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, 2016

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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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 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 1, 2016

THE FAMILY CENTER, INC.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2016

(With comparative totals at June 30, 2015)

	6/30/16	6/30/15
Assets		
Cash and cash equivalents	$956,089	$910,517
Government grants receivable	478,905	766,810
Contributions receivable	401,875	282,250
Prepaid expenses and other assets	105,664	106,995
Security deposits	196,000	196,000
Fixed assets, net (Note 3)	138,797	197,255
Total assets	$2,277,330	$2,459,827
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$189,710	$346,631
Government grant advances	45,000	0
Deferred rent	78,821	48,112
Total liabilities	313,531	394,743
Net assets:		
Unrestricted	277,296	632,498
Board designated	1,200,000	1,200,000
Total unrestricted net assets	1,477,296	1,832,498
Temporarily restricted (Note 4)	486,503	232,586
Total net assets	1,963,799	2,065,084
Total liabilities and net assets	$2,277,330	$2,459,827

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, 2016
(With comparative totals for the year ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Total 6/30/16	Total 6/30/15
Public support and revenue:				
Government grant income	$3,735,131		$3,735,131	$3,588,579
Contributions	547,251	$583,750	1,131,001	696,030
In-kind services	0		0	28,000
Interest and other income	10,672		10,672	6,585
Special events (net expenses with a direct benefit to donor) (Note 9)	33,724		33,724	204,507
Net assets released from restrictions	329,833	(329,833)	0	0
Total public support and revenue	4,656,611	253,917	4,910,528	4,523,701
Expenses:				
Program services:				
Social Services	2,025,507		2,025,507	1,906,957
Legal Services	929,109		929,109	777,697
Child Welfare	621,203		621,203	724,163
Health & Wellness Institute	390,433		390,433	395,746
Total program services	3,966,252	0	3,966,252	3,804,563
Supporting services:				
Management and general	785,336		785,336	786,824
Fundraising	260,225		260,225	249,604
Total supporting services	1,045,561	0	1,045,561	1,036,428
Total expenses	5,011,813	0	5,011,813	4,840,991
Change in net assets from operations	(355,202)	253,917	(101,285)	(317,290)
Non-operating:				
Write off of deferred rent liability			0	145,466
Total non-operating activity	0	0	0	145,466
Change in net assets	(355,202)	253,917	(101,285)	(171,824)
Net assets - beginning of year	1,832,498	232,586	2,065,084	2,236,908
Net assets - end of year	$1,477,296	$486,503	$1,963,799	$2,065,084

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

THE FAMILY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(With comparative totals for the year ended June 30, 2015)

	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 6/30/16	Total Expenses 6/30/15
Salaries	$1,114,725	$525,913	$347,911	$128,727	$2,117,276	$377,476	$151,826	$529,302	$2,646,578	$2,543,828
Payroll taxes and benefits	310,210	146,353	96,818	35,822	589,203	93,338	42,250	135,588	724,791	651,965
Total personnel services	1,424,935	672,266	444,729	164,549	2,706,479	470,814	194,076	664,890	3,371,369	3,195,793
Professional fees (including in-kind)	278,330	74,405	71,947	190,143	614,825	139,292	18,677	157,969	772,794	803,690
Supplies	23,904	11,277	7,460	2,760	45,401	7,193	11,411	18,604	64,005	62,437
Occupancy	135,072	63,725	42,157	15,598	256,552	71,348	18,397	89,745	346,297	352,230
Direct service to clients	44,419	42,113	15,892	2,590	105,014	7,452		7,452	112,466	94,749
Insurance	9,625	4,541	3,004	1,112	18,282	6,297	1,311	7,608	25,890	33,547
Postage and printing	3,475	1,640	1,085	401	6,601	1,046	473	1,519	8,120	11,992
Communication	19,227	9,071	6,001	2,220	36,519	5,784	2,619	8,403	44,922	49,939
Maintenance and repairs	18,540	8,747	5,787	2,141	35,215	5,579	2,525	8,104	43,319	39,064
Travel	16,863	17,272	7,010	3,701	44,846	1,383		1,383	46,229	40,209
Other event expenses					0		4,583	4,583	4,583	7,316
Office expenses	19,058	8,927	6,125	1,516	35,626	7,613	1,787	9,400	45,026	46,053
Bad debt					0	51,889		51,889	51,889	34,600
Depreciation	32,059	15,125	10,006	3,702	60,892	9,646	4,366	14,012	74,904	69,372
Total	$2,025,507	$929,109	$621,203	$390,433	$3,966,252	$785,336	$260,225	$1,045,561	$5,011,813	$4,840,991

* 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, 2016
(With comparative totals for the year ended June 30, 2015)

	6/30/16	6/30/15
Cash flows from operating activities:		
Change in net assets	($101,285)	($171,824)
Adjustments to reconcile change in net assets		
to net cash provided by/(used for) operating activities:		
Depreciation	74,904	69,372
Changes in assets and liabilities:		
Government grants receivable	287,905	(76,924)
Contributions receivable	(119,625)	192,750
Prepaid expenses and other assets	1,331	3,652
Security deposits	0	0
Accounts payable and accrued expenses	(156,921)	6,849
Government grant advances	45,000	(39,200)
Conditional contributions	0	(38,000)
Deferred rent	30,709	(114,758)
Total adjustments	163,303	3,741
Net cash provided by/(used for) operating activities	62,018	(168,083)
Cash flows from investing activities:		
Purchases of fixed assets	(16,446)	(28,105)
Net cash used for investing activities	(16,446)	(28,105)
Net increase/(decrease) in cash and cash equivalents	45,572	(196,188)
Cash and cash equivalents - beginning of year	910,517	1,106,705
Cash and cash equivalents - end of year	$956,089	$910,517
Interest and taxes paid	$0	$0

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

Note 1 - Nature of the Organization

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

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

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

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

Note 2 - Summary of Significant Accounting Policies

a. Basis of Presentation
The accompanying financial statements have been prepared using the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than when received or paid.

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, 2016 or June 30, 2015.

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, 2016, 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, 2016. 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.

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 year ended June 30, 2015, the Center received $28,000 of donated professional legal fees. This amount has been reflected in support services on the statement of functional expenses.

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

j. Use of Estimates
In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

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

l. Prior-Year Comparative Financial Information
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2015, 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, 2013 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 1, 2016, 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.

o. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the June 30, 2019 year, with early implementation permitted, focuses on improving the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. The Center has not yet evaluated the impact this will have on future statements.

In addition, FASB issued ASU No. 2016-02, Leases. The ASU which becomes effective at the June 30, 2021 year, requires the full obligation of long term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

Note 3 - Fixed Assets

Fixed assets consist of the following:

	6/30/16	6/30/15
Leasehold improvements	$137,396	$137,396
Furniture and fixtures	153,800	152,500
Office equipment	105,139	89,993
	396,335	379,889
Less: accumulated depreciation	(257,538)	(182,634)
Total fixed assets, net	$138,797	$197,255

Note 4 - Temporarily Restricted Net Assets

The following summarizes the changes in temporarily restricted net assets:

	June 30, 2016			
	Beginning Balance 7/1/15	Contributions	Released from Restrictions	Ending Balance 6/30/16
Program restricted:				
Servicing needs of poor families	$200,586	$285,000	($264,017)	$221,569
Breast cancer	24,746	213,750	(58,562)	179,934
Continued care project	0	85,000	0	85,000
Bridges to care program	2,254	0	(2,254)	0
Strengthening nontraditional families program	5,000	0	(5,000)	0
Total	$232,586	$583,750	($329,833)	$486,503

	June 30, 2015			
	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

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. 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 that existed at that time 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 ending:	June 30, 2017	$294,000
	June 30, 2018	294,000
	June 30, 2019	315,000
	June 30, 2020	322,000
	June 30, 2021	322,000
Thereafter		2,509,500
Total		$4,056,500

Rent expense was $300,000 in both 2016 and 2015.

Note 6 - Line of Credit

The Center had a line of credit in the amount of $250,000 at a prevailing base rate set by the bank that expired on January 31, 2016. All of the Center's personal property of any kind and nature, without limitation, was used as collateral. There was no outstanding balance at June 30, 2015 and the Center no longer has the line as of June 30, 2016.

Note 7 - Pension Plan

The Center has a defined contribution pension plan that covers all employees who are at least 21 years of age and have worked at least one year of service with the Center. The Center makes contributions on behalf of participants at one percent of covered employees' salaries. Forfeitures are used to reduce administrative expenses. Total contributions to the plan were $19,000 in 2016 and $14,000 in 2015.

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 50% of the Center's total revenue and support in both 2015 and 2016.

Note 9 - Special Event

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

	June 30, 2016		
	BLOOM	LWI Fundraiser	Total
Gross revenue	$41,916	$13,940	$55,856
Less: expenses with a direct benefit to donor	(13,132)	(9,000)	(22,132)
	28,784	4,940	33,724
Less: other event expenses	(4,583)	0	(4,583)
Total	$24,201	$4,940	$29,141

	June 30, 2015		
	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: other event expenses	0	(7,316)	(7,316)
Total	$176,192	$20,999	$197,191