SCHALL & ASHENFARB Certified Public Accountants, LLC

IRA L. SCHALL, CPA
DAVID C. ASHENFARB, CPA
MICHAEL L. SCHALL, CPA

THE FAMILY CENTER
KEEPING FAMILIES STRONGER LONGER

Audited Financial Statements

June 30, 2019

307 Fifth Avenue, 15th Floor
New York, New York 10016
Tel: (212) 268-2800 Fax: (212) 268-2805
www.schallandashenfarb.com

SCHALL & ASHENFARB Certified Public Accountants, LLC

IRA L. SCHALL, CPA
DAVID C. ASHENFARB, CPA
MICHAEL L. SCHALL, CPA

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, 2019, 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.

307 Fifth Avenue, 15th Floor
New York, New York 10016
Tel: (212) 268-2800 Fax: (212) 268-2805
www.schallandashenfarb.com

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, 2019, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Center adopted Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Center's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 25, 2019

THE FAMILY CENTER, INC.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2019
(With comparative totals at June 30, 2018)

	06/30/19	06/30/18
Assets		
Cash and cash equivalents	$1,174,931	$942,698
Government grants receivable	1,220,506	759,258
Contributions receivable	147,500	240,252
Prepaid expenses and other assets	44,600	39,623
Security deposits	196,000	196,000
Fixed assets, net (Note 3)	221,380	58,877
Total assets	$3,004,917	$2,236,708
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$606,153	$321,656
Line of credit (Note 4)	100,000	0
Deferred rent	149,946	140,238
Total liabilities	856,099	461,894
Net assets:		
Without donor restrictions	1,782,477	1,546,043
With donor restrictions (Note 6)	366,341	228,771
Total net assets	2,148,818	1,774,814
Total liabilities and net assets	$3,004,917	$2,236,708

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, 2019

(With comparative totals for the year ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 06/30/19	Total 06/30/18
Public support and revenue:				
Government grant income	$5,466,764		$5,466,764	$4,324,728
Contributions	215,604	$600,000	815,604	667,312
In-kind contributions	86,500		86,500	0
Interest and other income	12,006		12,006	789
Special events (net expenses with a direct benefit to donor) (Note 9)	140,656		140,656	120,505
Net assets released from restrictions	462,430	(462,430)	0	0
Total public support and revenue	6,383,960	137,570	6,521,530	5,113,334
Expenses:				
Program services:				
Social services	1,809,690		1,809,690	1,817,480
Legal services	735,709		735,709	748,353
Child welfare	1,244,452		1,244,452	737,340
Health & Wellness Institute	783,814		783,814	678,899
Total program services	4,573,665	0	4,573,665	3,982,072
Supporting services:				
Management and general	1,285,469		1,285,469	854,480
Fundraising	288,392		288,392	269,249
Total supporting services	1,573,861	0	1,573,861	1,123,729
Total expenses	6,147,526	0	6,147,526	5,105,801
Change in net assets	236,434	137,570	374,004	7,533
Net assets - beginning of year	1,546,043	228,771	1,774,814	1,767,281
Net assets - end of year	$1,782,477	$366,341	$2,148,818	$1,774,814

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, 2019
(With comparative totals for the year ended June 30, 2018)

	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 06/30/19	Total Expenses 06/30/18
Salaries	$1,059,651	$440,849	$651,955	$310,996	$2,463,451	$444,179	$143,826	$588,005	$3,051,456	$2,603,730
Payroll taxes and benefits	291,981	121,475	179,643	85,693	678,792	122,391	39,630	162,021	840,813	727,192
Total personnel services	1,351,632	562,324	831,598	396,689	3,142,243	566,570	183,456	750,026	3,892,269	3,330,922
Professional fees	110,009	19,781	205,558	302,536	637,884	368,555	5,324	373,879	1,011,763	805,631
Supplies	20,433	8,500	12,572	5,996	47,501	8,565	2,774	11,339	58,840	59,383
Occupancy	165,145	68,705	101,606	48,468	383,924	78,933	22,415	101,348	485,272	374,110
Direct service to clients	58,346	32,022	9,272	1,256	100,896	20,172		20,172	121,068	96,336
Insurance	9,690	4,032	5,962	2,845	22,529	7,265	1,315	8,580	31,109	31,406
Postage and printing	1,767	735	1,086	519	4,107	741	240	981	5,088	6,127
Communication	17,729	7,376	10,907	5,204	41,216	7,432	2,407	9,839	51,055	40,398
Maintenance and repairs	19,603	8,155	12,061	5,753	45,572	8,217	2,661	10,878	56,450	49,981
Travel	31,239	11,780	36,434	7,262	86,715	2,392		2,392	89,107	75,677
Indirect fundraising event expenses (Note 9)					0		58,673	58,673	58,673	40,122
Fundraising expense - direct benefit to donors (Note 9)							73,230	73,230	73,230	44,030
Office expenses	8,818	5,943	7,994	2,802	25,557	19,917	1,053	20,970	46,527	31,220
Donated goods and services					0	80,500	6,000	86,500	86,500	0
Bad debt					0	109,806		109,806	109,806	98,276
Depreciation	15,279	6,356	9,402	4,484	35,521	6,404	2,074	8,478	43,999	66,212
Total expenses	1,809,690	735,709	1,244,452	783,814	4,573,665	1,285,469	361,622	1,647,091	6,220,756	5,149,831
Less: direct special event expenses netted with revenue					0		(73,230)	(73,230)	(73,230)	(44,030)
Total expenses for statement of activities	$1,809,690	$735,709	$1,244,452	$783,814	$4,573,665	$1,285,469	$288,392	$1,573,861	$6,147,526	$5,105,801

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, 2019
(With comparative totals for the year ended June 30, 2018)

	06/30/19	06/30/18
Cash flows from operating activities:		
Change in net assets	$374,004	$7,533
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	43,999	66,212
Changes in assets and liabilities:		
Government grants receivable	(461,248)	92,132
Contributions receivable	92,752	4,748
Prepaid expenses and other assets	(4,977)	(25,672)
Accounts payable and accrued expenses	284,497	44,344
Deferred rent	9,708	30,709
Total adjustments	(35,269)	212,473
Net cash provided by operating activities	338,735	220,006
Cash flows from investing activities:		
Purchases of fixed assets	(206,502)	(24,010)
Net cash used for investing activities	(206,502)	(24,010)
Cash flows from financing activities:		
Proceeds from line of credit	100,000	0
Net cash provided by financing activities	100,000	0
Net increase in cash and cash equivalents	232,233	195,996
Cash and cash equivalents - beginning of year	942,698	746,702
Cash and cash equivalents - end of year	$1,174,931	$942,698
Supplemental information:		
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. <u>Basis of Presentation</u>
The accompanying financial statements have been prepared using the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

Effective July 1, 2018, the Center adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 – Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 10).

Implementation of ASU 2016-14 did not require any reclassification or restatement of opening balances related to the periods presented.

The Center's net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Net Assets Without Donor Restrictions* – represents all activity without donor-imposed restrictions. As of June 30, 2018, the board had designated funds for future purposes totaling $1,200,000. During the year ended June 30, 2019, the board approved the release of these funds. There were no board designated funds as of year-end.

- *Net Assets With Donor Restrictions* – relates to contributions of cash and other assets with donor stipulations that make clear the assets' restriction, either due to a program nature or by the passage of time.

b. Revenue Recognition

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

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 revenue in the period earned, which is typically when the expense allowed under the grant 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, 2019, 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 date of the statement of financial position. No allowance for doubtful accounts exists as of June 30, 2019 or 2018. 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 $5,000 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, 2019, the Center received donated goods and services totaling $86,500. There were no donated goods or services received during the year ended June 30, 2018.

i. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries	Time and effort
Payroll taxes and benefits	Time and effort
Professional fees	Direct & Time and effort
Supplies	Time and effort
Occupancy	Time and effort
Insurance	Time and effort
Postage and printing	Time and effort
Communication	Time and effort
Maintenance and repairs	Time and effort
Office expenses	Time and effort
Depreciation	Time and effort

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, 2018, 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, 2016 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 25, 2019, 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
FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU, which becomes effective for the June 30, 2020 year, provides guidance on whether a receipt from a third-party resource provider should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions.

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.

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 is in the process of evaluating the impact these standards will have on future financial statements.

Note 3 - Fixed Assets

Fixed assets consist of the following:

	6/30/19	6/30/18
Leasehold improvements	$299,961	$137,396
Furniture and fixtures	161,960	153,800
Office equipment	208,157	172,380
	670,078	463,576
Less: accumulated depreciation	(448,698)	(404,699)
Total fixed assets, net	$221,380	$58,877

Note 4 - Line of Credit

The Center has a line of credit in the amount of $100,000 that pays interest at a rate of 3.495%. The line of credit expires on February 14, 2019. The Center is required to hold an amount in a money market account equal to the outstanding balance of the line of credit. The full amount was outstanding as of June 30, 2019. The line of credit was unused during the year ended June 30, 2018.

Note 5 - Commitments

The Center occupies space in Brooklyn, New York under a non-cancellable operating lease that 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, 2020	$322,000
	June 30, 2021	322,000
	June 30, 2022	322,000
	June 30, 2023	322,000
	June 30, 2024	348,250
	Thereafter	1,517,250
Total		$3,153,500

Rent expense was $326,000 and $332,000 during the years ended June 30, 2019 and 2018, respectively.

Note 6 - Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions:

	June 30, 2019			
	Beginning Balance 7/1/18	Contributions	Released from Restrictions	Ending Balance 6/30/19
Program restricted:				
Servicing needs of poor families	$145,789	$250,000	($203,891)	$191,898
Judges & Lawyers for Cancer	46,899	200,000	(162,993)	83,906
Breast cancer	36,083	35,000	(52,727)	18,356
Adler Stein Play Therapy Program	0	15,000	(4,431)	10,569
Parent Child Interaction Therapy	0	75,000	(23,781)	51,219
Leadership Development and Staff Supervision Initiative	0	25,000	(14,607)	10,393
Total	$228,771	$600,000	($462,430)	$366,341

	June 30, 2018			
	Beginning Balance 7/1/17	Contributions	Released from Restrictions	Ending Balance 6/30/18
Program restricted:				
Servicing needs of poor families	$176,576	$215,000	($245,787)	$145,789
Judges & Lawyers for Cancer	0	200,000	(153,101)	46,899
Breast cancer	26,086	50,000	(40,003)	36,083
Continued care project	22,306	0	(22,306)	0
HIV treatment adherence support	14,426	0	(14,426)	0
Economic justice project	10,000	0	(10,000)	0
Total	$249,394	$465,000	($485,623)	$228,771

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 $20,000 in 2019 and 2018.

The following vesting schedule applies to contributions to each employee's plan:

Employee's Service	Vested Percentage
1 year	0%
2 years	40%
3 years	60%
4 years	80%
5 years	100%

Note 8 - Significant Concentrations

The Center derives its income primarily from reimbursements from government funding sources and from donations and grants. The three largest government funding sources provided approximately 51% and 46% of the Center's total revenue and support during the years ended June 30, 2019 and 2018, respectively.

Note 9 - Special Events

Special events proceeds are summarized as follows:

	6/30/19	6/30/18
Gross revenue	$213,886	$164,535
Less: expenses with a direct benefit to donor	(73,230)	(44,030)
	140,656	120,505
Less: other event expenses	(58,673)	(40,122)
Total	$81,983	$80,383

Note 10 - Availability and Liquidity

Financial assets available within one year of the date of the statement of financial position for general expenditure are as follows:

Cash and cash equivalents	$1,174,931	
Government grants receivable	1,220,506	
Contributions receivables	147,500	
Total financial assets		$2,542,937
Less amounts not available for general expenditures:		
Net assets with donor restrictions		(366,341)
Financial assets available to meet cash needs for general expenditures within one year		$2,176,596

As part of its liquidity management plan, the Center operates its programs within a balanced budget and relies on government grants and contributions to fund its operations and program activities. The Center is partially supported by restricted contributions. Since a donor's restriction requires resources to be used in a particular manner or in a future period, the Center must maintain sufficient resources to meet those responsibilities of its donors, therefore, financial assets may not be available for general expenditure within one year.