SCHALL & ASHENFARB Certified Public Accountants, LLC

IRA L. SCHALL, CPA
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THE FAMILY CENTER
KEEPING FAMILIES STRONGER LONGER

Audited Financial Statements

June 30, 2015

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SCHALL & ASHENFARB Certified Public Accountants, LLC

Schall & Ashenfarb, CPA's, LLC 25th ANNIVERSARY 1990–2015

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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, 2015, 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.

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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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 4, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

December 3, 2015

THE FAMILY CENTER, INC.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2015
(With comparative totals at June 30, 2014)

	6/30/15	6/30/14
Assets		
Cash and cash equivalents	$910,517	$1,106,705
Government grants receivable	766,810	689,886
Contributions receivable	282,250	475,000
Prepaid expenses and other assets	106,995	110,647
Security deposits	196,000	196,000
Fixed assets, net (Note 3)	197,255	238,522
Total assets	$2,459,827	$2,816,760
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$346,631	$339,782
Government grant advances	0	39,200
Conditional contributions	0	38,000
Deferred rent	48,112	162,870
Total liabilities	394,743	579,852
Net assets:		
Unrestricted	632,498	725,916
Board designated	1,200,000	1,200,000
Total unrestricted net assets	1,832,498	1,925,916
Temporarily restricted (Note 4)	232,586	310,992
Total net assets	2,065,084	2,236,908
Total liabilities and net assets	$2,459,827	$2,816,760

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, 2015
(With comparative totals for the year ended June 30, 2014)

	Unrestricted	Temporarily Restricted	Total 6/30/15	Total 6/30/14
Public support and revenue:				
Government grant income	$3,588,579		$3,588,579	$3,058,525
Contributions	251,530	$444,500	696,030	976,511
In-kind services	28,000		28,000	5,000
Interest and other income	6,585		6,585	3,479
Special events				
(net of direct benefit to donor) (Note 9)	204,507		204,507	0
Net assets released from restrictions	522,906	(522,906)	0	0
Total public support and revenue	4,602,107	(78,406)	4,523,701	4,043,515
Expenses:				
Program services:				
Social Services	1,906,957		1,906,957	1,774,142
Legal Services	777,697		777,697	737,888
Child Welfare	724,163		724,163	923,270
Health & Wellness Institute	395,746		395,746	152,938
Total program services	3,804,563	0	3,804,563	3,588,238
Supporting services:				
Management and general	786,824		786,824	734,332
Fundraising	249,604		249,604	276,041
Total supporting services	1,036,428	0	1,036,428	1,010,373
Total expenses	4,840,991	0	4,840,991	4,598,611
Change in net assets from operations	(238,884)	(78,406)	(317,290)	(555,096)
Non-operating:				
Write off of deferred rent liability	145,466		145,466	0
Loss on disposal of leasehold improvements			0	(272,771)
Total non-operating activity	145,466	0	145,466	(272,771)
Change in net assets	(93,418)	(78,406)	(171,824)	(827,867)
Net assets - beginning of year	1,925,916	310,992	2,236,908	3,064,775
Net assets - end of year	$1,832,498	$232,586	$2,065,084	$2,236,908

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

THE FAMILY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015
(With comparative totals for the year ended June 30, 2014)

	Program Services					Supporting Services				
	Social Services	Legal Services	Child Welfare	Health & Wellness Institute	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 6/30/15	Total Expenses 6/30/14*
Salaries	$1,016,790	$442,123	$430,083	$175,715	$2,064,711	$337,595	$141,522	$479,117	$2,543,828	$2,188,852
Payroll taxes and benefits	260,596	113,313	110,227	45,035	529,171	86,523	36,271	122,794	651,965	580,336
Total personnel services	1,277,386	555,436	540,310	220,750	2,593,882	424,118	177,793	601,911	3,195,793	2,769,188
Professional fees (including in-kind)	309,297	63,495	64,670	126,078	563,540	223,085	17,065	240,150	803,690	573,557
Supplies	20,478	9,180	8,482	3,465	41,605	6,659	14,173	20,832	62,437	51,648
Occupancy	140,789	61,218	59,551	24,330	285,888	46,746	19,596	66,342	352,230	723,151
Direct service to clients	40,292	34,601	1,947	2,166	79,006	15,743		15,743	94,749	71,819
Insurance	12,097	5,260	5,117	2,090	24,564	7,299	1,684	8,983	33,547	34,608
Postage and printing	4,793	2,084	2,027	828	9,732	1,593	667	2,260	11,992	16,897
Communication	19,961	8,680	8,443	3,450	40,534	6,627	2,778	9,405	49,939	42,503
Maintenance and repairs	15,614	6,789	6,605	2,698	31,706	5,185	2,173	7,358	39,064	55,299
Travel	20,684	10,748	6,055	2,090	39,577	420	212	632	40,209	29,282
Indirect fundraising expenses					0		7,316	7,316	7,316	0
Office expenses	17,837	8,149	9,227	3,009	38,222	5,543	2,288	7,831	46,053	59,879
Bad debt					0	34,600		34,600	34,600	34,709
Depreciation	27,729	12,057	11,729	4,792	56,307	9,206	3,859	13,065	69,372	136,071
Total	$1,906,957	$777,697	$724,163	$395,746	$3,804,563	$786,824	$249,604	$1,036,428	$4,840,991	$4,598,611

* Reclassified for comparative purposes

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, 2015
(With comparative totals for the year ended June 30, 2014)

	6/30/15	6/30/14
Cash flows from operating activities:		
Change in net assets	($171,824)	($827,867)
Adjustments to reconcile change in net assets		
to net cash used for operating activities:		
Depreciation	69,372	136,071
Loss on disposal of leasehold improvements	0	272,771
Changes in assets and liabilities:		
Government grants receivable	(76,924)	(91,278)
Contributions receivable	192,750	(250,363)
Prepaid expenses and other assets	3,652	58,904
Security deposits	0	121,750
Accounts payable and accrued expenses	6,849	64,230
Government grant advances	(39,200)	124,028
Conditional contributions	(38,000)	0
Deferred rent	(114,758)	(14,143)
Total adjustments	3,741	421,970
Net cash used for operating activities	(168,083)	(405,897)
Cash flows from investing activities:		
Purchases of furniture, equipment, and leasehold improvements	(28,105)	(92,008)
Net cash used for investing activities	(28,105)	(92,008)
Net decrease in cash and cash equivalents	(196,188)	(497,905)
Cash and cash equivalents - beginning of year	1,106,705	1,604,610
Cash and cash equivalents - end of year	$910,517	$1,106,705
Interest and taxes paid	$0	$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, 2015

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.

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, 2015 or 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 net realizable value. Conditional contributions 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 grant advances.

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, 2015, 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, 2015. 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 years ended June 30, 2015 and 2014, the Center received $28,000 and $5,000 of donated professional legal fees, respectively. 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, 2014, 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, 2012 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 3, 2015, 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:

	6/30/15	6/30/14
Leasehold improvements	$137,396	$137,396
Furniture and fixtures	152,500	152,500
Office equipment	89,993	61,888
	379,889	351,784
Less: accumulated depreciation	(182,634)	(113,262)
Total fixed assets, net	$197,255	$238,522

Note 4 - Temporarily Restricted Net Assets

The following summarizes the changes in temporarily restricted net assets:

	Beginning Balance 7/1/14	Contributions	Released from Restrictions	Ending Balance 6/30/15
Program restricted:				
Servicing needs of poor families	$186,083	$250,000	($235,497)	$200,586
Breast cancer	61,263	64,500	(101,017)	24,746
Generations project	40,000	0	(40,000)	0
Outreach specialist	13,825	0	(13,825)	0
Diabetes prevention program	9,821	0	(9,821)	0
Bridges to care program	0	125,000	(122,746)	2,254
Strengthening nontraditional families program	0	5,000	0	5,000
Total	$310,992	$444,500	($522,906)	$232,586

	Beginning Balance 7/1/13	Contributions	Released from Restrictions	Ending Balance 6/30/14
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	124,509	0	(124,509)	0
Total	$665,046	$447,500	($801,554)	$310,992

Note 5 - Commitments

The Center was obligated under a non-cancellable operating lease for office space in Manhattan, New York, which had an original expiration date in January 2017. The Center left that space during 2014 and the statement of activities for the year ended June 30, 2014 reflects a disposal of leasehold improvements.

During the year ended June 30, 2015, the Center finalized the termination of this lease with the landlord. The statement of activities for the year ended June 30, 2015 reflects a write-off of the deferred rent balance in connection with this lease.

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:

Year ended:	June 30, 2016	$294,000
	June 30, 2017	294,000
	June 30, 2018	294,000
	June 30, 2019	315,000
	June 30, 2020	322,000
Thereafter		2,831,500
Total		$4,350,500

Rent expense was $307,000 in 2015 and $670,000 in 2014.

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, 2015. There was no outstanding balance at June 30, 2015 or June 30, 2014. 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 $14,000 in 2015 and $12,000 in 2014.

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. The three largest government funding sources provided approximately 51% of the Center's total revenue and support in 2015 and 53% in 2014.

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, 2015 is summarized as follows:

	Gala	BLOOM	Total
Gross revenue	$213,500	$40,185	$253,685
Less: expenses with a direct benefit to donor	(37,308)	(11,870)	(49,178)
	176,192	28,315	204,507
Less: indirect expenses	0	(7,316)	(7,316)
Total	$176,192	$20,999	$197,191