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, 2017

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Independent Auditor's 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, 2017, 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.

Auditor's 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 auditor's 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 1, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 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

November 28, 2017

THE FAMILY CENTER, INC.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2017
(With comparative totals at June 30, 2016)

	6/30/17	6/30/16
Assets		
Cash and cash equivalents	$746,702	$956,089
Government grants receivable	851,390	478,905
Contributions receivable	245,000	401,875
Prepaid expenses and other assets	13,951	105,664
Security deposits	196,000	196,000
Fixed assets, net (Note 3)	101,079	138,797
Total assets	$2,154,122	$2,277,330
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$277,312	$189,710
Government grant advances	0	45,000
Deferred rent	109,529	78,821
Total liabilities	386,841	313,531
Net assets:		
Unrestricted	317,887	277,296
Board designated	1,200,000	1,200,000
Total unrestricted net assets	1,517,887	1,477,296
Temporarily restricted (Note 4)	249,394	486,503
Total net assets	1,767,281	1,963,799
Total liabilities and net assets	$2,154,122	$2,277,330

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

THE FAMILY CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

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

	Unrestricted	Temporarily Restricted	Total 6/30/17	Total 6/30/16
Public support and revenue:				
Government grant income	$4,007,235		$4,007,235	$3,735,131
Contributions	317,228	$305,000	622,228	1,131,001
Interest and other income	6,181		6,181	10,672
Special events (net expenses with a direct benefit to donor) (Note 9)			0	33,724
Net assets released from restrictions	542,109	(542,109)	0	0
Total public support and revenue	4,872,753	(237,109)	4,635,644	4,910,528
Expenses:				
Program services:				
Social Services	1,710,935		1,710,935	2,025,507
Legal Services	900,665		900,665	929,109
Child Welfare	593,419		593,419	621,203
Health & Wellness Institute	540,751		540,751	390,433
Total program services	3,745,770	0	3,745,770	3,966,252
Supporting services:				
Management and general	835,040		835,040	785,336
Fundraising	251,352		251,352	260,225
Total supporting services	1,086,392	0	1,086,392	1,045,561
Total expenses	4,832,162	0	4,832,162	5,011,813
Change in net assets	40,591	(237,109)	(196,518)	(101,285)
Net assets - beginning of year	1,477,296	486,503	1,963,799	2,065,084
Net assets - end of year	$1,517,887	$249,394	$1,767,281	$1,963,799

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

THE FAMILY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With comparative totals for the year ended June 30, 2016)

	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 6/30/17	Total Expenses 6/30/16
Salaries	$959,451	$511,653	$271,503	$199,320	$1,941,927	$384,460	$142,418	$526,878	$2,468,805	$2,646,578
Payroll taxes and benefits	265,915	141,806	75,248	55,242	538,211	106,555	39,472	146,027	684,238	724,791
Total personnel services	1,225,366	653,459	346,751	254,562	2,480,138	491,015	181,890	672,905	3,153,043	3,371,369
Professional fees	189,994	83,165	157,369	230,902	661,430	138,396	19,526	157,922	819,352	772,794
Supplies	18,567	9,211	4,888	3,588	36,254	6,922	17,871	24,793	61,047	64,005
Occupancy	128,025	68,273	36,228	26,596	259,122	82,009	19,004	101,013	360,135	346,297
Direct service to clients	34,907	29,392	6,000	3,568	73,867	8,741		8,741	82,608	112,466
Insurance	10,427	5,560	2,951	2,166	21,104	7,381	1,548	8,929	30,033	25,890
Postage and printing	2,844	1,517	805	591	5,757	1,140	422	1,562	7,319	8,120
Communication	16,006	8,535	4,529	3,325	32,395	6,414	2,376	8,790	41,185	44,922
Maintenance and repairs	17,385	9,271	4,920	3,612	35,188	6,966	2,581	9,547	44,735	43,319
Travel	26,110	9,065	15,680	3,369	54,224	386	200	586	54,810	46,229
Other event expenses					0			0	0	4,583
Office expenses	9,845	6,441	4,396	1,937	22,619	11,791	1,264	13,055	35,674	45,026
Bad debt					0	61,272		61,272	61,272	51,889
Depreciation	31,459	16,776	8,902	6,535	63,672	12,607	4,670	17,277	80,949	74,904
Total	$1,710,935	$900,665	$593,419	$540,751	$3,745,770	$835,040	$251,352	$1,086,392	$4,832,162	$5,011,813

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

THE FAMILY CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(With comparative totals for the year ended June 30, 2016)

	6/30/17	6/30/16
Cash flows from operating activities:		
Change in net assets	($196,518)	($101,285)
Adjustments to reconcile change in net assets		
to net cash (used for)/provided by operating activities:		
Depreciation	80,949	74,904
Changes in assets and liabilities:		
Government grants receivable	(372,485)	287,905
Contributions receivable	156,875	(119,625)
Prepaid expenses and other assets	91,713	1,331
Accounts payable and accrued expenses	87,602	(156,921)
Government grant advances	(45,000)	45,000
Deferred rent	30,708	30,709
Total adjustments	30,362	163,303
Net cash (used for)/provided by operating activities	(166,156)	62,018
Cash flows from investing activities:		
Purchases of fixed assets	(43,231)	(16,446)
Net cash used for investing activities	(43,231)	(16,446)
Net (decrease)/increase in cash and cash equivalents	(209,387)	45,572
Cash and cash equivalents - beginning of year	956,089	910,517
Cash and cash equivalents - end of year	$746,702	$956,089
Interest and taxes paid	$0	$0

The attached notes and auditor's 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 has been notified by the Internal Revenue Service that they are 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 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, 2017 or June 30, 2016.

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.

Government grants are recognized as income when a reimbursable expense is incurred. The difference between revenue recognized and cash received is reflected as government grants receivable or refundable 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, 2017, 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, 2017. 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.

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, 2016, 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, 2014 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 November 28, 2017, 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 the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows.

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the June 30, 2020 year, focuses on a principle based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the June 30, 2021 year, requires all leases to be reflected as assets and liabilities on the statement of financial position.

The Center has not yet evaluated the impact these standards will have on future financial statements.

Note 3 - Fixed Assets

Fixed assets consist of the following:

	6/30/17	6/30/16
Leasehold improvements	$137,396	$137,396
Furniture and fixtures	153,800	153,800
Office equipment	148,370	105,139
	439,566	396,335
Less: accumulated depreciation	(338,487)	(257,538)
Total fixed assets, net	$101,079	$138,797

Note 4 - Temporarily Restricted Net Assets

The following summarizes the changes in temporarily restricted net assets:

	June 30, 2017			
	Beginning Balance 7/1/16	Contributions	Released from Restrictions	Ending Balance 6/30/17
Program restricted:				
Servicing needs of poor families	$221,569	$215,000	($259,993)	$176,576
Breast cancer	179,934	60,000	(213,848)	26,086
Continued care project	85,000	0	(62,694)	22,306
HIV treatment adherence support	0	20,000	(5,574)	14,426
Economic justice project	0	10,000	0	10,000
Total	$486,503	$305,000	($542,109)	$249,394

	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

Note 5 - Commitments

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, 2018	$294,000
	June 30, 2019	315,000
	June 30, 2020	322,000
	June 30, 2021	322,000
	June 30, 2022	322,000
Thereafter		2,187,500
Total		$3,762,500

Rent expense was $319,000 and $306,000 during the years ended June 30, 2017 and 2016, respectively.

Note 6 - Line of Credit

The Center has a line of credit in the amount of $100,000 at a rate of 3.495% that expires on February 15, 2018. The Center is required to hold the full amount of the line of credit in a money market account as collateral.

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 $18,000 in 2017 and $19,000 in 2016.

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. During the years ended June 30, 2017 and 2016, the three largest government funding sources provided approximately 48% and 50% of the Center's total revenue and support, respectively.

Note 9 - Special Events

The Center did not hold any fundraising events during the year ended June 30, 2017.

The following summarizes special event income for the year ended June 30, 2016:

	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