>	<u>4,043,515</u>	<u>4,809,911</u>
Total public support and revenue				
Expenses:				
Program services:				
Social Services	1,774,142		1,774,142	2,004,267
Legal Services	737,888		737,888	645,855
Child Welfare	923,270		923,270	1,271,702
Health & Wellness Institute	152,938		152,938	0
Total program services	<u>3,588,238</u>	<u>0</u>	<u>3,588,238</u>	<u>3,921,824</u>
Supporting services:				
Management and general	734,332		734,332	709,048
Fundraising	276,041		276,041	287,869
Total supporting services	<u>1,010,373</u>	<u>0</u>	<u>1,010,373</u>	<u>996,917</u>
Total expenses	<u>4,598,611</u>	<u>0</u>	<u>4,598,611</u>	<u>4,918,741</u>
Change in net assets from operations	(201,042)	(354,054)	(555,096)	(108,830)
Non-operating:				
Loss on disposal of leasehold improvements	(272,771)		(272,771)	0
Change in net assets	(473,813)	(354,054)	(827,867)	(108,830)
Net assets - beginning of year	<u>2,399,729</u>	<u>665,046</u>	<u>3,064,775</u>	<u>3,173,605</u>
Net assets - end of year	<u>\$1,925,916</u>	<u>\$310,992</u>	<u>\$2,236,908</u>	<u>\$3,064,775</u>

*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, 2014**  
(With comparative totals for the year ended June 30, 2013)

	Program Services				Supporting Services			Total Expenses 6/30/14	Total Expenses 6/30/13	
	Social Services	Legal Services	Child Welfare	Health & Wellness Institute	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries	\$821,891	\$358,576	\$467,894	\$70,716	\$1,719,077	\$332,235	\$137,540	\$469,775	\$2,188,852	\$2,653,772
Payroll taxes and benefits	217,910	95,070	124,054	18,749	455,783	88,087	36,466	124,553	580,336	633,215
Total personnel services	<u>1,039,801</u>	<u>453,646</u>	<u>591,948</u>	<u>89,465</u>	<u>2,174,860</u>	<u>420,322</u>	<u>174,006</u>	<u>594,328</u>	<u>2,769,188</u>	<u>3,286,987</u>
Professional fees (including in-kind) (Note 2h)	274,609	62,099	89,487	28,093	454,288	100,233	19,036	119,269	573,557	569,887
Supplies	14,678	6,210	7,690	1,162	29,740	5,461	16,447	21,908	51,648	39,437
Occupancy	271,536	118,466	154,582	23,363	567,947	109,764	45,440	155,204	723,151	595,043
Direct service to clients	31,084	32,934	3,500		67,518	4,301		4,301	71,819	72,479
Insurance	11,645	5,081	6,629	1,002	24,357	8,302	1,949	10,251	34,608	31,531
Postage and printing	6,345	2,768	3,612	546	13,271	2,564	1,062	3,626	16,897	22,479
Communication	15,959	6,963	9,086	1,373	33,381	6,451	2,671	9,122	42,503	30,526
Maintenance and repairs	20,764	9,059	11,821	1,787	43,431	8,393	3,475	11,868	55,299	54,423
Travel	15,018	7,921	4,038		26,977	2,305		2,305	29,282	46,446
Office expenses	21,610	10,450	11,790	1,751	45,601	45,582	3,405	48,987	94,588	53,203
Depreciation	51,093	22,291	29,087	4,396	106,867	20,654	8,550	29,204	136,071	116,300
<b>Total</b>	<u><u>\$1,774,142</u></u>	<u><u>\$737,888</u></u>	<u><u>\$923,270</u></u>	<u><u>\$152,938</u></u>	<u><u>\$3,588,238</u></u>	<u><u>\$734,332</u></u>	<u><u>\$276,041</u></u>	<u><u>\$1,010,373</u></u>	<u><u>\$4,598,611</u></u>	<u><u>\$4,918,741</u></u>

*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, 2014**  
(With comparative totals for the year ended June 30, 2013)

	<u>6/30/14</u>	<u>6/30/13</u>
Cash flows from operating activities:		
Change in net assets	(\$827,867)	(\$108,830)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	136,071	116,300
Loss on disposal of leasehold improvements	272,771	0
(Increase)/decrease in assets:		
Government grants receivable	(91,278)	309,450
Contributions receivable	(250,363)	222,863
Prepaid expenses and other assets	58,904	(33,094)
Security deposits	121,750	5,801
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	64,230	(8,797)
Government grant advances	124,028	(71,318)
Deferred rent	(14,143)	(17,942)
	<u>421,970</u>	<u>523,263</u>
Total adjustments		
Net cash (used for)/provided by operating activities	<u>(405,897)</u>	<u>414,433</u>
Cash flows from investing activities:		
Purchases of furniture, equipment, and leasehold improvements	<u>(92,008)</u>	<u>(215,681)</u>
Net cash used for investing activities	<u>(92,008)</u>	<u>(215,681)</u>
Net (decrease)/increase in cash and cash equivalents	(497,905)	198,752
Cash and cash equivalents - beginning of year	<u>1,604,610</u>	<u>1,405,858</u>
Cash and cash equivalents - end of year	<u><u>\$1,106,705</u></u>	<u><u>\$1,604,610</u></u>
Interest & taxes paid	<u>\$0</u>	<u>\$0</u>

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

**THE FAMILY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**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. Basis of Presentation

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, 2014.

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 Center 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, 2014, 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, 2014. Write-offs will be made directly to operations in the period any receivable is deemed to be uncollectable.

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 value at the date of gift. Depreciation is computed using the straight-line method over the estimated useful life of the respective asset, 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 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 \$5,000 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 certain reported amounts and disclosures. 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. Prior-Year Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

m. 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, 2011 and later are subject to examination by applicable taxing authorities.

n. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through December 4, 2014, the date the financial statements were available to be issued. All events that 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 have been made.

**Note 3 - Fixed Assets**

Fixed assets consist of the following:

	<u>6/30/14</u>	<u>6/30/13</u>
Leasehold improvements*	\$137,396	\$959,903
Furniture and fixtures	152,500	321,354
Office equipment	<u>61,888</u>	<u>48,950</u>
Total fixed assets at cost	351,784	1,330,207
Less: accumulated depreciation	<u>(113,262)</u>	<u>(774,851)</u>
Total fixed assets, net	<u>\$238,522</u>	<u>\$555,356</u>

\*The Center left the Manhattan office space in 2014. Accordingly, leasehold improvements and related accumulated depreciation have been eliminated.

**Note 4 - Temporarily Restricted Net Assets**

The following summarizes the changes in temporarily restricted net assets:

	Beginning Balance <u>7/1/13</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Ending Balance <u>6/30/14</u>
Program restricted:				
Servicing needs				
of poor families	\$223,374	\$275,000	(\$312,291)	\$186,083
Breast cancer	53,782	87,500	(80,019)	61,263
Capital campaign	235,637	0	(235,637)	0
Generations project	0	40,000	0	40,000
Outreach specialist	0	25,000	(11,175)	13,825
Diabetes prevention program	0	20,000	(10,179)	9,821
Children's grief grant	27,744	0	(27,744)	0
Bridges to care program	<u>124,509</u>	<u>0</u>	<u>(124,509)</u>	<u>0</u>
Total	<u>\$665,046</u>	<u>\$447,500</u>	<u>(\$801,554)</u>	<u>\$310,992</u>

	Beginning Balance <u>7/1/12</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Ending Balance <u>6/30/13</u>
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	<u>59,762</u>	<u>200,000</u>	<u>(135,253)</u>	<u>124,509</u>
Total	<u>\$783,957</u>	<u>\$624,273</u>	<u>(\$743,184)</u>	<u>\$665,046</u>

**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. The Center left that space during 2014 and the statement of activities reflects a disposal of leasehold improvements. Subsequent to year-end, the Center finalized the termination of this lease with the landlord.

The Center occupies space in Brooklyn, New York under a non-cancellable operating lease that commenced during 2014 and expires in September 2028. 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.

Minimum lease commitments are summarized as follows:

For the year ended:	June 30, 2015	\$224,910
	June 30, 2016	224,910
	June 30, 2017	224,910
	June 30, 2018	224,910
	June 30, 2019	240,975
Thereafter		<u>2,412,427</u>
Total		<u>\$3,553,042</u>

Rent expense was \$670,000 in 2014 and \$524,000 in 2013.

**Note 6 - Line of Credit**

The Center has an available line of credit in the amount of \$250,000 at a prevailing base rate set by the bank, which was 3.25% as of June 30, 2014. There was no outstanding balance at June 30, 2014 or 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 \$12,000 in 2014 and \$17,500 in 2013.

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

<u>Employee's Service</u>	<u>Vested Percentage</u>
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. The three largest government funding sources provided approximately 53% of the Center's total revenue and support in 2014 and 64% in 2013.

**Note 9 - Fundraising Event**

The Center did not hold any fundraising events during the year ended June 30, 2014. The Center's fundraising event income for the year ended June 30, 2013 is summarized as follows:

	<u>BLOOM 2013</u>	<u>Other</u>	<u>Total 6/30/13</u>
Gross revenue	\$75,342	\$8,019	\$83,361
Less: expenses with a direct benefit to donor	<u>(11,870)</u>	<u>0</u>	<u>(11,870)</u>
Net	63,472	8,019	71,491
Less: indirect expenses	<u>(5,736)</u>	<u>0</u>	<u>(5,736)</u>
Total	<u>\$57,736</u>	<u>\$8,019</u>	<u>\$65,755</u>