

Financial Statements and OMB A-133
Supplementary Information Together with
Report of Independent Auditor's Report

THE FAMILY CENTER, INC.

June 30, 2012 and 2011

THE FAMILY CENTER, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Family Center, Inc.

We have audited the accompanying statements of financial position of The Family Center, Inc. (the "Center") as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years 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 December 11, 2012 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 effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2012 is presented for purposes of additional analysis as required by the 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 supplementary information, except for that portion marked "unaudited," on page 24 on which we express no opinion is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Grant Thornton LLP

New York, New York
December 11, 2012

THE FAMILY CENTER, INC.
Statements of Financial Position
As of June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash	\$ 1,405,858	\$ 1,560,013
DHHS grants receivable	277,710	307,882
Contributions receivable	447,500	441,500
Contract services and other grants receivable	711,831	585,675
Prepaid expenses and other assets	460,008	252,726
Property and equipment, net	<u>455,975</u>	<u>547,239</u>
Total assets	<u>\$ 3,758,882</u>	<u>\$ 3,695,035</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 56,093	\$ 74,752
Accrued compensation	228,256	186,860
Refundable advances	105,973	74,190
Deferred rent liabilities	<u>194,955</u>	<u>186,365</u>
Total liabilities	<u>585,277</u>	<u>522,167</u>
Commitments and contingencies		
NET ASSETS		
Unrestricted	1,189,648	1,192,932
Unrestricted board-designated	<u>1,200,000</u>	<u>1,200,000</u>
Total unrestricted net assets	2,389,648	2,392,932
Temporarily restricted	<u>783,957</u>	<u>779,936</u>
Total net assets	<u>3,173,605</u>	<u>3,172,868</u>
Total liabilities and net assets	<u>\$ 3,758,882</u>	<u>\$ 3,695,035</u>

The accompanying notes are an integral part of these statements.

THE FAMILY CENTER, INC.
Statement of Activities
For the year ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
DHHS grants	\$ 1,875,921	\$ -	\$ 1,875,921
Contributions	295,440	670,000	965,440
Contract services and other grants	2,312,734	-	2,312,734
Other income	25,089	-	25,089
Net assets released from restrictions	<u>665,979</u>	<u>(665,979)</u>	<u>-</u>
Total support and revenue	<u>5,175,163</u>	<u>4,021</u>	<u>5,179,184</u>
EXPENSES			
Program services			
Social services	2,360,025	-	2,360,025
Legal services	520,513	-	520,513
Child welfare	<u>1,218,734</u>	<u>-</u>	<u>1,218,734</u>
Total program services	<u>4,099,272</u>	<u>-</u>	<u>4,099,272</u>
SUPPORTING SERVICES			
General and administrative	663,452	-	663,452
Fund-raising	<u>415,723</u>	<u>-</u>	<u>415,723</u>
Total supporting services	<u>1,079,175</u>	<u>-</u>	<u>1,079,175</u>
Total expenses	<u>5,178,447</u>	<u>-</u>	<u>5,178,447</u>
(Decrease) increase in net assets	(3,284)	4,021	737
Net assets, beginning of year	<u>2,392,932</u>	<u>779,936</u>	<u>3,172,868</u>
Net assets, end of year	<u>\$ 2,389,648</u>	<u>\$ 783,957</u>	<u>\$ 3,173,605</u>

The accompanying notes are an integral part of this statement.

THE FAMILY CENTER, INC.
Statement of Activities
For the year ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
DHHS grants	\$ 1,863,350	\$ -	\$ 1,863,350
Contributions	370,595	633,000	1,003,595
Contract services and other grants	1,744,196	-	1,744,196
Other income	3,896	-	3,896
Net assets released from restrictions	<u>620,922</u>	<u>(620,922)</u>	<u>-</u>
Total support and revenue	<u>4,602,959</u>	<u>12,078</u>	<u>4,615,037</u>
EXPENSES			
Program services			
Social services	2,541,913	-	2,541,913
Legal services	396,224	-	396,224
Child welfare	<u>687,223</u>	<u>-</u>	<u>687,223</u>
Total program services	<u>3,625,360</u>	<u>-</u>	<u>3,625,360</u>
SUPPORTING SERVICES			
General and administrative	663,590	-	663,590
Fund-raising	<u>316,617</u>	<u>-</u>	<u>316,617</u>
Total supporting services	<u>980,207</u>	<u>-</u>	<u>980,207</u>
Total expenses	<u>4,605,567</u>	<u>-</u>	<u>4,605,567</u>
(Decrease) increase in net assets	(2,608)	12,078	9,470
Net assets - beginning of year, as previously stated	2,548,215	767,858	3,316,073
Restatement of opening net assets (Note 14)	<u>(152,675)</u>	<u>-</u>	<u>(152,675)</u>
Net assets - beginning of year, as restated July 1, 2011	<u>2,395,540</u>	<u>767,858</u>	<u>3,163,398</u>
Net assets - end of year	<u>\$ 2,392,932</u>	<u>\$ 779,936</u>	<u>\$ 3,172,868</u>

The accompanying notes are an integral part of this statement.

THE FAMILY CENTER, INC.
Statement of Functional Expenses
For the year ended June 30, 2012

	Program Services				Supporting Services			Total
	Social Services	Legal Services	Child Welfare	Subtotal	General and Administrative	Fund-Raising	Subtotal	
Salaries and wages	\$ 1,310,692	\$ 290,430	\$ 680,015	\$ 2,281,137	\$ 301,548	\$ 220,493	\$ 522,041	\$ 2,803,178
Fringe benefits	<u>299,795</u>	<u>66,430</u>	<u>155,540</u>	<u>521,765</u>	<u>68,973</u>	<u>50,436</u>	<u>119,409</u>	<u>641,174</u>
Total personnel costs	<u>1,610,487</u>	<u>356,860</u>	<u>835,555</u>	<u>2,802,902</u>	<u>370,521</u>	<u>270,929</u>	<u>641,450</u>	<u>3,444,352</u>
Professional fees	271,414	60,141	140,815	472,370	76,835	45,659	122,494	594,864
Supplies	29,814	4,173	9,771	43,758	4,333	37,211	41,544	85,302
Occupancy costs	257,772	57,118	133,737	448,627	59,305	43,364	102,669	551,296
Direct service to clients	80,209	17,773	41,614	139,596	-	-	-	139,596
Insurance	12,221	2,708	6,340	21,269	2,812	2,056	4,868	26,137
Postage and printing	8,966	1,987	4,652	15,605	2,063	1,508	3,571	19,176
Communication	14,007	3,104	7,267	24,378	3,223	2,353	5,576	29,954
Equipment rental and maintenance	32,298	7,157	16,757	56,212	7,431	5,433	12,864	69,076
Travel	29,204	6,471	15,152	50,827	6,719	4,913	11,632	62,459
Office expenses	<u>13,633</u>	<u>3,021</u>	<u>7,074</u>	<u>23,728</u>	<u>3,135</u>	<u>2,297</u>	<u>5,432</u>	<u>29,160</u>
	<u>749,538</u>	<u>163,653</u>	<u>383,179</u>	<u>1,296,370</u>	<u>165,856</u>	<u>144,794</u>	<u>310,650</u>	<u>1,607,020</u>
Depreciation	-	-	-	-	118,485	-	118,485	118,485
Deferred rent	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,590</u>	<u>-</u>	<u>8,590</u>	<u>8,590</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,075</u>	<u>-</u>	<u>127,075</u>	<u>127,075</u>
Total functional expenses	<u>\$ 2,360,025</u>	<u>\$ 520,513</u>	<u>\$ 1,218,734</u>	<u>\$ 4,099,272</u>	<u>\$ 663,452</u>	<u>\$ 415,723</u>	<u>\$ 1,079,175</u>	<u>\$ 5,178,447</u>

The accompanying notes are an integral part of this statement.

THE FAMILY CENTER, INC.
Statement of Functional Expenses
For the year ended June 30, 2011

	Program Services				Supporting Services			Total
	Social Services	Legal Services	Child Welfare	Subtotal	General and Administrative	Fund-Raising	Subtotal	
Salaries and wages	\$ 1,391,176	\$ 216,852	\$ 376,114	\$ 1,984,142	\$ 286,659	\$ 169,666	\$ 456,325	\$ 2,440,467
Fringe benefits	<u>297,138</u>	<u>46,317</u>	<u>80,333</u>	<u>423,788</u>	<u>61,227</u>	<u>36,239</u>	<u>97,466</u>	<u>521,254</u>
Total personnel costs	<u>1,688,314</u>	<u>263,169</u>	<u>456,447</u>	<u>2,407,930</u>	<u>347,886</u>	<u>205,905</u>	<u>553,791</u>	<u>2,961,721</u>
Professional fees	309,633	48,265	83,711	441,609	63,801	37,763	101,564	543,173
Supplies	38,218	5,957	10,333	54,508	7,875	22,910	30,785	85,293
Occupancy costs	292,208	45,548	79,000	416,756	60,211	35,637	95,848	512,604
Direct service to clients	95,463	14,880	25,809	136,152	-	-	-	136,152
Insurance	13,370	2,084	3,615	19,069	2,755	1,631	4,386	23,455
Postage and printing	6,508	1,014	1,760	9,282	1,341	794	2,135	11,417
Communication	17,356	2,705	4,692	24,753	3,576	2,117	5,693	30,446
Equipment rental and maintenance	30,929	4,821	8,362	44,112	6,373	3,772	10,145	54,257
Travel	27,040	4,215	7,310	38,565	5,572	3,298	8,870	47,435
Office expenses	<u>22,874</u>	<u>3,566</u>	<u>6,184</u>	<u>32,624</u>	<u>4,713</u>	<u>2,790</u>	<u>7,503</u>	<u>40,127</u>
	<u>853,599</u>	<u>133,055</u>	<u>230,776</u>	<u>1,217,430</u>	<u>156,217</u>	<u>110,712</u>	<u>266,929</u>	<u>1,484,359</u>
Depreciation	-	-	-	-	125,797	-	125,797	125,797
Deferred rent	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,690</u>	<u>-</u>	<u>33,690</u>	<u>33,690</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,487</u>	<u>-</u>	<u>159,487</u>	<u>159,487</u>
Total functional expenses	<u>\$ 2,541,913</u>	<u>\$ 396,224</u>	<u>\$ 687,223</u>	<u>\$ 3,625,360</u>	<u>\$ 663,590</u>	<u>\$ 316,617</u>	<u>\$ 980,207</u>	<u>\$ 4,605,567</u>

The accompanying notes are an integral part of this statement.

THE FAMILY CENTER, INC.
Statements of Cash Flows
For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 737	\$ 9,470
Adjustments to reconcile increase in net assets to net cash used in operating activities		
Depreciation	118,485	125,797
Deferred rent	8,590	33,690
Changes in operating assets and liabilities:		
Decrease in DHHS grants receivable	30,172	134,367
Increase in contributions receivable	(6,000)	(2,000)
Increase in contract services and other grants receivable	(126,156)	(65,665)
(Increase) decrease in prepaid expenses and other assets	(207,282)	5,619
Decrease in accounts payable and accrued expenses	(18,659)	(15,272)
Increase in accrued compensation	41,396	32,690
Increase (decrease) in refundable advances	31,783	(57,770)
Net cash (used in) provided by operating activities	<u>(126,934)</u>	<u>200,926</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Expended for fixed assets	(27,221)	-
Net cash used in investing activities	<u>(27,221)</u>	<u>-</u>
Net (decrease) increase in cash	<u>(154,155)</u>	<u>200,926</u>
CASH		
Beginning of year	<u>1,560,013</u>	<u>1,359,087</u>
End of year	<u>\$ 1,405,858</u>	<u>\$ 1,560,013</u>

The accompanying notes are an integral part of these statements.

THE FAMILY CENTER, INC.
Notes to the Financial Statements
June 30, 2012 and 2011

1. 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 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.

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.

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.

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, 2012 and 2011.

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

THE FAMILY CENTER, INC.
Notes to the Financial Statements
June 30, 2012 and 2011

statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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 these accounts and management does not believe that a significant risk of loss due to the failure of a financial institution is likely

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.

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.

Allowance for Doubtful Accounts

The Center provides an allowance for doubtful accounts for estimated losses resulting from the unwillingness, disallowance or inability of donors and grantors to make payments. The allowance is determined by analyzing historical data and trends. Based on management's analysis, the Center has not recorded a provision for the allowance for doubtful accounts for the fiscal years ended June 30, 2012 and 2011.

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, 2012 and 2011, the Center has received grants from governmental entities in the aggregate amount of \$1,461,544 and \$1,868,199 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 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

THE FAMILY CENTER, INC.
Notes to the Financial Statements
June 30, 2012 and 2011

assets are reclassified as unrestricted net assets and reported in the statement of activities and as net assets released from restrictions. Temporarily restricted revenues received and expensed during the same fiscal year are recorded as unrestricted revenues and expenses in the accompanying statements of activities.

Tax Status

Effective June 30, 2011, the Center adopted the provisions of FASB Interpretation No. 48 (“FIN 48”) Accounting for Uncertainties in Income Taxes – an interpretation of FASB Statement No. 109, now incorporated in Accounting Standards Codification (“ASC”) 740. ASC 740-10 clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This section provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Center is exempt from federal income taxation by virtue of being an organization described in Section 501(c)(3) of the Internal Revenue Code. Nevertheless, the Center may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The tax years ending June 30, 2009, 2010, 2011 and 2012 are still open to audit for both federal and state purposes. The adoption of ASC 740-10 did not have a material impact on the Center’s financial statements, as management determined that there are no uncertain tax positions within its financial statements.

3. DHHS GRANTS RECEIVABLE

Grants receivable consist of the following:

	<u>2012</u>	<u>2011</u>
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	\$ 163,454	\$ 59,859
Mentoring for Children of Prisoners	44,718	20,077
A Community Health Partnership to Reduce Diabetes in Minority Communities	-	105,758
Abandoned Infants Assistance	<u>69,538</u>	<u>122,188</u>
	<u>\$ 277,710</u>	<u>\$ 307,882</u>

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2012</u>	<u>2011</u>
Susan G. Komen Foundation	\$ 47,500	\$ 41,500
Robin Hood Foundation	<u>400,000</u>	<u>400,000</u>
	<u>\$ 447,500</u>	<u>\$ 441,500</u>

THE FAMILY CENTER, INC.
Notes to the Financial Statements
June 30, 2012 and 2011

Outstanding contributions receivable balances as of June 30, 2012 and 2011 are due for collection within one year after their respective year-end dates.

5. CONTRACT SERVICES AND OTHER GRANTS RECEIVABLE

Contract services and other grants receivable consist of the following:

	<u>2012</u>	<u>2011</u>
NYC Administration for Children Services	\$ 411,489	\$ 314,039
Public Health Solutions:		
Supportive Counseling and Family Stabilization Services	73,176	65,473
Legal Services	58,257	31,147
New York State Department of Health:		
Families in Transition	-	2,865
Cancer Program	37,516	37,415
Services For Underserved Families	10,829	
Office of Children and Family Services	40,323	35,042
AIDS Institute Legal	44,972	47,727
AIDS Institute Social Services	35,269	51,967
	<u>\$ 711,831</u>	<u>\$ 585,675</u>

6. PROPERTY AND EQUIPMENT, NET

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

	<u>2012</u>	<u>2011</u>
Leasehold improvements	\$ 886,412	\$ 871,435
Equipment	25,000	25,000
Furniture and fixtures	<u>203,114</u>	<u>190,870</u>
	1,114,526	1,087,305
Less accumulated depreciation	<u>(658,551)</u>	<u>(540,066)</u>
	<u>\$ 455,975</u>	<u>\$ 547,239</u>

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.

Depreciation expense for the years ended June 30, 2012 and 2011 were \$118,485 and \$125,797, respectively.

THE FAMILY CENTER, INC.
Notes to the Financial Statements
June 30, 2012 and 2011

7. 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% and 3.25% as of June 30, 2012 and 2011, respectively. There was no outstanding balance at June 30, 2012 and 2011. Collateral on the line of credit is the Center's all personal property of any kind and nature without limitation.

8. DHHS GRANTS

For the years ended June 30, 2012 and 2011, the Center has been awarded the following grants from the DHHS:

<u>Title of Program</u>	<u>Grant Period</u>	<u>Total Grant</u>	<u>2012</u>	<u>2011</u>
			<u>Unrestricted Revenue Recognized</u>	<u>Unrestricted Revenue Recognized</u>
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	08/01/10-07/31/11	\$ 773,236	\$ 75,437	\$ 693,471
	08/01/11-07/31/12	773,236	712,829	98,205
Mentoring for Children of Prisoners	09/30/09-09/29/10	120,000	-	99,137
	09/30/10-09/29/11	120,000	15,057	27,845
A Community Health Partnership to Reduce Diabetes in Minority Communities	09/01/10-08/31/11	475,000	173,512	275,931
	10/01/11-09/30/12	578,613	385,703	-
Abandoned Infants Assistance	09/30/10-09/29/11	475,000	170,189	123,301
	09/30/11-09/29/12	696,193	343,194	545,460
		<u>\$ 4,011,278</u>	<u>\$ 1,875,921</u>	<u>\$ 1,863,350</u>

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for various program purposes and consist of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
For use in serving the needs of poor families	\$ 345,959	\$ 348,504
Breast cancer research	94,827	77,184
Capital campaign	283,409	283,409
Develop pediatric care management	59,762	70,839
	<u>\$ 783,957</u>	<u>\$ 779,936</u>

THE FAMILY CENTER, INC.
Notes to the Financial Statements
June 30, 2012 and 2011

Net assets were released from donor temporary restrictions by incurring expenses satisfying the restricted purposes as of June 30, 2012 and 2011 as follows:

	<u>2012</u>	<u>2011</u>
Robin Hood Foundation	\$ 402,546	\$ 429,300
Susan G. Komen Foundation	85,745	84,254
Judges and Lawyers Breast Cancer Alert	41,616	13,452
The Deerfield Partnership Foundation	<u>136,072</u>	<u>93,916</u>
	<u>\$ 665,979</u>	<u>\$ 620,922</u>

10. CONTRACT SERVICES AND OTHER GRANTS

For the years ended June 30, 2012 and 2011, contract services and other grants consist of the following:

	<u>2012</u>	<u>2011</u>
NYC Administration for Children Services	\$ 1,255,552	\$ 661,029
Public Health Solutions:		
Supportive Counseling and Family Stabilization Services	448,470	462,813
Legal Services	179,641	189,831
New York State Department of Health:		
Families in Transition	-	36,583
Cancer Program	111,705	58,464
Office of Children and Family Services	40,323	146,664
AIDS Institute Legal	140,491	87,449
AIDS Institute Social Services	121,392	91,363
Others	<u>15,160</u>	<u>10,000</u>
	<u>\$ 2,312,734</u>	<u>\$ 1,744,196</u>

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 \$13,873 and \$11,895 for the years ended June 30, 2012 and 2011, respectively.

12. COMMITMENTS AND CONTINGENCIES

The Center subleases office space under a noncancelable operating lease. Rent expense for the year ended June 30, 2012 and 2011 amounted to \$474,190 and \$489,422, respectively. Future minimum lease payments under this noncancelable operating lease are as follows:

THE FAMILY CENTER, INC.
Notes to the Financial Statements
June 30, 2012 and 2011

The Family Center entered into a second operating lease on May 11, 2012 with Ash unlimited. Under the terms of the agreement the Family Center will not incur rent expense until the building is completed and they have moved in the premises.

2013	\$ 584,000
2014	689,479
2015	703,438
2016	717,896
2017	515,667
Thereafter	<u>2,623,687</u>
	<u>\$ 5,834,167</u>

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.

13. SUBSEQUENT EVENTS

The Center evaluated its June 30, 2012 financial statements for subsequent events through December 11, 2012, the date the financial statements were issued. The Center is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.

SUPPLEMENTARY INFORMATION

THE FAMILY CENTER, INC.
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Agency or Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA	Pass-Through Grantor's	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	\$ 767,745
Abandoned Infants	93.551	N/A	498,270
Mentoring Children of Prisoners	93.616	N/A	15,830
Community Programs to Improve Minority Health Grant Program	93.137	N/A	497,619
Passed through the NYC Children's Services:			
Social Services Block Grant	93.667	20090037321	527,457
Passed through the New York State Office of Children and Family Services:			
Temporary Assistance for Needy Families	93.558	CO26121	38,285
Passed through Public Health Solutions:*			
HIV Emergency Relief Project Grants	93.914	06-SCF-4699	393,087
HIV Emergency Relief Project Grants	93.914	06-ADV-4699	<u>151,572</u>
Total Expenditures of Federal Awards			<u>\$ 2,889,865</u>

Revenues recognized for programs 06-SCF-4699 and 06-ADV-4699 were \$448,461 and \$179,641, respectively, reported as part of contract services and other grants in the statement of activities for the fiscal year ended June 30, 2012.

THE FAMILY CENTER, INC.
Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2012

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") has been prepared on the accrual basis of accounting for salary expenditures and on the cash basis of accounting for non-salary expenditures. The information in the Schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Federal award program amounts, as presented in the accompanying Schedule, represent expenditures or federal awards payments administered by the Center during the year ended June 30, 2012. Amounts reported in the accompanying schedule agreed with the amounts reported in the related federal financial reports filed by the Center.

2. SUBRECIPIENTS

The Center provided no federal awards to subrecipients.

THE FAMILY CENTER, INC.
Supplementary Information
ACS - YouthNet
Program ID: 08-IC-FAMILYCTR-BK
Statement of Revenues and Expenditures
For the year ended June 30, 2012

	<u>CAPS Approved Budget</u>	<u>CAPS Actual Amounts</u>	<u>CAPS Variance Favorable/ (Unfavorable)</u>	<u>Questioned Costs</u>
Revenue:				
ACS revenue	\$ 1,280,974	\$ 1,255,552	\$ -	
Prior-year adjustment	<u>-</u>	<u>-</u>	<u>-</u>	
Total ACS revenue	<u>\$ 1,280,974</u>	<u>\$ 1,255,552</u>	<u>\$ -</u>	
Expenditures:				
PS expenditures:				
Salaries	\$ 763,636	\$ 763,452	\$ -	
Fringe benefits	<u>175,119</u>	<u>174,625</u>	<u>-</u>	
Total PS expenditures	<u>938,755</u>	<u>938,077</u>	<u>-</u>	
OTPS expenditures:				
Consultants	80,000	80,001	-	
Rent and utilities	111,571	111,548	-	
Other OTPS	<u>74,888</u>	<u>74,910</u>	<u>-</u>	
Total OTPS expenditures	<u>266,459</u>	<u>266,459</u>	<u>-</u>	
Total PS and OTPS expenditures	1,205,214	1,204,536	-	\$ -
Administrative overhead	<u>75,760</u>	<u>51,314</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,280,974</u>	<u>1,255,850</u>	<u>\$ -</u>	<u>\$ -</u>
Less questioned costs		<u>-</u>		
Total allowable costs		<u>-</u>		
	<u>\$ -</u>	<u>\$ (298)</u>		

THE FAMILY CENTER, INC.
Supplementary Information
ACS - YouthNet
Program ID: 08-IC-FAMILYCTR-BK
Schedule of Salaries
For the year ended June 30, 2012

<u>Title</u>	<u>CAPS Approved Budget</u>	<u>CAPS Actual Amounts</u>	<u>CAPS Variance Favorable/ (Unfavorable)</u>
Executive Director	\$ 73,300	\$ 73,292	\$ 8
Deputy Executive Director	9,585	9,585	-
Program Director	137,000	136,906	94
Supervisor	115,805	115,802	3
Social Worker	14,650	14,648	2
Social Worker	401,972	401,895	77
Social Worker	8,035	8,035	-
Social Worker	<u>3,289</u>	<u>3,289</u>	<u>-</u>
Total salaries	<u>\$ 763,636</u>	<u>\$ 763,452</u>	<u>\$ 184</u>

THE FAMILY CENTER, INC.
Supplementary Information
ACS - YouthNet
Program ID: 08-IC-FAMILYCTR-BK
Schedule of Fringe Benefits
For the year ended June 30, 2012

Description	Rate %	CAPS Approved Budget	CAPS Actual Amounts	CAPS Variance Favorable/ (Unfavorable)
FICA	\$ -	\$ 57,699	\$ 57,293	\$ 406
Unemployment tax	-	10,920	10,919	1
Disability	-	2,100	2,096	4
Workers compensation	-	5,300	5,291	9
Health insurance	-	89,950	89,947	3
Pension	-	4,350	4,330	20
Educational reimbursement	-	1,900	1,891	9
Dental	-	2,900	2,858	42
Total	-	<u>\$ 175,119</u>	<u>\$ 174,625</u>	<u>\$ 494</u>

THE FAMILY CENTER, INC.
Supplementary Information
ACS - YouthNet
Program ID: 08-IC-FAMILYCTR-BK
Schedule of Fixed Assets
For the year ended June 30, 2012

<u>Purchased with ACS Funds</u>	<u>Serial No.</u>	<u>Date Purchased</u>	<u>Cost</u>
None			

THE FAMILY CENTER, INC.
ACS - YouthNet
Program ID: 08-IC-FAMILYCTR-BK
Schedule of Questioned Costs
For the year ended June 30, 2012

	<u>Questioned Costs</u>
Total questioned costs	<u>\$ -</u>

THE FAMILY CENTER, INC.
Supplementary Information
ACS – YouthNet (Unaudited)
Program ID: 08-IC-FAMILYCTR-BK
Schedule of Quantitative Program Results
For the year ended June 30, 2012

Quantifiable Indicators

Program- Intensive Prevention

Number of open cases at beginning of period (7/1/2011): **43 active cases**

Number of new cases during audit period (7/1/2011-6/30/2012): 59 cases referred- **35 families accepted-new cases**

Number of cases served during the audit period (7/1/2011-6/30/2012): **78 families**

Cases closed during audit period: (7/1/2011-6/30/2012): **31 cases closed**

Cases open at end of audit period (on 6/30/2012): **51 active families**

Program- General Prevention Program

Number of open cases at beginning of period (7/1/2011): **0; our first case opened on 9/9/11**

Number of new cases (opened) during audit period (7/1/2011-6/30/2012): **47 new cases**

Number of cases served (active) during the audit period (7/1/2011-6/30/2012): **56**

Cases closed during audit period: (7/1/2011-6/30/2012): **7 cases closed**

Cases open (active) at end of audit period (on 6/30/2012): **47 active families**

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS**

To the Board of Directors
The Family Center, Inc.

We have audited the financial statements of The Family Center, Inc. (the “Center”) as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated December 11, 2012. We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Center’s internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an 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 express no such opinion.

A deficiency in internal control over financial reporting 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 a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Center’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the Center’s internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Compliance and Other Matters

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.

Grant Thornton LLP

New York, New York
December 11, 2012

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE RELATED TO MAJOR PROGRAMS (OMB CIRCULAR A-133)
AND ON INTERNAL CONTROL OVER COMPLIANCE**

To the Board of Directors
The Family Center, Inc.

Compliance

We have audited the compliance of The Family Center, Inc. (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 its major federal programs for the year ended June 30, 2012. 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 its major federal programs are 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 established by the American Institute of Certified Public Accountants; 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 of the Center’s compliance with those requirements.

In our opinion, the Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the 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 as a basis for designing audit procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, we express no such opinion.

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 is a deficiency, or a 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 would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the Center's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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.

Grant Thornton LLP

New York, New York
December 11, 2012

THE FAMILY CENTER, INC.
Schedule of Findings and Questioned Costs
For the year ended June 30, 2012

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 v no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes v none reported

Noncompliance material to financial statements noted? yes v no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes v no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes v 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 v no

Identification of major programs:

<u>Federal Grantor/ Program Cluster Title</u>	<u>Federal CFDA Number</u>
U.S. Department of Health and Human Services:	
Community Programs to Improve Minority Health Grant Program	93.137
Social Services Block Grant	93.667
HIV Emergency Relief Project Grants	93.914

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? v yes no

THE FAMILY CENTER, INC.
Schedule of Findings and Questioned Costs
For the year ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

THE FAMILY CENTER, INC.
Status of Prior Audit Findings
For the year ended June 30, 2012

2011-01:

Criteria:

Recording of operating leases in accordance with generally accepted accounting principles.

Context:

The rental lease for the Center was recorded based on the actual payments made instead of recording the lease on a straight-line basis.

Effect:

The effect of the error was a decrease in unrestricted net assets of \$152,675.

Recommendation:

We recommend that the Center record their operating leases on a straight-line basis in accordance with generally accepted accounting principles.

Views of Responsible Officials and Planned Corrective Actions:

We agree with the recommendation and will record all future operating leases on a straight-line basis.

2012 Update:

No such findings noted in the current year.