The Family Center, Inc.

Financial and Compliance Report

June 30, 2010

Contents

McGladrey & Pullen, LLP
Certified Public Accountants

McGladrey

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Independent Auditor's Report

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

We have audited the accompanying statement of financial position of The Family Center, Inc. (the "Center") as of June 30, 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2011 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

New York, New York
March 29, 2011

The Family Center, Inc.

Statement of Financial Position
June 30, 2010

ASSETS	
Cash	$ 1,359,087
DHHS Grants Receivable (Note 3)	442,249
Contributions Receivable (Note 4)	439,500
Contract Services and Other Grants Receivable (Note 5)	520,010
Prepaid Expenses and Other Assets	258,345
Total current assets	3,019,191
Property and Equipment, net (Note 6)	673,036
Total assets	$ 3,692,227
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable and accrued expenses	$ 90,024
Accrued compensation	154,170
Refundable advances	131,960
Total liabilities	376,154
Commitments and Contingencies (Notes 6, 11, and 12)	
Net Assets:	
Unrestricted	1,348,215
Unrestricted board-designated	1,200,000
Total unrestricted net assets	2,548,215
Temporarily restricted (Note 9)	767,858
Total net assets	3,316,073
Total liabilities and net assets	$ 3,692,227

See Notes to Financial Statements.

The Family Center, Inc.

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
DHHS grants (Note 8)	$ 1,232,222	$ -	$ 1,232,222
Contributions	316,371	576,000	892,371
Contract services and other grants (Note 10)	2,208,313	-	2,208,313
Other income	68,816	-	68,816
Net assets released from restrictions (Note 9)	855,933	(855,933)	-
Total support and revenue	4,681,655	(279,933)	4,401,722
Expenses:			
Program services:			
Social services	2,491,037	-	2,491,037
Legal services	458,475	-	458,475
Child welfare	667,751	-	667,751
Total program services	3,617,263	-	3,617,263
Supporting services:			
General and administrative	573,042	-	573,042
Fund-raising	327,605	-	327,605
Total supporting services	900,647	-	900,647
Total expenses	4,517,910	-	4,517,910
Increase (decrease) in net assets	163,745	(279,933)	(116,188)
Net Assets:			
Beginning	2,384,470	1,047,791	3,432,261
Ending (Note 9)	$ 2,548,215	$ 767,858	$ 3,316,073

See Notes to Financial Statements.

The Family Center, Inc.

Statement of Functional Expenses
Year Ended June 30, 2010

	Program Services				Supporting Services			
	Social Services	Legal Services	Child Welfare	Subtotal	General and Administrative	Fund-Raising	Subtotal	Total
Salaries and wages	$ 1,348,120	$ 237,789	$ 361,379	$ 1,947,288	$ 250,996	$ 173,790	$ 424,786	$ 2,372,074
Fringe benefits	303,883	53,600	81,459	438,942	56,578	39,174	95,752	534,694
Total personal costs	1,652,003	291,389	442,838	2,386,230	307,574	212,964	520,538	2,906,768
Professional fees	309,705	73,721	83,020	466,446	57,661	39,925	97,586	564,032
Supplies	38,614	6,811	10,351	55,776	7,189	22,910	30,099	85,875
Occupancy costs	288,445	50,877	77,321	416,643	53,705	37,184	90,889	507,532
Direct service to clients	88,840	15,670	23,815	128,325	-	-	-	128,325
Insurance	19,545	3,447	5,239	28,231	3,638	2,520	6,158	34,389
Postage and printing	12,508	2,206	3,353	18,067	2,329	1,612	3,941	22,008
Communication	16,050	2,831	4,302	23,183	2,989	2,069	5,058	28,241
Equipment rental and maintenance	27,517	4,854	7,376	39,747	5,123	3,547	8,670	48,417
Travel	28,201	4,974	7,560	40,735	5,250	3,635	8,885	49,620
Office expenses	9,609	1,695	2,576	13,880	1,787	1,239	3,026	16,906
	839,034	167,086	224,913	1,231,033	139,671	114,641	254,312	1,485,345
Depreciation	-	-	-	-	125,797	-	125,797	125,797
Total functional expenses	$ 2,491,037	$ 458,475	$ 667,751	$ 3,617,263	$ 573,042	$ 327,605	$ 900,647	$ 4,517,910

See Notes to Financial Statements.

The Family Center, Inc.

Statement of Cash Flows
Year Ended June 30, 2010

Cash Flows From Operating Activities:	
Decrease in net assets	$ (116,188)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	125,797
Changes in operating assets and liabilities:	
Increase in DHHS grants receivable	(113,286)
Decrease in contributions receivable	98,000
Decrease in contract services and other grants receivable	108,569
Increase in prepaid expenses and other assets	(802)
Decrease in accounts payable and accrued expenses	(39,749)
Increase in accrued compensation	12,019
Decrease in refundable advances	(84,597)
Total adjustments	105,951
Net cash used in operating activities	(10,237)
Net decrease in cash	(10,237)
Cash:	
Beginning	1,369,324
Ending	$ 1,359,087

See Notes to Financial Statements.

Note 1. Organization

The Family Center, Inc. (the "Center") is a not-for-profit organization whose mission is to create a better future for children whose parents have a life threatening illness. The Center is guided by beliefs that every child deserves answers to the questions: "Is it my fault?" "Will I get sick?" and "Who will take care of me?" The Center provides direct services, conducts research, disseminates information and leads advocacy efforts designed to assist seriously ill parents in planning for the future of their children.

The U.S. Department of Health and Human Services (the "DHHS") provides substantial support to the Center. The Center is obligated under the terms of the grants to comply with specified conditions and program requirements set forth by the grantor.

Note 2. Significant Accounting Policies

Basis of Presentation: The Center classifies its net assets into three categories, which are unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets are reflective of revenues and expenses associated with the principal operating activities of the Center and are not subject to donor-imposed stipulations.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Center and/or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities and changes in net asset as assets released from restriction. The Center had $767,858 of temporarily restricted net assets at June 30, 2010.

Permanently restricted net assets are subject to donor-imposed stipulations that must be maintained permanently by the Center. There were no permanently restricted net assets as of June 30, 2010.

Results of Operations: The statement of activities and changes in net assets includes excess of revenue and support over expenses that represent the results of operations. Changes in unrestricted net assets which are excluded from excess of revenue and support over expenses, consistent with industry practice, includes contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The use of estimates and assumptions in the presentation of the accompanying financial statements is primarily related to the determination of net patient services receivable.

Cash: The Center maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts.

Grant Receivable: Grant receivable consists of costs under the grant agreements that were incurred prior to year-end for which reimbursement has not been received.

Note 2. Significant Accounting Policies (Continued)

Property and Equipment: Property and equipment is recorded at cost or, if donated, at the fair value at the date of donation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets ranging from 5 to 40 years. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvements or the term of the lease, whichever is less. The Center capitalizes all purchases of property and equipment in excess of $1,000.

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 governments. 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.

Grant Revenue: Grants are recognized as revenue when earned. Expense driven grants are recognized as revenue when the qualifying expenses have incurred and all other grant requirements have been met. Grant funds received prior to the incurrence of the qualifying expenses are deferred. At June 30, 2010, the Center has received grants from governmental entities in the aggregate amount of $1,129,018 that have not been recorded in these financial statements as they have not been earned. These grants and contracts require the Center to provide certain healthcare services during specified periods. If such services are not provided, the governmental entities are not obligated to expend the funds allocated under the grants.

Contributions: Contributions are recorded at fair value when received or pledged. Amounts are recorded as temporarily or permanently restricted revenue if they have donor stipulations that limit the use of the donated asset. Bequests are recognized when the probate court declares the will valid. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified as unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Tax Status: The Center was incorporated as a not-for-profit corporation under the laws of the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Center is not classified as a private foundation.

The Center adopted accounting guidance related to the accounting for uncertainty in income taxes on July 1, 2009. The Center files a Form 990 (Return of Organization Exempt from Income Taxes). When the return is filed, it is highly certain that some positions taken would be sustained upon examination by the taking authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position. Examples of tax positions common to health centers include such matters as the following: tax-exempt status of the entity, the continued tax-exempt status of bond issued by the organization, the nature, characterization and taxability of joint venture income and various positions relative to potential sources of unrelated business taxable income ("UBIT"). UBIT is reported on Internal Revenue Service Form 990-T, as appropriate. The benefit of a tax position is recognized in the financial statements in the period during which, based on available evidence, management believes it is more likely than not the tax position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the "more likely than not" recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with the tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the statement of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination. At June 30, 2010, there were no unrecognized tax benefits identified or recorded as liabilities.

Form 990 filed by the Center is subject to examination up to three years from the excluded due date of the return.

Note 2. Significant Accounting Policies (Continued)

New Pronouncements: In June 2009, the Financial Accounting Standards Board (the "FASB") established the FASB Accounting Standards Codification ("ASC") as the source of authoritative generally accepted accounting principles. Pursuant to the provisions of the ASC, the Center has updated references to GAAP in its financial statements issued for the year ended June 30. 2010. The adoption of the ASC did not impact the Center's financial position or results of operations.

Subsequent Events: The Center evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available to be issued, which was March 29, 2011 for these financial statements.

Note 3. DHHS Grants Receivable

Grants receivable consist of the following:

Coordinated Services and Access to Research for Women, Infants, Children, and Youth	$	250,308
Mentoring for Children of Prisoners		49,607
Abandoned Infants		142,334
	$	442,249

Note 4. Contributions Receivable

Contributions receivable consist of the following:

Susan G. Komen Foundation	$	39,500
Robin Hood Foundation		400,000
	$	439,500

Note 5. Contract Services and Other Grants Receivable

Contract services and other grants receivable consist of the following:

NYC Administration for Children Services	$	280,738
Public Health Solutions:		
Supportive Counseling and Family Stabilization Services		55,235
Legal Services		17,997
New York State Department of Health:		
Families in Transition		38,863
Cancer Program		32,260
Office of Children and Family Services		44,887
NYC Department of the Aging		50,030
	$	520,010

Note 6. Property and Equipment, Net

Property and equipment, net, at cost, consists of the following:

Leasehold improvements	$ 871,435
Equipment	25,000
Furniture and fixtures	190,870
	1,087,305
Less accumulated depreciation	(414,269)
	$ 673,036

In the event the DHHS grants are terminated, the DHHS reserves the right to transfer all property and equipment purchased with grant funds to PHS or third parties.

Note 7. Line of Credit

The Center has an available line of credit with a bank in the amount of $200,000 at a rate of 0.50% above the bank's prime rate, adjusted as and when such prime rate changes, which was 3.25% as of June 30, 2010. There is no outstanding balance at June 30, 2010.

Note 8. DHHS Grants

For the year ended June 30, 2010, the Center received the following grants from the DHHS:

Grant Number	Grant Period	Total Grant	Unrestricted Revenue Recognized
5 H12 HA 00076-13-00	08/01/08-07/31/09	$ 773,236	55,163
5 H12 HA 00076-14-00	08/01/09-07/31/10	773,236	670,824
90CB0167-01	09/30/08-09/30/09	475,000	70,448
90CB0167-02-1	09/30/09-09/29/10	710,277	340,223
90CV0492-01	09/30/09-09/29/10	120,000	95,564
		$ 2,851,749	$ 1,232,222

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2010:

Robin Hood Foundation	$ 377,804
Susan G. Komen Foundation	66,889
Capital Campaign	283,409
The Deerfield Partnership Foundation	39,756
	$ 767,858

Note 9. Temporarily Restricted Net Assets (Continued)

Net assets were released from donor temporary restrictions by incurring expenses satisfying the restricted purposes as of June 30, 2010 as follows:

Robin Hood Foundation	$	490,349
The Pfizer Foundation		122,443
Susan G. Komen Foundation		61,893
Duane Reade Charitable Foundation		10,000
Thomas Phillips & Jane Moore Johnson Family Foundation		25,000
Credit Suisse		6,600
Judges & Lawyers for Breast Cancer		25,000
Stan Herman CFDA Foundation		30,107
The Deerfield Partnership Foundation		84,541
	$	855,933

Note 10. Contract Services and Other Grants

For the year ended June 30, 2010, contract services and other grants consist of the following:

NYC Administration for Children Services	$	629,823
Public Health Solutions:		
Case Management Services		254,229
Supportive Counseling and Family Stabilization Services		433,367
Legal Services		149,416
Homeless Prevention and Rapid Re-Housing Program Technical Assistance		18,318
New York State Department of Health:		
Families in Transition		154,266
Cancer Program		89,517
Office of Children and Family Services		148,185
NYC Department of the Aging		331,192
	$	2,208,313

Note 11. Pension Plan

The Center has a defined contribution pension plan covering substantially all employees who meet certain eligibility requirements. The percentage of salary contributed to the plan varies annually. Pension expenses amount to $10,284 for the year ended June 30, 2010.

Note 12. Commitments and Contingencies

The Center subleases office space under a noncancelable operating lease. Rent expense for the year ended June 30, 2010 amounted to $441,154. Future minimum lease payments under this noncancelable operating lease are as follows:

Year ending June 30,	
2011	$ 440,500
2012	465,600
2013	455,373
2014	468,978
2015	482,940
Thereafter	792,570
	$ 3,105,961

The Center has contracted with various funding agencies to perform certain services, and receives revenue from the State of New York. Reimbursement received under these contracts is subject to audit by the state governments and other agencies. Upon audit, if discrepancies are discovered, the Center could be held responsible for refunding the amounts in question.

The Family Center, Inc.

Supplementary Information

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010
See Auditor's Report

Agency or Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Direct programs:			
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	N/A	$ 725,987
Abandoned Infants	93.551	N/A	410,671
Mentoring Children of Prisoners	93.616	N/A	95,564
Passed through the NYC Children's Services:			
Social Services Block Grant	93.667	20090037321	277,122
Passed through the New York State Office of Children and Family Services:			
Temporary Assistance for Needy Families	93.558	C026121	3,106
Passed through Public Health Solutions:			
HIV Emergency Relief Project Grants	93.914	93-OPR-4699 06-SCF-4699 06-ADV-4699	837,012
Passed through the City of New York Department for the Aging:			
National Family Caregiver Support, Title III, Part E	93.052	6K4	331,192
Total U.S. Department of Health and Human Services			2,680,654
U.S. Department of Housing and Urban Development:			
Passed through Public Health Solutions:			
Homeless Prevention and Rapid Re-Housing Program Technical Assistance	14.262	09-ADV-4699H	18,318
Total federal awards			$ 2,698,972

Note 1. ***Basis of Presentation***

The schedule of expenditures of federal awards includes the federal grant activity of the Center and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. ***Subrecipients***

The Center provided no federal awards to subrecipients.

The Family Center, Inc.

ACS - YouthNet Program

Financial Report

June 30, 2010

McGladrey & Pullen, LLP
Certified Public Accountants

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Independent Auditor's Report on Supplementary Information

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

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

New York, New York
March 29, 2011

The Family Center, Inc.

Supplementary Information

ACS - YouthNet
Program ID: 08-IC-FAMILYCTR-BK
Statement of Revenues and Expenditures
Year Ended June 30, 2010

	CAPS Approved Budget (Unaudited)	CAPS Actual Amounts	CAPS Variance Favorable/ (Unfavorable)	Questioned Costs
Revenue:				
ACS revenue	$ 629,823	$ 629,823	$ -	
Prior-year adjustment	14,644	14,644	-	
Total ACS revenue	$ 644,467	$ 644,467	$ -	
Expenditures:				
PS expenditures:				
Salaries	$ 363,215	$ 363,215	$ -	
Fringe benefits	85,247	85,247	-	
Total PS expenditures	448,462	448,462	-	
OTPS expenditures:				
Consultants	58,811	58,811	-	
Rent and utilities	35,213	35,213	-	
Other OTPS	48,768	48,768	-	
Total OTPS expenditures	142,792	142,792	-	
Total PS and OTPS expenditures	591,254	591,254	-	$ -
Administrative Overhead	53,213	53,213	-	-
Total expenditures	644,467	644,467	$ -	$ -
Less questioned costs		-		
Total allowable costs		644,467		
Excess of revenue over expenditures	$ -	$ -		

The Family Center, Inc.

Supplementary Information

ACS - YouthNet
Program ID: 08-IC-FAMILYCTR-BK
Schedule of Salaries
Year Ended June 30, 2010

Title	CAPS Approved Budget (Unaudited)	CAPS Actual Amounts	CAPS Variance Favorable/ (Unfavorable)
Executive Director	$ 15,395	$ 15,395	$ -
Deputy Executive Director	6,809	6,809	-
Program Director	69,724	69,724	-
Supervisor	55,150	55,150	-
Social Worker	42,625	42,625	-
Social Worker	46,028	46,028	-
Social Worker	42,947	42,947	-
Social Worker	45,949	45,949	-
Family Coordinator	27,664	27,664	-
Case Aide	10,924	10,924	-
Total salaries	$ 363,215	$ 363,215	$ -

The Family Center, Inc.

Supplementary Information

ACS - YouthNet
Program ID: 08-IC-FAMILYCTR-BK
Schedule of Fringe Benefits
Year Ended June 30, 2010

Description	Rate %	CAPS Approved Budget (Unaudited)	CAPS Actual Amounts	CAPS Variance Favorable/ (Unfavorable)
FICA	7.65	$ 27,786	$ 28,931	$ (1,145)
Unemployment tax	1.17	2,688	4,429	(1,741)
Disability	.31	5,921	1,172	4,749
Workers compensation	1.32	4,867	5,008	(141)
Health insurance	10.95	43,985	41,370	2,615
Pension	.43	-	1,640	(1,640)
Educational reimbursement	.10	-	391	(391)
Dental	.38	-	1,446	(1,446)
NY MTA tax	.23	-	860	(860)
Total	22.54	$ 85,247	$ 85,247	$ -

The Family Center, Inc.

Supplementary Information

ACS - YouthNet
Program ID: 08-IC-FAMILYCTR-BK
Schedule of Fixed Assets
Year Ended June 30, 2010

Purchased with ACS Funds	Serial No.	Date Purchased	Cost
None			

The Family Center, Inc.

Supplementary Information

ACS - YouthNet
Program ID: 08-IC-FAMILYCTR-BK
Schedule of Questioned Costs
Year Ended June 30, 2010

	Questioned Costs
Total questioned costs	$ -

The Family Center, Inc.

Supplementary Information

ACS - YouthNet
Program ID: 08-IC-FAMILYCTR-BK
Schedule of Quantitative Program Results
Year Ended June 30, 2010

Quantifiable Indicators

Number of open cases at beginning of period:
At the beginning of the period 7/1/09, there were 54 cases open.

Number of new cases during audit period:
During the period 7/1/09 - 6/30/10, 39 cases were referred for service.

Number of cases serviced during audit period:
During the period 7/1/09 - 6/30/10, 89 cases were served through YouthNet.

Cases terminated:
During the period 7/1/09 - 6/30/10, 42 cases were terminated.

Cases open as of current year:
At the end of 6/30/10, 47 cases were active in service.

Cost per family:
$7,236 based on total budget/number of families served during audit period.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of The Family Center, Inc. (the "Center") as of and for the year ended June 30, 2010, and have issued our report thereon dated March 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

<u>Internal Control Over Financial Reporting</u> - In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

<u>Compliance and Other Matters</u> - As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

New York, New York
March 29, 2011

McGladrey & Pullen, LLP
Certified Public Accountants

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Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance - We have audited the compliance of The Family Center (the "Center") with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Center's compliance with those requirements.

In our opinion, the Center complied, in all material respects, with the compliance requirements referred to above that are could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance - Management of the Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of directors, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

McGladrey & Pullen, LLP

New York, New York
March 29, 2011

The Family Center, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weakness(es) identified?	____ yes	_√_ no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	____ yes	_√_ none reported
Noncompliance material to financial statements noted?	____ yes	_√_ no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	____ yes	_√_ no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	____ yes	_√_ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	____ yes	_√_ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	U.S. Department of Health and Human Services:
93.153	Consolidated Services and Access to Research for Women, Infants, Children, and Youth
93.551	Abandoned Infants

Dollar threshold used to distinguish between type A and type B programs:	$300,000	
Auditee qualified as low-risk auditee?	_√_ yes	___ no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

The Family Center, Inc.

Status of Prior Audit Findings
Year Ended June 30, 2010

There were no prior audit findings.