Family and Children's Association, Inc. and Affiliate

Consolidated Financial Statements

December 31, 2019 and 2018

Independent Auditors' Report

To the Board of Trustees of
Family and Children's Association, Inc.

We have audited the accompanying consolidated financial statements of Family and Children's Association, Inc. and Affiliate (the Organization) which comprise the statement of financial position as of December 31, 2019, the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and change in net assets, statements of functional expenses and the consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements (the consolidated financial statements).

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Family and Children's Association, Inc. as of December 31, 2019, the consolidated financial position of Family and Children's Association, Inc. and Affiliate as of December 31, 2018, and the change in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, as of September 30, 2019, the Organization discontinued affiliation with Long Island Council on Alcoholism and Drug Dependence, Inc. Our opinion is not modified with respect to this matter.

Baker Tilly Virchow Krause, LLP

Melville, New York
June 3, 2020

Family and Children's Association, Inc. and Affiliate

Statement of Financial Position as of December 31, 2019 and
Consolidated Statement of Financial Position as of December 31, 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	$ 900,109	$ 776,566
Investments	2,577,179	2,238,962
Accounts receivable, net of allowance of approximately $208,100 and $89,300, respectively	4,569,287	4,684,554
Prepaid expenses and other current assets	95,899	153,805
Assets, discontinued operations (Note 18)	-	1,345,633
Total current assets	8,142,474	9,199,520
Investments, Perpetual Endowments	182,333	182,333
Property, Plant and Equipment, Net	7,433,419	3,578,512
Other Assets	156,723	156,206
Assets, Discontinued Operations (Note 18)	-	435,115
Total assets	$ 15,914,949	$ 13,551,686
Liabilities and Net Assets		
Current Liabilities		
Notes payable to bank	$ 1,755,000	$ 630,000
Accounts payable and accrued expenses	2,228,598	1,949,809
Advances	198,461	516,857
Current portion of long-term debt	67,723	61,236
Liabilities, discontinued operations (Notes 17 and 18)	1,031,120	1,410,027
Total current liabilities	5,280,902	4,567,929
Long-Term Debt	511,407	576,776
Other Long-Term Liabilities	12,750	14,136
Total liabilities	5,805,059	5,158,841
Net Assets		
Net assets without donor restrictions	9,712,058	6,513,677
Net assets without donor restrictions, discontinued operations (Note 18)	-	594,096
Total net assets without donor restrictions	9,712,058	7,107,773
Net assets with donor restrictions	397,832	225,986
Net assets with donor restrictions, discontinued operations (Note 18)	-	1,059,086
Total net assets with donor restrictions	397,832	1,285,072
Total net assets	10,109,890	8,392,845
Total liabilities and net assets	$ 15,914,949	$ 13,551,686

See notes to consolidated financial statements

Family and Children's Association, Inc. and Affiliate

Consolidated Statements of Activities and Change in Net Assets
Years Ended December 31, 2019 and 2018

	2019	2018
Change in Net Assets Without Donor Restrictions From Operations		
Support and revenue:		
Contracts and fees from government agencies	$ 16,027,316	$ 14,463,214
Revenue from services to other agencies	1,034,576	1,107,428
Other program fees	259,435	246,828
Contributions and grants	674,612	807,497
Contributions, donated building	3,320,000	-
Special events revenue	535,659	844,464
Special event costs of direct benefits to donors	(117,429)	(121,381)
Loss from rental operations	(235,669)	(162,575)
Other income	135,894	296,380
Net assets released from restrictions	38,107	48,023
Total support and revenue	21,672,501	17,529,878
Expenses		
Program services:		
Mental health services	4,616,708	4,717,561
Runaway and homeless youth services	1,835,049	2,490,607
Family services	1,711,587	1,283,527
Services to the aged	2,342,433	2,115,916
Drug and alcohol services	3,440,360	2,572,251
Independent living services	566,422	603,105
Adult and children and general counseling services	199,824	194,146
Scholarship programs	104,435	127,524
Total program services	14,816,818	14,104,637
Supporting services:		
Management and general	2,575,467	2,175,492
Fundraising	491,721	452,582
Total supporting services	3,067,188	2,628,074
Services to other agencies	942,185	1,009,812
Total expenses	18,826,191	17,742,523
Change in net assets without donor restrictions before nonoperating activities	2,846,310	(212,645)

See notes to consolidated financial statements

	2019	2018
Change in Net Assets Without Donor Restrictions From Nonoperating Activities Before Discontinued Operations		
Interest and dividend income, net of fees of $16,006 and $26,148, respectively	$ 46,321	$ 40,492
Net realized gain on sale of investments	36,656	131,698
Unrealized appreciation (depreciation) in fair value of investments	255,404	(226,814)
Change in net assets without donor restrictions from nonoperating activities before discontinued operations	338,381	(54,624)
Discontinued Operations		
(Loss) gain from discontinued operations	(13,690)	44,608
Loss from discontinuing affiliation	(566,716)	-
Change in net assets without donor restrictions	2,604,285	(222,661)
Change in Net Assets With Donor Restrictions		
Contributions	209,953	43,653
Net assets released from restrictions	(38,107)	(48,023)
Change in net assets with donor restrictions before discontinued operations	171,846	(4,370)
Discontinued Operations		
Gain from discontinued operations	-	177,972
Loss from discontinuing affiliation	(1,059,086)	-
Change in net assets with donor restrictions	(887,240)	173,602
Change in net assets	1,717,045	(49,059)
Net Assets, Beginning	8,392,845	8,441,904
Net Assets, Ending	$ 10,109,890	$ 8,392,845

See notes to consolidated financial statements

Family and Children's Association, Inc. and Affiliate

Statement of Functional Expenses
Year Ended December 31, 2019 (With Comparative Totals for 2018)

	Mental Health Services	Runaway and Homeless Youth Services	Family Services	Services to the Aged	Drug and Alcohol Services	Independent Living Services	Adult and Children and General Counseling Services	Scholarship Programs	Total Program Services	Management and General*	Public Relations	Total Management and General	Fundraising	Services to Other Agencies	2019 Total Expenses	2018 Total Expenses
Salaries	$ 3,019,154	$ 1,142,989	$ 943,198	$ 1,578,064	$ 2,000,341	$ 347,001	$ 103,650	$ 8,358	$ 9,142,755	$ 1,235,707	$ 68,531	$ 1,304,238	$ 312,927	$ 614,812	$ 11,374,732	$ 10,817,922
Payroll taxes and employee benefits	734,916	280,316	219,900	436,218	464,258	84,574	18,060	1,791	2,240,033	351,618	17,057	368,675	77,954	203,101	2,889,763	3,106,762
	3,754,070	1,423,305	1,163,098	2,014,282	2,464,599	431,575	121,710	10,149	11,382,788	1,587,325	85,588	1,672,913	390,881	817,913	14,264,495	13,924,684
Occupancy costs, insurance and utilities	171,031	50,916	43,407	53,008	365,826	65,293	8,795	529	758,805	258,494	-	258,494	16,570	64,800	1,098,669	991,138
Client activity	32,257	18,042	26,765	76,698	26,083	3,446	37,224	-	220,515	-	-	-	-	2,240	222,755	211,505
Contracted services	307,163	81,527	325,976	105,928	225,956	26,278	7,971	1,727	1,082,526	296,534	65,132	361,666	41,165	5,194	1,490,551	1,073,167
House supplies and equipment	15,116	19,563	972	1,075	6,169	7	238	-	43,140	761	-	761	238	2,191	46,330	46,269
Food and clothing	39,836	53,235	12,511	3,566	15,045	7,832	854	-	132,879	7,545	553	8,098	220	25,491	166,688	143,559
Repairs and maintenance	56,007	17,011	12,405	7,829	19,964	5,059	1,768	-	120,043	13,966	-	13,966	4,308	400	138,717	121,527
Travel	65,245	12,819	14,873	20,282	10,040	2,914	1,146	3	127,322	9,541	376	9,917	81	4,321	141,641	151,303
Telecommunications	31,279	17,512	35,950	17,067	49,938	12,862	6,708	-	171,316	31,066	-	31,066	553	2,776	205,711	225,330
Office supplies	14,272	8,998	14,754	11,240	32,656	1,508	3,451	51	86,930	9,769	274	10,043	6,192	10,544	113,709	131,313
Dues, licenses and permits	6,044	2,358	3,664	861	3,512	2,405	4	1	18,849	30,224	3,067	33,291	54	-	52,194	41,939
Conference and workshops	34,713	1,405	-	2,112	1,128	-	26	-	39,384	5,759	-	5,759	45	-	45,188	38,134
Staff development	13,170	9,184	7,140	8,130	12,079	648	871	-	51,222	8,276	-	8,276	297	6,191	65,986	65,862
Scholarship	-	-	-	-	-	-	-	84,120	84,120	-	-	-	-	-	84,120	103,305
Interest and bank charges	2,901	-	1,143	50	1,941	-	-	-	6,035	50,913	25	50,938	9,119	-	66,092	75,210
Miscellaneous event expenses	1,093	2,528	4,619	3,625	9,402	334	1,124	7,731	30,456	252	5,905	6,157	17,633	90	54,336	45,458
Bad debt and other	19,828	65,458	490	91	91,274	255	147	124	177,667	5,134	307	5,441	643	34	183,785	12,574
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,652
Depreciation and amortization	52,683	51,188	43,820	16,589	104,748	6,006	7,787	-	282,821	98,681	-	98,681	3,722	-	385,224	332,594
	$ 4,616,708	$ 1,835,049	$ 1,711,587	$ 2,342,433	$ 3,440,360	$ 566,422	$ 199,824	$ 104,435	$ 14,816,818	$ 2,414,240	$ 161,227	$ 2,575,467	$ 491,721	$ 942,185	$ 18,826,191	$ 17,742,523

* Included in management and general is approximately $166,000 of costs associated with the donated building. See Note 6.

Family and Children's Association, Inc. and Affiliate

Statement of Functional Expenses

Year Ended December 31, 2018

	Mental Health Services	Runaway and Homeless Youth Services	Family Services	Services to the Aged	Drug and Alcohol Services	Independent Living Services	Adult and Children and General Counseling Services	Scholarship Programs	Total Program Services	Management and General	Public Relations	Total Management and General	Fundraising	Services to Other Agencies	2018 Total Expenses
Salaries	$ 3,009,506	$ 1,599,158	$ 769,409	$ 1,404,042	$ 1,395,016	$ 356,594	$ 99,664	$ 9,943	$ 8,643,332	$ 1,167,579	$ 70,968	$ 1,238,547	$ 279,991	$ 656,052	$ 10,817,922
Payroll taxes and employee benefits	783,784	411,044	200,223	389,382	487,528	93,424	15,522	1,564	2,382,471	359,384	19,110	378,494	113,034	232,763	3,106,762
	3,793,290	2,010,202	969,632	1,793,424	1,882,544	450,018	115,186	11,507	11,025,803	1,526,963	90,078	1,617,041	393,025	888,815	13,924,684
Occupancy costs, insurance and utilities	310,174	63,659	42,976	68,636	299,654	75,798	11,529	416	872,842	43,105	120	43,225	9,561	65,510	991,138
Client activity	22,378	21,482	31,343	66,744	15,574	8,540	37,866	1,770	205,697	-	-	-	-	5,808	211,505
Contracted services	275,643	147,075	118,676	87,388	141,434	28,899	7,171	996	807,282	159,629	93,913	253,542	6,637	5,706	1,073,167
House supplies and equipment	8,704	28,907	1,216	1,636	4,166	72	351	-	45,052	484	-	484	8	725	46,269
Food and clothing	32,666	51,525	10,450	5,713	13,476	3,951	1,940	20	119,741	3,355	714	4,069	252	19,497	143,559
Repairs and maintenance	33,260	31,589	6,383	6,340	13,871	5,905	2,369	12	99,729	14,516	-	14,516	1,042	6,240	121,527
Travel	71,228	12,488	23,393	19,577	6,500	2,115	1,397	77	136,775	8,765	66	8,831	222	5,475	151,303
Telecommunications	43,841	26,475	28,915	17,909	41,567	14,043	5,007	-	177,757	37,737	-	37,737	6,337	3,499	225,330
Office supplies	14,302	13,773	5,146	19,131	40,001	1,517	674	66	94,610	20,107	1,740	21,847	7,674	7,182	131,313
Dues, licenses and permits	6,888	3,105	2,271	637	3,963	663	214	-	17,741	21,750	1,962	23,712	191	295	41,939
Conference and workshops	20,885	2,180	-	4,005	2,749	-	115	-	29,934	7,220	-	7,220	980	-	38,134
Staff development	10,525	9,285	3,394	7,768	15,326	886	885	-	48,069	14,413	30	14,443	2,773	577	65,862
Scholarship	-	-	-	-	-	-	-	103,305	103,305	-	-	-	-	-	103,305
Interest and bank charges	5,201	-	47	-	1,417	-	-	-	6,665	59,015	-	59,015	9,530	-	75,210
Miscellaneous event expenses	341	333	1,813	2,115	8,577	50	442	9,355	23,026	5,101	9,220	14,321	8,111	-	45,458
Bad debt and other	7,869	1,911	574	494	478	392	155	-	11,873	-	696	696	5	-	12,574
Miscellaneous	192	-	-	-	969	-	-	-	1,161	3,936	25	3,961	2,530	-	7,652
Depreciation and amortization	60,174	66,618	37,298	14,399	79,985	10,256	8,845	-	277,575	50,832	-	50,832	3,704	483	332,594
	$ 4,717,561	$ 2,490,607	$ 1,283,527	$ 2,115,916	$ 2,572,251	$ 603,105	$ 194,146	$ 127,524	$ 14,104,637	$ 1,976,928	$ 198,564	$ 2,175,492	$ 452,582	$ 1,009,812	$ 17,742,523

See notes to consolidated financial statements

Family and Children's Association, Inc. and Affiliate

Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
Change in net assets	$ 1,717,045	$ (49,059)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	398,755	359,436
Interest expense, debt issuance costs	1,929	-
Donated building	(3,320,000)	-
Discontinued operations	1,639,492	-
Earnings of affiliate	-	(222,580)
Loss on disposal of fixed assets	24,294	23,326
Increase (decrease) in allowance for doubtful accounts	113,800	(5,000)
Net realized and unrealized (gain) loss on investments	(292,060)	95,116
(Increase) decrease in operating assets:		
Accounts receivable	1,467	(909,553)
Prepaid expenses and other current assets	57,906	199,409
Other assets	(517)	4,548
Assets, discontinued operations	12,041	(220,002)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	278,789	(58,499)
Advances	(318,396)	339,382
Liabilities, discontinued operations	(249,692)	(2,578)
Other long-term liabilities	(1,386)	-
Net cash flows from operating activities	63,467	(446,054)
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(958,968)	(144,824)
Proceeds from sale of fixed assets	1,012	-
Purchase of investments	(941,661)	(2,188,245)
Proceeds from the sale of investments	895,504	2,778,085
Net cash flows from investing activities	(1,004,113)	445,016
Cash Flows From Financing Activities		
Proceeds from notes payable	1,755,000	630,000
Payments of notes payable	(630,000)	-
Payments on long-term debt	(60,811)	(10,343)
Debt issuance costs	-	(28,935)
Net cash flows from financing activities	1,064,189	590,722
Net increase in cash and cash equivalents	123,543	589,684
Cash and Cash Equivalents, Beginning	776,566	186,882
Cash and Cash Equivalents, Ending	$ 900,109	$ 776,566
Supplemental Information		
Interest paid	$ 63,738	$ 55,982

See notes to consolidated financial statements

1. Description of Organization and Summary of Significant Accounting Policies

Nature of Operations

Family and Children's Association, Inc. and Affiliate (FCA or the Organization) is a New York State charitable not-for-profit organization established in 1998, following the merger of Family Services Association of Nassau County, Inc. with Children's House.

FCA provides a broad range of programs and services, which are designed to support families who are experiencing difficulties. Assistance is provided through professional counseling and through participation in community activities directed toward family well-being. The Organization works with other service providers and organizations to improve the well-being of its target population and to enhance the delivery and accessibility of programs through the greater Long Island region. Such programs include Mental Health Counseling, Family Support, Drug and Alcohol, Runaway and Homeless Youth Services, Crisis Intervention and Advocacy, Services to the Aged and Independent Living Services and Group Homes.

Discontinued Operations

Long Island Council on Alcoholism and Drug Dependence, Inc. (LICADD) is a not-for-profit organization dedicated to the prevention of drug and alcohol abuse and the promotion of recovery from addiction. On July 31, 2015, FCA entered into a Member Substitution agreement, without consideration, with LICADD through which FCA obtained control as the sole member of LICADD in order to achieve programmatic and administrative synergies. In September 2019, the Board of Trustees approved a resolution to discontinue its affiliation with LICADD. As of September 30, 2019, the affiliation was terminated. Current and prior year operations related to LICADD are reflected as discontinued operations in the consolidated financial statements. A loss of $1,639,492 relating to the discontinuance was recognized in 2019, with $13,960 of this representing LICADD's operating loss, and the remainder the loss on discontinuing the affiliation.

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America (U.S. GAAP). All intercompany activities were eliminated.

Revenue From Contracts With Customers

Revenue from contracts with customers includes fees for services revenues, comprised mostly of self-pay and third-party reimbursements, including Medicaid. Such revenues are recognized at the point in time services are rendered at amounts estimated to be collectible.

Revenue from contracts with customers also includes rental fees under leases with tenants. Rental income is recorded in the month space is provided at amounts estimated to be collectible under the leases.

A portion of special events revenue represents a reciprocal transaction equal to the cost of direct benefits to donors with the remainder representing contributions. As of December 31, 2019 and 2018, direct benefits to donors were $117,429 and $121,381, respectively.

Contribution Income

Government Support

Revenues from government grants are recognized when earned, generally by incurring qualifying expenses. Expense-based grants are recognized as allowable expenses are incurred. Performance-based grants are recognized as performance obligations are met.

Contributions and Grants

The Organization reports gifts of cash or other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 and reported in the consolidated statements of activities and change in net assets as net assets released from restrictions. Net assets with donor restrictions that originate in a given year and are released from restriction in the same year by meeting the donors' restricted purposes are reflected in net assets without donor restrictions.

The Organization reports gifts of property, plant and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

As of December 31, 2019, the Organization has been awarded cost reimbursements and other conditional grants that have not been recognized as income in the amount of approximately $8,481,000.

Net Assets

The net assets of the Organization are reported as follows:

Net Assets Without Donor Restrictions - Net assets which are not donor restricted and are available for general operations. Net assets without donor restrictions also includes board designated amounts which have been designated by the Organization's board of trustees for scholarships.

Net Assets With Donor Restrictions - Net assets which are limited by donor restrictions that either expire with the passage of time or can be fulfilled and removed by actions of the Organization and net assets subject to donor-imposed restrictions that stipulate resources be maintained in perpetuity, but generally permit the Organization to utilize earnings for operational purposes, upon appropriation.

Donated Services

In excess of 250 volunteers have donated significant amounts of their time in the Organization's program services and fundraising campaigns. The value of this contributed time is not reflected in the accompanying consolidated financial statements for the years ended December 31, 2019 and 2018, as it does not meet the criteria for recognition under U.S. GAAP.

Investments

Investments consist primarily of cash and cash equivalents, and corporate stocks and bonds which are carried at fair value. The change in unrealized appreciation (depreciation) in the fair value of investments is reflected in the accompanying consolidated statements of activities and change in net assets.

Fair Value

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, the Organization must determine whether its assets and liabilities recorded at fair value are valued based on Level 1 (valued based on quoted prices in an active market for identical assets), Level 2 (valued based on significant other observable inputs) or Level 3 (valued based on significant unobservable inputs) measurements.

Property, Plant and Equipment, Depreciation and Amortization

Property, plant and equipment are stated at cost except for donated assets, which are recorded at fair value at the time of donation. The Organization capitalizes property and equipment with a cost of $1,000 or higher, and a useful life of at least two years. Depreciation is provided using the straight-line method calculated over the estimated lives of the related assets, which range from 2 to 40 years. Amortization of leasehold improvements is provided over the shorter of their useful lives or the terms of the lease period using the straight-line method.

Allocation of Expenses on a Functional Basis

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Some of the expenses are directly identified to their related programs or supporting functions and are recorded accordingly. Most expenses are directly charged to the applicable functional category based on actual costs. Certain salaries, payroll taxes and fringe benefits have been allocated based on estimates of time and effort. Occupancy, certain of the repairs and maintenance, and depreciation and amortization are allocated based on square footage.

Tax Status

The Organization's income is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of the New York State income tax laws, except for income not related to its tax-exempt purpose (revenue from certain rental income). No income taxes were incurred for the years ended December 31, 2019 and 2018.

Uncertain Tax Positions

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax provisions that require adjustment to the consolidated financial statements to comply with the provisions of FASB ASC No. 740.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less on the date of purchase to be cash equivalents, except for amounts held by investment managers, which are included in investments.

Allowance for Doubtful Accounts

Management must make estimates of uncollectability of accounts receivable. Management specifically analyzes accounts receivable, historical bad debts, current funding trends and changes in payment trends and rates when evaluating the adequacy of the allowance for doubtful accounts.

Evaluation of Subsequent Events

Management has evaluated subsequent events through June 3, 2020, the date the consolidated financial statements are available for issuance, for inclusion or disclosure in the consolidated financial statements.

In the first quarter of 2020, the outbreak of the coronavirus (COVID-19) pandemic began in the United States. In March 2020, the New York State Governor issued Executive Orders which (1) declared a state disaster emergency for the entire State of New York; and (2) declared a temporary suspension of operations of all nonessential businesses. FCA continues to provide services, including case management and counseling, many of which are being conducted remotely. FCA also obtained a loan under the Paycheck Protection Program in the amount of approximately $3,023,000. As of June 3, 2020, the extent to which COVID-19 may impact FCA's financial condition or results of operations is uncertain.

Recent Accounting Pronouncements

In 2019, the Organization adopted Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts With Customers (Topic 606)* using a modified retrospective method of adoption to all contracts with customers as of January 1, 2019. The core principle of ASU 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. The adoption of ASU 2014-09 resulted in an additional disclosure to the notes to the consolidated financial statements, but did not impact the Organization's revenue recognition methodology.

In 2019, the Organization adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The adoption of ASU 2018-08 did not impact the Organization's revenue recognition methodology.

In 2019, the Organization adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the consolidated statements of cash flows. The adoption of ASU 2016-18 did not impact the Organization's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and lease liabilities on the consolidated statements of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for the Organization for fiscal years beginning after December 15, 2020, with early adoption permitted. Management is currently evaluating the impact of ASU 2016-02 on the Organization's consolidated financial statements.

Reclassifications

Certain 2018 amounts have been reclassified to conform with the 2019 presentation.

2. Revenue From Contracts With Customers

The Organization disaggregates revenue from contracts with customers by types of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Performance obligations are satisfied as services are rendered. Payments are due upon receipt of related billing. The following table represents amounts included in contracts and fees from government agencies, revenue from services to other agencies, and other program fees on the consolidated statement of activities and change in net assets for the year ended December 31, 2019:

	Mental Health	Family Services	Services to the Aged	Drug and Alcohol	Other	Total
Revenue from contracts with customers:						
Medicaid	$ 2,462,739	$ -	$ -	$ 98,469	$ -	$ 2,561,208
Health Homes	1,312,445	-	-	-	-	1,312,445
Medicaid Managed Care	185,299	-	-	642,987	-	828,286
Client fees	-	35,996	25,983	197,456	-	259,435
Rental income	-	-	-	22,200	96,332	118,532
Medicare	-	-	-	11,453	-	11,453
Other	-	-	-	-	47,236	47,236
Total revenue from contracts with customers	$ 3,960,483	$ 35,996	$ 25,983	$ 972,565	$ 143,568	$ 5,138,595

Accounts receivable, net, as of December 31, 2019, included $1,248,442 related to revenue from contracts with customers.

3. Investments

Investments are valued based on Level 1 and Level 2 inputs. The Organization had no Level 3 investments as of December 31, 2019 or 2018.

The fair values and historical costs of the Organization's financial instruments by major categories of investments are as follows:

	December 31, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Fair Value	Cost
Corporate stocks	$ 1,001,633	$ -	$ 1,001,633	$ 789,429
Corporate bonds	-	1,460,415	1,460,415	1,468,578
Total	$ 1,001,633	$ 1,460,415	2,462,048	$ 2,258,007
Cash and cash equivalents			297,464	
Total investments			$ 2,759,512	

	December 31, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Fair Value	Cost
Corporate stocks	$ 873,209	$ -	$ 873,209	$ 922,740
Corporate bonds	-	1,294,426	1,294,426	1,296,258
Total	$ 873,209	$ 1,294,426	2,167,635	$ 2,218,998
Cash and cash equivalents			253,660	
Total investments			$ 2,421,295	

The following represents unrealized appreciation (depreciation) in fair value of investments for the years ended December 31:

	2019	2018
Unrealized (depreciation) appreciation, beginning of year	$ (51,363)	$ 175,451
Unrealized appreciation (depreciation) in fair value of investments	255,404	(226,814)
Unrealized appreciation (depreciation), end of year	$ 204,041	$ (51,363)

Interest and dividend income approximated $44,000 and $18,400, respectively, for 2019 and $34,400 and $32,200, respectively, for 2018.

4. Operating Measure and Transfer From Investments

The Organization uses a measure of operations that excludes investment income from operations. Annually, the board of trustees may authorize a transfer of a designated amount from investments to the Organization's operating account. This designated amount is identified in the Organization's annual budget in order to assist with operating expenses, and is at the discretion of management and the board of trustees. For the years ended December 31, 2019 and 2018, there were no transfers from investments.

5. Endowment Funds

The Organization has two endowment funds as follows: a scholarship fund, consisting of restricted cash, included in investments, and board designated funds, which together represent an endowment for scholarships.

Interpretation of Relevant Law

The spending of endowment funds by a not-for-profit corporation in the State of New York is governed by the New York Prudent Management of Institutional Funds Act (NYPMIFA). The Organization has interpreted NYPMIFA as allowing the Organization to appropriate for expenditure or accumulate earnings as the Organization determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless otherwise stated in the gift instrument, the assets in an endowment fund shall be donor restricted assets and net assets until appropriated for expenditure by the Organization.

Spending Policy

The Organization may spend earnings from the scholarship fund annually to provide scholarships.

From time to time, certain donor-restricted endowment funds may have a fair value less than the amount required to be maintained by donors or by law. Management has interpreted state law to permit prudent spending from underwater endowments.

Endowment Investment Policy

The Organization has adopted an investment policy for endowment assets that attempts to provide a predictable stream of returns while seeking to maintain the purchasing power of the endowment assets.

Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to achieve investment returns that are competitive versus pools of assets of similar nature and circumstances.

The following presents the composition of endowment net assets by type of fund as of December 31:

	2019			
		With Donor Restrictions		
	Board Designated	Original Gift	Accumulated Gains	Total
Board designated endowment funds	$ 248,893	$ -	$ -	$ 248,893
Donor-restricted endowment funds	-	182,333	-	182,333
Total	$ 248,893	$ 182,333	$ -	$ 431,226

	2018			
		With Donor Restrictions		
	Board Designated	Original Gift	Accumulated Gains	Total
Board designated endowment funds	$ 248,342	$ -	$ -	$ 248,342
Donor-restricted endowment funds	-	182,333	-	182,333
Total	$ 248,342	$ 182,333	$ -	$ 430,675

The changes in endowment net assets were as follows for the years ended December 31:

	2019	
	Board Designated	Net Assets With Donor Restrictions
Net assets, beginning of year	$ 248,342	$ 182,333
Investment income, net of appropriations	551	-
Net assets, end of year	$ 248,893	$ 182,333

	2018	
	Board Designated	Net Assets With Donor Restrictions
Net assets, beginning of year	$ 246,623	$ 182,333
Investment income, net of appropriations	1,719	-
Net assets, end of year	$ 248,342	$ 182,333

6. Property, Plant and Equipment, Net

Property, plant and equipment, net, consists of the following as of December 31:

	2019	2018
Land	$ 762,782	$ 762,782
Furniture and equipment	1,440,550	913,676
Building and improvements	10,016,155	6,752,446
Vehicles	449,568	428,610
Construction in progress	175,237	17,594
	12,844,292	8,875,108
Accumulated depreciation and amortization	5,410,873	5,296,596
Total	$ 7,433,419	$ 3,578,512

Total depreciation and amortization expense for the years ended December 31, 2019 and 2018 approximated $400,000 and $360,000, respectively, including approximately $13,000 and $27,000 of depreciation expense that has been offset against income from rental operations in the years ended December 31, 2019 and 2018, respectively.

Included in buildings and improvements as of December 31, 2019 is a donated building in the amount of $3,320,000, contributed for the purpose of providing new office space to FCA for its administrative and certain program functions.

7. Notes Payable to Bank

In January 2018, the Organization obtained a line of credit, secured by all of the Organization's assets, as such item is defined in the Uniform Commercial Code of New York, with a financial institution for $2,500,000. The line of credit expired on November 30, 2019 and was extended through November 30, 2020. Interest is payable at the 30 day LIBOR rate (1.82 and 2.46 percent as of December 31, 2019 and 2018, respectively), plus 2.75 percent, with a floor rate of 3.0 percent. The line of credit agreement requires FCA to maintain a minimum of $5,000,000 of net assets without donor restrictions at all times. As of December 31, 2019 and 2018, $1,755,000 and $630,000 was outstanding on the line, respectively.

Interest expense on the line for the years ended December 31, 2019 and 2018 approximated $30,000.

8. Long-Term Debt

Long-term debt consists of the following as of December 31:

	2019	2018
Mortgage note, Signature Bank (a)	$ 570,795	$ 597,779
New York State Medical Care Facilities Finance Agency Mortgage Payable (b)	35,341	69,168
	606,136	666,947
Less debt issuance costs	27,006	28,935
	579,130	638,012
Less current portion of debt	67,723	61,236
Long-term portion of debt	$ 511,407	$ 576,776

a) On November 1, 2018, the Organization obtained a 15-year mortgage at a rate of 5.125 percent in the principal amount of $600,000. The mortgage note requires monthly payments of $4,784 and matures on November 1, 2033 and is secured by the Organization's administrative offices located in Mineola, New York. Debt financing costs of $28,935 were incurred and deferred in conjunction with this mortgage.

b) The mortgage acquired through merger with West Nassau Counseling Center from New York State Medical Care Facilities Finance Agency bears interest at the rate of 5.58 percent per annum. Principal and interest of $18,609 are payable semi-annually until December 1, 2020, when the entire unpaid balance of principal and interest shall become due and payable. The Organization receives annual funding from the Department of Mental Health for payment of principal and interest.

Future principal payments on the above listed debt are approximately as follows:

Years ending December 31:	
2020	$ 68,000
2021	30,000
2022	32,000
2023	34,000
2024	35,000
Thereafter	407,000
Total	$ 606,000

Interest expense for the years ended December 31, 2019 and 2018 approximated $34,000 and $26,000, respectively, of which, $30,000 and $20,000 has been offset against income from rental operations in 2019 and 2018, respectively.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following as of December 31:

	2019	2018
Nursery Coop, time and purpose restricted	$ 209,953	$ -
Friendly visitors, purpose restricted	-	26,464
Senior finances, purpose restricted	-	11,643
Family ties, purpose restricted	2,431	2,431
Adopt-a-family, walkabout, purpose restricted	1,560	1,560
Project THRIVE sound system, purpose restricted	1,087	1,087
Lakeview Prom, purpose restricted	468	468
Total subject to expenditure for specified purposes	215,499	43,653
FCA perpetual endowment fund	182,333	182,333
Total	$ 397,832	$ 225,986

Net assets were released from restrictions through appropriation, expiration of time restrictions and/or by incurring expenses to satisfy the restricted purpose specified by the donor as follows during the years ended December 31:

	2019	2018
Scholarships	$ -	$ 27,913
Project THRIVE sound system	-	20,110
Friendly visitors	26,464	-
Senior finances	11,643	-
Total	$ 38,107	$ 48,023

10. Special Events Revenue

The Organization generated revenue from the following special events during the years ended December 31:

	2019		
	Gross Revenue	Costs of Direct Benefits to Donors	Net Revenue
Holiday Ball	$ 265,872	$ 47,131	$ 218,741
Golf outings	146,295	62,467	83,828
Scholarship event	103,086	7,731	95,355
Other	20,406	100	20,306
Total	$ 535,659	$ 117,429	$ 418,230

	2018		
	Gross Revenue	Costs of Direct Benefits to Donors	Net Revenue
Holiday Ball	$ 500,660	$ 35,153	$ 465,507
Golf outings	166,785	74,798	91,987
Scholarship event	118,649	9,375	109,274
Other	58,370	2,055	56,315
Total	$ 844,464	$ 121,381	$ 723,083

11. Services to Other Agencies

The Organization has entered into agreements with independent agencies, under which such agencies carry out the daily activities of groups of programs that are principally financed by grants from governmental agencies. The Organization maintains the financial records and incurs various expenses relating to these programs, which consist primarily of payroll and related expenses. The Organization does not direct the daily activities of such programs.

12. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the statements of financial position date for general expenditures such as operating expenses, debt service, and fixed asset purchases not financed with debt financing are as follows:

	2019	2018
Cash and cash equivalents	$ 900,109	$ 776,566
Investments	2,759,512	2,421,295
Accounts receivable	4,569,287	4,684,554
Total financial assets	8,228,908	7,882,415
Less amounts unavailable for general expenditures within one year, due to:		
Time and purpose restricted	215,499	43,653
Perpetual endowment funds	182,333	182,333
Board designated, scholarship fund	248,893	248,342
Total financial assets available	$ 7,582,183	$ 7,408,087

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization's main source of liquidity is contracts and fees from government agencies. The Organization also has a line of credit available for short-term cash needs. Although a portion of investments are available for expenditure, it is not the Organization's intention to use investments for operating purposes.

During February 2019, the Organization was awarded up to $2,663,000 from New York State Department of Health (NYSDOH), a portion of which will be used to pay off allowable debt related to the 1199 pension liability in the amount of $928,000, the mortgage note in the amount of $588,000, and the DASNY bond in the amount of $57,000. The confirmation of the debt and contract are in progress between the Organization and NYS DOH. It is anticipated that this debt will be eliminated by December 31, 2020.

13. Defined Contribution Pension Plans

FCA 403(b) Plan

FCA maintains a Tax-Deferred Annuity Plan as defined under Section 403(b) of the Internal Revenue Code. This Plan provided for employee deferrals only until August 1, 2017, when it was amended to permit employer contributions based on a percentage of each eligible employee's compensation as determined by the FCA Board of Trustees.

FCA 401(a) Plan

FCA sponsored a defined contribution pension plan for employees who were eligible after one year of service. Annual contributions to the Plan were based on a percentage of each eligible employee's compensation, as determined by the Organization's Board of Trustees (5 percent for 2019 and 2018). FCA's Board of Trustees approved the termination of this plan during 2017, with an effective date of March 8, 2018. Eligible participants were permitted to roll balances into the FCA 403(b) plan or opt for other forms of distribution.

Pension expense for the FCA 403(b) and FCA 401(a) for the years ended December 31, 2019 and 2018 was approximately $396,000 and $384,000, respectively.

14. Commitments and Contingencies

Leases

The Organization is obligated under various noncancellable operating leases for certain of its facilities, expiring through fiscal 2021. Future minimum lease payments under these operating leases as of December 31, 2019 are approximately as follows:

Years ending December 31:	
2020	$ 391,000
2021	233,000
2022	117,000
2023	120,000
2024	123,000
Total	$ 984,000

Rent expense for the years ended December 31, 2019 and 2018 approximated $462,000 and $593,000, respectively.

Litigation

The Organization is subject to lawsuits and claims with respect to matters arising in the normal course of business. The Organization defends its position on all actions. In the opinion of management, the ultimate liabilities, if any, from these lawsuits or claims will not materially affect the financial position of the Organization. Nevertheless, due to the uncertainty of the settlement process, management's view of the outcome may be modified in the future.

15. Government Funding and Rate Adjustments

Substantial funding of programs is provided to the Organization by federal, state and local government agencies. Continuation of such funding is dependent on budgetary allocations from such agencies. In addition, reimbursements under contracts are subject to audit by various agencies on a regular basis. Additional liabilities resulting from future audits are not presently determinable. Changes in contract amounts due or payable resulting from audit adjustments or rate appeals are reflected in the operations of the Organization when such adjustments are determined or can be reasonably estimated.

16. Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments, accounts receivable from government agencies and client fees. The Organization places its temporary cash investments with various financial institutions. Accounts receivable are predominately from federal, state and local government agencies, including Medicaid, Medicare, and other third-party and private payors. From time to time, the cash balances exceed the federal depository insurance coverage limit.

17. Discontinued Mental Health Clinic Operations

On December 16, 2011, the Organization's board approved a resolution to discontinue the operations of its Article 31 mental health clinics in West Hempstead and Roosevelt (the Clinics). As of March 31, 2012, the Clinics ceased operations. Liabilities in the amounts of $1,031,120 and $1,300,517 as of December 31, 2019 and 2018, respectively, are segregated on the consolidated statements of financial position related to the discontinued mental health clinic operations.

18. Discontinued LICADD Operations

In September 2019, the Organization's board approved a resolution to discontinue its affiliation with LICADD. As of September 30, 2019, the affiliation ceased and a loss of $1,639,492 was recorded related to the discontinued operation. The operating activities of LICADD for the year December 31, 2018 was reclassified as discontinued operations, and assets and liabilities specific to LICADD were segregated on the consolidated statement of financial position.

Assets and liabilities of discontinued operations were as follows:

	December 31, 2018
Assets:	
Cash and cash equivalents	$ 373,381
Investments	742,488
Accounts receivable, net	215,492
Prepaid expenses	14,272
Investments, perpetual endowments	400,000
Property and equipment, net	21,554
Other assets	13,561
Total assets, discontinued operations	$ 1,780,748
Liabilities:	
Accounts payable and accrued expenses	$ 53,568
Deferred revenue	55,942
Total liabilities, discontinued operations	$ 109,510

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Family and Children's Association, Inc. and Affiliate

Communication to Those Charged
With Governance and Management

December 31, 2019

Required Communication by the Auditor to Those Charged With Governance

To The Board of Trustees of
Family and Children's Association, Inc.

Thank you for using Baker Tilly Virchow Krause, LLP (Baker Tilly) as your auditor.

We have completed our audit of the consolidated financial statements of Family and Children's Association, Inc. and Affiliate (the Organization) for the year ended December 31, 2019, and have issued our reports thereon dated June 3, 2020. This letter presents communications required by our professional standards.

Our Responsibilities Under Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards, and the Uniform Guidance

The objective of a financial statement audit is the expression of an opinion on the consolidated financial statements. We conducted the audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements prepared by management with your oversight are free from material misstatement, whether caused by error or fraud. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management or board of trustees of their responsibilities.

We considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the Organization's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget* (OMB) *Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the Organization's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Organization's compliance with those requirements.

We have issued a separate document, which contains the results of our audit procedures to comply with the Uniform Guidance. This report is dated July 6, 2020.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting on March 19, 2020.

Significant Audit Issues

Qualitative Aspect of Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in Note 1 to the consolidated financial statements. As described in Note 1, the Organization adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, ASU 2014-09, *Revenue Contracts With Customers (Topic 606)*, and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Made*. There were no other accounting policies adopted and the application of existing policies was not changed during 2019.

We noted no transactions entered into by the Organization during the year, other than the discontinued operations of LICADD, that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the consolidated financial statements were the allowance for doubtful accounts and reserves, useful lives of fixed assets, and the allocation of expenses on a functional basis.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the consolidated financial statements taken as a whole.

The disclosures in the consolidated financial statements are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The adjustments recorded as a result of the audit included the following: to reverse depreciation expense in the amount of $41,684 and to amortize deferred financing costs in the amount of $1,929.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the consolidated financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. If a consultation involves application of an accounting principle to the Organization's consolidated financial statements, or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Management Representations

We have requested certain representations from management that are included in the management representation letter. Management has indicated that they have forwarded these representations to our primary contact within the governance structure.

Independence

We are not aware of any relationships between Baker Tilly and the Organization that, in our professional judgment, may reasonably be thought to bear on our independence.

Relating to our audit of the consolidated financial statements of the Organization for the year ended December 31, 2019, Baker Tilly hereby confirms that we are, in our professional judgment, independent with respect to the Organization in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants. During the year ended December 31, 2019, Baker Tilly provided the following non-attest services to the Organization:

- Assembly of the Consolidated Financial Statements
- Preparation of the Tax Returns
- Preparation of the Auditee section of the Data Collection Form

Other Audit Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the information and use of the board of trustees and management of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Melville, New York
July 6, 2020

Required Communication of Internal Control Related Matters Identified in the Audit to Those Charged With Governance

To The Board of Trustees of
Family and Children's Association, Inc.

In planning and performing our audit of the consolidated financial statements of Family and Children's Association, Inc. and Affiliate (the Organization) as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the board of trustees, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Melville, New York
June 3, 2020

Communication of Other Control Deficiencies, Recommendations and Informational Points to Management That are Not Material Weaknesses or Significant Deficiencies

To The Board of Trustees of
Family and Children's Association, Inc.

In planning and performing our audit of the consolidated financial statements of Family and Children's Association, Inc. and Affiliate (the Organization) as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit, we became aware of deficiencies in internal control, other than significant deficiencies and material weaknesses, and matters that are opportunities for strengthening internal controls and operating efficiency. The attached management suggestions summarize our comments and suggestions regarding those matters. This letter does not affect our report dated June 3, 2020, on the consolidated financial statements of the Organization.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Baker Tilly Virchow Krause, LLP

Melville, New York
June 3, 2020

Information Technology Comment - Prior Year Comment Carried Forward

1. ***Passwords*** - Management should consider implementing stronger password requirements, including:

    a At least 8-10 characters

    b Expire at least every 90 days

    c Disallow the last 8-24 passwords

    d Disable an account after 3-5 invalid login attempts and require the account to be unlocked.

    Management response - Management will review the password section of the IT policy and make changes that it deems necessary and that are technically available, depending on the application. Any application which does not allow compliance with the IT policy on password parameters will be documented in the IT policy.

Family and Children's Association, Inc.
and Affiliate

Consolidated Financial Statements and
Supplementary Information
and Federal Awards

December 31, 2019 and 2018

Family and Children's Association, Inc. and Affiliate

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December 31, 2019 and 2018

Independent Auditors' Report

To the Board of Trustees of
Family and Children's Association, Inc.

We have audited the accompanying consolidated financial statements of Family and Children's Association, Inc. and Affiliate (the Organization) which comprise the statement of financial position as of December 31, 2019, the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and change in net assets and cash flows and statements of functional expenses for the years then ended, and the related notes to the consolidated financial statements (the consolidated financial statements).

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Family and Children's Association, Inc. as of December 31, 2019, the consolidated financial position of Family and Children's Association, Inc. and Affiliate as of December 31, 2018, and the change in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, as of September 30, 2019, the Organization discontinued affiliation with Long Island Council on Alcoholism and Drug Dependence, Inc. Our opinion is not modified with respect to this matter.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2020, on our consideration of Family and Children's Association, Inc.'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Family and Children's Association, Inc.'s internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Melville, New York
June 3, 2020

Family and Children's Association, Inc. and Affiliate

Statement of Financial Position as of December 31, 2019 and
Consolidated Statement of Financial Position as of December 31, 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	$ 900,109	$ 776,566
Investments	2,577,179	2,238,962
Accounts receivable, net of allowance of approximately $208,100 and $89,300, respectively	4,569,287	4,684,554
Prepaid expenses and other current assets	95,899	153,805
Assets, discontinued operations (Note 18)	-	1,345,633
Total current assets	8,142,474	9,199,520
Investments, Perpetual Endowments	182,333	182,333
Property, Plant and Equipment, Net	7,433,419	3,578,512
Other Assets	156,723	156,206
Assets, Discontinued Operations (Note 18)	-	435,115
Total assets	$ 15,914,949	$ 13,551,686
Liabilities and Net Assets		
Current Liabilities		
Notes payable to bank	$ 1,755,000	$ 630,000
Accounts payable and accrued expenses	2,228,598	1,949,809
Advances	198,461	516,857
Current portion of long-term debt	67,723	61,236
Liabilities, discontinued operations (Notes 17 and 18)	1,031,120	1,410,027
Total current liabilities	5,280,902	4,567,929
Long-Term Debt	511,407	576,776
Other Long-Term Liabilities	12,750	14,136
Total liabilities	5,805,059	5,158,841
Net Assets		
Net assets without donor restrictions	9,712,058	6,513,677
Net assets without donor restrictions, discontinued operations (Note 18)	-	594,096
Total net assets without donor restrictions	9,712,058	7,107,773
Net assets with donor restrictions	397,832	225,986
Net assets with donor restrictions, discontinued operations (Note 18)	-	1,059,086
Total net assets with donor restrictions	397,832	1,285,072
Total net assets	10,109,890	8,392,845
Total liabilities and net assets	$ 15,914,949	$ 13,551,686

See notes to consolidated financial statements

Family and Children's Association, Inc. and Affiliate

Consolidated Statements of Activities and Change in Net Assets
Years Ended December 31, 2019 and 2018

	2019	2018
Change in Net Assets Without Donor Restrictions From Operations		
Support and revenue:		
Contracts and fees from government agencies	$ 16,027,316	$ 14,463,214
Revenue from services to other agencies	1,034,576	1,107,428
Other program fees	259,435	246,828
Contributions and grants	674,612	807,497
Contributions, donated building	3,320,000	-
Special events revenue	535,659	844,464
Special event costs of direct benefits to donors	(117,429)	(121,381)
Loss from rental operations	(235,669)	(162,575)
Other income	135,894	296,380
Net assets released from restrictions	38,107	48,023
Total support and revenue	21,672,501	17,529,878
Expenses		
Program services:		
Mental health services	4,616,708	4,717,561
Runaway and homeless youth services	1,835,049	2,490,607
Family services	1,711,587	1,283,527
Services to the aged	2,342,433	2,115,916
Drug and alcohol services	3,440,360	2,572,251
Independent living services	566,422	603,105
Adult and children and general counseling services	199,824	194,146
Scholarship programs	104,435	127,524
Total program services	14,816,818	14,104,637
Supporting services:		
Management and general	2,575,467	2,175,492
Fundraising	491,721	452,582
Total supporting services	3,067,188	2,628,074
Services to other agencies	942,185	1,009,812
Total expenses	18,826,191	17,742,523
Change in net assets without donor restrictions before nonoperating activities	2,846,310	(212,645)

See notes to consolidated financial statements

	2019	2018
Change in Net Assets Without Donor Restrictions From Nonoperating Activities Before Discontinued Operations		
Interest and dividend income, net of fees of $16,006 and $26,148, respectively	$ 46,321	$ 40,492
Net realized gain on sale of investments	36,656	131,698
Unrealized appreciation (depreciation) in fair value of investments	255,404	(226,814)
Change in net assets without donor restrictions from nonoperating activities before discontinued operations	338,381	(54,624)
Discontinued Operations		
(Loss) gain from discontinued operations	(13,690)	44,608
Loss from discontinuing affiliation	(566,716)	-
Change in net assets without donor restrictions	2,604,285	(222,661)
Change in Net Assets With Donor Restrictions		
Contributions	209,953	43,653
Net assets released from restrictions	(38,107)	(48,023)
Change in net assets with donor restrictions before discontinued operations	171,846	(4,370)
Discontinued Operations		
Gain from discontinued operations	-	177,972
Loss from discontinuing affiliation	(1,059,086)	-
Change in net assets with donor restrictions	(887,240)	173,602
Change in net assets	1,717,045	(49,059)
Net Assets, Beginning	8,392,845	8,441,904
Net Assets, Ending	$ 10,109,890	$ 8,392,845

See notes to consolidated financial statements

Family and Children's Association, Inc. and Affiliate

Statement of Functional Expenses

Year Ended December 31, 2019 (With Comparative Totals for 2018)

	Mental Health Services	Runaway and Homeless Youth Services	Family Services	Services to the Aged	Drug and Alcohol Services	Independent Living Services	Adult and Children and General Counseling Services	Scholarship Programs	Total Program Services	Management and General*	Public Relations	Total Management and General	Fundraising	Services to Other Agencies	2019 Total Expenses	2018 Total Expenses
Salaries	$ 3,019,154	$ 1,142,989	$ 943,198	$ 1,578,064	$ 2,000,341	$ 347,001	$ 103,650	$ 8,358	$ 9,142,755	$ 1,235,707	$ 68,531	$ 1,304,238	$ 312,927	$ 614,812	$ 11,374,732	$ 10,817,922
Payroll taxes and employee benefits	734,916	280,316	219,900	436,218	464,258	84,574	18,060	1,791	2,240,033	351,618	17,057	368,675	77,954	203,101	2,889,763	3,106,762
	3,754,070	1,423,305	1,163,098	2,014,282	2,464,599	431,575	121,710	10,149	11,382,788	1,587,325	85,588	1,672,913	390,881	817,913	14,264,495	13,924,684
Occupancy costs, insurance and utilities	171,031	50,916	43,407	53,008	365,826	65,293	8,795	529	758,805	258,494	-	258,494	16,570	64,800	1,098,669	991,138
Client activity	32,257	18,042	26,765	76,698	26,083	3,446	37,224	-	220,515	-	-	-	-	2,240	222,755	211,505
Contracted services	307,163	81,527	325,976	105,928	225,956	26,278	7,971	1,727	1,082,526	296,534	65,132	361,666	41,165	5,194	1,490,551	1,073,167
House supplies and equipment	15,116	19,563	972	1,075	6,169	7	238	-	43,140	761	-	761	238	2,191	46,330	46,269
Food and clothing	39,836	53,235	12,511	3,566	15,045	7,832	854	-	132,879	7,545	553	8,098	220	25,491	166,688	143,559
Repairs and maintenance	56,007	17,011	12,405	7,829	19,964	5,059	1,768	-	120,043	13,966	-	13,966	4,308	400	138,717	121,527
Travel	65,245	12,819	14,873	20,282	10,040	2,914	1,146	3	127,322	9,541	376	9,917	81	4,321	141,641	151,303
Telecommunications	31,279	17,512	35,950	17,067	49,938	12,862	6,708	-	171,316	31,066	-	31,066	553	2,776	205,711	225,330
Office supplies	14,272	8,998	14,754	11,240	32,656	1,508	3,451	51	86,930	9,769	274	10,043	6,192	10,544	113,709	131,313
Dues, licenses and permits	6,044	2,358	3,664	861	3,512	2,405	4	1	18,849	30,224	3,067	33,291	54	-	52,194	41,939
Conference and workshops	34,713	1,405	-	2,112	1,128	-	26	-	39,384	5,759	-	5,759	45	-	45,188	38,134
Staff development	13,170	9,184	7,140	8,130	12,079	648	871	-	51,222	8,276	-	8,276	297	6,191	65,986	65,862
Scholarship	-	-	-	-	-	-	-	84,120	84,120	-	-	-	-	-	84,120	103,305
Interest and bank charges	2,901	-	1,143	50	1,941	-	-	-	6,035	50,913	25	50,938	9,119	-	66,092	75,210
Miscellaneous event expenses	1,093	2,528	4,619	3,625	9,402	334	1,124	7,731	30,456	252	5,905	6,157	17,633	90	54,336	45,458
Bad debt and other	19,828	65,458	490	91	91,274	255	147	124	177,667	5,134	307	5,441	643	34	183,785	12,574
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,652
Depreciation and amortization	52,683	51,188	43,820	16,589	104,748	6,006	7,787	-	282,821	98,681	-	98,681	3,722	-	385,224	332,594
	$ 4,616,708	$ 1,835,049	$ 1,711,587	$ 2,342,433	$ 3,440,360	$ 566,422	$ 199,824	$ 104,435	$ 14,816,818	$ 2,414,240	$ 161,227	$ 2,575,467	$ 491,721	$ 942,185	$ 18,826,191	$ 17,742,523

* Included in management and general is approximately $166,000 of costs associated with the donated building. See Note 6.

See notes to consolidated financial statements

Family and Children's Association, Inc. and Affiliate

Statement of Functional Expenses
Year Ended December 31, 2018

	Mental Health Services	Runaway and Homeless Youth Services	Family Services	Services to the Aged	Drug and Alcohol Services	Independent Living Services	Adult and Children and General Counseling Services	Scholarship Programs	Total Program Services	Management and General	Public Relations	Total Management and General	Fundraising	Services to Other Agencies	2018 Total Expenses
Salaries	$ 3,009,506	$ 1,599,158	$ 769,409	$ 1,404,042	$ 1,395,016	$ 356,594	$ 99,664	$ 9,943	$ 8,643,332	$ 1,167,579	$ 70,968	$ 1,238,547	$ 279,991	$ 656,052	$ 10,817,922
Payroll taxes and employee benefits	783,784	411,044	200,223	389,382	487,528	93,424	15,522	1,564	2,382,471	359,384	19,110	378,494	113,034	232,763	3,106,762
	3,793,290	2,010,202	969,632	1,793,424	1,882,544	450,018	115,186	11,507	11,025,803	1,526,963	90,078	1,617,041	393,025	888,815	13,924,684
Occupancy costs, insurance and utilities	310,174	63,659	42,976	68,636	299,654	75,798	11,529	416	872,842	43,105	120	43,225	9,561	65,510	991,138
Client activity	22,378	21,482	31,343	66,744	15,574	8,540	37,866	1,770	205,697	-	-	-	-	5,808	211,505
Contracted services	275,643	147,075	118,676	87,388	141,434	28,899	7,171	996	807,282	159,629	93,913	253,542	6,637	5,706	1,073,167
House supplies and equipment	8,704	28,907	1,216	1,636	4,166	72	351	-	45,052	484	-	484	8	725	46,269
Food and clothing	32,666	51,525	10,450	5,713	13,476	3,951	1,940	20	119,741	3,355	714	4,069	252	19,497	143,559
Repairs and maintenance	33,260	31,589	6,383	6,340	13,871	5,905	2,369	12	99,729	14,516	-	14,516	1,042	6,240	121,527
Travel	71,228	12,488	23,393	19,577	6,500	2,115	1,397	77	136,775	8,765	66	8,831	222	5,475	151,303
Telecommunications	43,841	26,475	28,915	17,909	41,567	14,043	5,007	-	177,757	37,737	-	37,737	6,337	3,499	225,330
Office supplies	14,302	13,773	5,146	19,131	40,001	1,517	674	66	94,610	20,107	1,740	21,847	7,674	7,182	131,313
Dues, licenses and permits	6,888	3,105	2,271	637	3,963	663	214	-	17,741	21,750	1,962	23,712	191	295	41,939
Conference and workshops	20,885	2,180	-	4,005	2,749	-	115	-	29,934	7,220	-	7,220	980	-	38,134
Staff development	10,525	9,285	3,394	7,768	15,326	886	885	-	48,069	14,413	30	14,443	2,773	577	65,862
Scholarship	-	-	-	-	-	-	-	103,305	103,305	-	-	-	-	-	103,305
Interest and bank charges	5,201	-	47	-	1,417	-	-	-	6,665	59,015	-	59,015	9,530	-	75,210
Miscellaneous event expenses	341	333	1,813	2,115	8,577	50	442	9,355	23,026	5,101	9,220	14,321	8,111	-	45,458
Bad debt and other	7,869	1,911	574	494	478	392	155	-	11,873	-	696	696	5	-	12,574
Miscellaneous	192	-	-	-	969	-	-	-	1,161	3,936	25	3,961	2,530	-	7,652
Depreciation and amortization	60,174	66,618	37,298	14,399	79,985	10,256	8,845	-	277,575	50,832	-	50,832	3,704	483	332,594
	$ 4,717,561	$ 2,490,607	$ 1,283,527	$ 2,115,916	$ 2,572,251	$ 603,105	$ 194,146	$ 127,524	$ 14,104,637	$ 1,976,928	$ 198,564	$ 2,175,492	$ 452,582	$ 1,009,812	$ 17,742,523

See notes to consolidated financial statements

Family and Children's Association, Inc. and Affiliate

Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
Change in net assets	$ 1,717,045	$ (49,059)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	398,755	359,436
Interest expense, debt issuance costs	1,929	-
Donated building	(3,320,000)	-
Discontinued operations	1,639,492	-
Earnings of affiliate	-	(222,580)
Loss on disposal of fixed assets	24,294	23,326
Increase (decrease) in allowance for doubtful accounts	113,800	(5,000)
Net realized and unrealized (gain) loss on investments	(292,060)	95,116
(Increase) decrease in operating assets:		
Accounts receivable	1,467	(909,553)
Prepaid expenses and other current assets	57,906	199,409
Other assets	(517)	4,548
Assets, discontinued operations	12,041	(220,002)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	278,789	(58,499)
Advances	(318,396)	339,382
Liabilities, discontinued operations	(249,692)	(2,578)
Other long-term liabilities	(1,386)	-
Net cash flows from operating activities	63,467	(446,054)
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(958,968)	(144,824)
Proceeds from sale of fixed assets	1,012	-
Purchase of investments	(941,661)	(2,188,245)
Proceeds from the sale of investments	895,504	2,778,085
Net cash flows from investing activities	(1,004,113)	445,016
Cash Flows From Financing Activities		
Proceeds from notes payable	1,755,000	630,000
Payments of notes payable	(630,000)	-
Payments on long-term debt	(60,811)	(10,343)
Debt issuance costs	-	(28,935)
Net cash flows from financing activities	1,064,189	590,722
Net increase in cash and cash equivalents	123,543	589,684
Cash and Cash Equivalents, Beginning	776,566	186,882
Cash and Cash Equivalents, Ending	$ 900,109	$ 776,566
Supplemental Information		
Interest paid	$ 63,738	$ 55,982

See notes to consolidated financial statements

1. Description of Organization and Summary of Significant Accounting Policies

Nature of Operations

Family and Children's Association, Inc. and Affiliate (FCA or the Organization) is a New York State charitable not-for-profit organization established in 1998, following the merger of Family Services Association of Nassau County, Inc. with Children's House.

FCA provides a broad range of programs and services, which are designed to support families who are experiencing difficulties. Assistance is provided through professional counseling and through participation in community activities directed toward family well-being. The Organization works with other service providers and organizations to improve the well-being of its target population and to enhance the delivery and accessibility of programs through the greater Long Island region. Such programs include Mental Health Counseling, Family Support, Drug and Alcohol, Runaway and Homeless Youth Services, Crisis Intervention and Advocacy, Services to the Aged and Independent Living Services and Group Homes.

Discontinued Operations

Long Island Council on Alcoholism and Drug Dependence, Inc. (LICADD) is a not-for-profit organization dedicated to the prevention of drug and alcohol abuse and the promotion of recovery from addiction. On July 31, 2015, FCA entered into a Member Substitution agreement, without consideration, with LICADD through which FCA obtained control as the sole member of LICADD in order to achieve programmatic and administrative synergies. In September 2019, the Board of Trustees approved a resolution to discontinue its affiliation with LICADD. As of September 30, 2019, the affiliation was terminated. Current and prior year operations related to LICADD are reflected as discontinued operations in the consolidated financial statements. A loss of $1,639,492 relating to the discontinuance was recognized in 2019, with $13,960 of this representing LICADD's operating loss, and the remainder the loss on discontinuing the affiliation.

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America (U.S. GAAP). All intercompany activities were eliminated.

Revenue From Contracts With Customers

Revenue from contracts with customers includes fees for services revenues, comprised mostly of self-pay and third-party reimbursements, including Medicaid. Such revenues are recognized at the point in time services are rendered at amounts estimated to be collectible.

Revenue from contracts with customers also includes rental fees under leases with tenants. Rental income is recorded in the month space is provided at amounts estimated to be collectible under the leases.

A portion of special events revenue represents a reciprocal transaction equal to the cost of direct benefits to donors with the remainder representing contributions. As of December 31, 2019 and 2018, direct benefits to donors were $117,429 and $121,381, respectively.

Contribution Income

Government Support

Revenues from government grants are recognized when earned, generally by incurring qualifying expenses. Expense-based grants are recognized as allowable expenses are incurred. Performance-based grants are recognized as performance obligations are met.

Contributions and Grants

The Organization reports gifts of cash or other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 and reported in the consolidated statements of activities and change in net assets as net assets released from restrictions. Net assets with donor restrictions that originate in a given year and are released from restriction in the same year by meeting the donors' restricted purposes are reflected in net assets without donor restrictions.

The Organization reports gifts of property, plant and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

As of December 31, 2019, the Organization has been awarded cost reimbursements and other conditional grants that have not been recognized as income in the amount of approximately $8,481,000.

Net Assets

The net assets of the Organization are reported as follows:

Net Assets Without Donor Restrictions - Net assets which are not donor restricted and are available for general operations. Net assets without donor restrictions also includes board designated amounts which have been designated by the Organization's board of trustees for scholarships.

Net Assets With Donor Restrictions - Net assets which are limited by donor restrictions that either expire with the passage of time or can be fulfilled and removed by actions of the Organization and net assets subject to donor-imposed restrictions that stipulate resources be maintained in perpetuity, but generally permit the Organization to utilize earnings for operational purposes, upon appropriation.

Donated Services

In excess of 250 volunteers have donated significant amounts of their time in the Organization's program services and fundraising campaigns. The value of this contributed time is not reflected in the accompanying consolidated financial statements for the years ended December 31, 2019 and 2018, as it does not meet the criteria for recognition under U.S. GAAP.

Investments

Investments consist primarily of cash and cash equivalents, and corporate stocks and bonds which are carried at fair value. The change in unrealized appreciation (depreciation) in the fair value of investments is reflected in the accompanying consolidated statements of activities and change in net assets.

Fair Value

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, the Organization must determine whether its assets and liabilities recorded at fair value are valued based on Level 1 (valued based on quoted prices in an active market for identical assets), Level 2 (valued based on significant other observable inputs) or Level 3 (valued based on significant unobservable inputs) measurements.

Property, Plant and Equipment, Depreciation and Amortization

Property, plant and equipment are stated at cost except for donated assets, which are recorded at fair value at the time of donation. The Organization capitalizes property and equipment with a cost of $1,000 or higher, and a useful life of at least two years. Depreciation is provided using the straight-line method calculated over the estimated lives of the related assets, which range from 2 to 40 years. Amortization of leasehold improvements is provided over the shorter of their useful lives or the terms of the lease period using the straight-line method.

Allocation of Expenses on a Functional Basis

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Some of the expenses are directly identified to their related programs or supporting functions and are recorded accordingly. Most expenses are directly charged to the applicable functional category based on actual costs. Certain salaries, payroll taxes and fringe benefits have been allocated based on estimates of time and effort. Occupancy, certain of the repairs and maintenance, and depreciation and amortization are allocated based on square footage.

Tax Status

The Organization's income is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of the New York State income tax laws, except for income not related to its tax-exempt purpose (revenue from certain rental income). No income taxes were incurred for the years ended December 31, 2019 and 2018.

Uncertain Tax Positions

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax provisions that require adjustment to the consolidated financial statements to comply with the provisions of FASB ASC No. 740.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less on the date of purchase to be cash equivalents, except for amounts held by investment managers, which are included in investments.

Allowance for Doubtful Accounts

Management must make estimates of uncollectability of accounts receivable. Management specifically analyzes accounts receivable, historical bad debts, current funding trends and changes in payment trends and rates when evaluating the adequacy of the allowance for doubtful accounts.

Evaluation of Subsequent Events

Management has evaluated subsequent events through June 3, 2020, the date the consolidated financial statements are available for issuance, for inclusion or disclosure in the consolidated financial statements.

In the first quarter of 2020, the outbreak of the coronavirus (COVID-19) pandemic began in the United States. In March 2020, the New York State Governor issued Executive Orders which (1) declared a state disaster emergency for the entire State of New York; and (2) declared a temporary suspension of operations of all nonessential businesses. FCA continues to provide services, including case management and counseling, many of which are being conducted remotely. FCA also obtained a loan under the Paycheck Protection Program in the amount of approximately $3,023,000. As of June 3, 2020, the extent to which COVID-19 may impact FCA's financial condition or results of operations is uncertain.

Recent Accounting Pronouncements

In 2019, the Organization adopted Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts With Customers (Topic 606)* using a modified retrospective method of adoption to all contracts with customers as of January 1, 2019. The core principle of ASU 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. The adoption of ASU 2014-09 resulted in an additional disclosure to the notes to the consolidated financial statements, but did not impact the Organization's revenue recognition methodology.

In 2019, the Organization adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The adoption of ASU 2018-08 did not impact the Organization's revenue recognition methodology.

In 2019, the Organization adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the consolidated statements of cash flows. The adoption of ASU 2016-18 did not impact the Organization's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and lease liabilities on the consolidated statements of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for the Organization for fiscal years beginning after December 15, 2020, with early adoption permitted. Management is currently evaluating the impact of ASU 2016-02 on the Organization's consolidated financial statements.

Reclassifications

Certain 2018 amounts have been reclassified to conform with the 2019 presentation.

2. Revenue From Contracts With Customers

The Organization disaggregates revenue from contracts with customers by types of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Performance obligations are satisfied as services are rendered. Payments are due upon receipt of related billing. The following table represents amounts included in contracts and fees from government agencies, revenue from services to other agencies, and other program fees on the consolidated statement of activities and change in net assets for the year ended December 31, 2019:

	Mental Health	Family Services	Services to the Aged	Drug and Alcohol	Other	Total
Revenue from contracts with customers:						
Medicaid	$ 2,462,739	$ -	$ -	$ 98,469	$ -	$ 2,561,208
Health Homes	1,312,445	-	-	-	-	1,312,445
Medicaid Managed Care	185,299	-	-	642,987	-	828,286
Client fees	-	35,996	25,983	197,456	-	259,435
Rental income	-	-	-	22,200	96,332	118,532
Medicare	-	-	-	11,453	-	11,453
Other	-	-	-	-	47,236	47,236
Total revenue from contracts with customers	$ 3,960,483	$ 35,996	$ 25,983	$ 972,565	$ 143,568	$ 5,138,595

Accounts receivable, net, as of December 31, 2019, included $1,248,442 related to revenue from contracts with customers.

3. Investments

Investments are valued based on Level 1 and Level 2 inputs. The Organization had no Level 3 investments as of December 31, 2019 or 2018.

The fair values and historical costs of the Organization's financial instruments by major categories of investments are as follows:

	December 31, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Fair Value	Cost
Corporate stocks	$ 1,001,633	$ -	$ 1,001,633	$ 789,429
Corporate bonds	-	1,460,415	1,460,415	1,468,578
Total	$ 1,001,633	$ 1,460,415	2,462,048	$ 2,258,007
Cash and cash equivalents			297,464	
Total investments			$ 2,759,512	

	December 31, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Fair Value	Cost
Corporate stocks	$ 873,209	$ -	$ 873,209	$ 922,740
Corporate bonds	-	1,294,426	1,294,426	1,296,258
Total	$ 873,209	$ 1,294,426	2,167,635	$ 2,218,998
Cash and cash equivalents			253,660	
Total investments			$ 2,421,295	

The following represents unrealized appreciation (depreciation) in fair value of investments for the years ended December 31:

	2019	2018
Unrealized (depreciation) appreciation, beginning of year	$ (51,363)	$ 175,451
Unrealized appreciation (depreciation) in fair value of investments	255,404	(226,814)
Unrealized appreciation (depreciation), end of year	$ 204,041	$ (51,363)

Interest and dividend income approximated $44,000 and $18,400, respectively, for 2019 and $34,400 and $32,200, respectively, for 2018.

4. Operating Measure and Transfer From Investments

The Organization uses a measure of operations that excludes investment income from operations. Annually, the board of trustees may authorize a transfer of a designated amount from investments to the Organization's operating account. This designated amount is identified in the Organization's annual budget in order to assist with operating expenses, and is at the discretion of management and the board of trustees. For the years ended December 31, 2019 and 2018, there were no transfers from investments.

5. Endowment Funds

The Organization has two endowment funds as follows: a scholarship fund, consisting of restricted cash, included in investments, and board designated funds, which together represent an endowment for scholarships.

Interpretation of Relevant Law

The spending of endowment funds by a not-for-profit corporation in the State of New York is governed by the New York Prudent Management of Institutional Funds Act (NYPMIFA). The Organization has interpreted NYPMIFA as allowing the Organization to appropriate for expenditure or accumulate earnings as the Organization determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless otherwise stated in the gift instrument, the assets in an endowment fund shall be donor restricted assets and net assets until appropriated for expenditure by the Organization.

Spending Policy

The Organization may spend earnings from the scholarship fund annually to provide scholarships.

From time to time, certain donor-restricted endowment funds may have a fair value less than the amount required to be maintained by donors or by law. Management has interpreted state law to permit prudent spending from underwater endowments.

Endowment Investment Policy

The Organization has adopted an investment policy for endowment assets that attempts to provide a predictable stream of returns while seeking to maintain the purchasing power of the endowment assets.

Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to achieve investment returns that are competitive versus pools of assets of similar nature and circumstances.

The following presents the composition of endowment net assets by type of fund as of December 31:

	2019			
		With Donor Restrictions		
	Board Designated	Original Gift	Accumulated Gains	Total
Board designated endowment funds	$ 248,893	$ -	$ -	$ 248,893
Donor-restricted endowment funds	-	182,333	-	182,333
Total	$ 248,893	$ 182,333	$ -	$ 431,226

	2018			
		With Donor Restrictions		
	Board Designated	Original Gift	Accumulated Gains	Total
Board designated endowment funds	$ 248,342	$ -	$ -	$ 248,342
Donor-restricted endowment funds	-	182,333	-	182,333
Total	$ 248,342	$ 182,333	$ -	$ 430,675

The changes in endowment net assets were as follows for the years ended December 31:

	2019	
	Board Designated	Net Assets With Donor Restrictions
Net assets, beginning of year	$ 248,342	$ 182,333
Investment income, net of appropriations	551	-
Net assets, end of year	$ 248,893	$ 182,333

	2018	
	Board Designated	Net Assets With Donor Restrictions
Net assets, beginning of year	$ 246,623	$ 182,333
Investment income, net of appropriations	1,719	-
Net assets, end of year	$ 248,342	$ 182,333

6. Property, Plant and Equipment, Net

Property, plant and equipment, net, consists of the following as of December 31:

	2019	2018
Land	$ 762,782	$ 762,782
Furniture and equipment	1,440,550	913,676
Building and improvements	10,016,155	6,752,446
Vehicles	449,568	428,610
Construction in progress	175,237	17,594
	12,844,292	8,875,108
Accumulated depreciation and amortization	5,410,873	5,296,596
Total	$ 7,433,419	$ 3,578,512

Total depreciation and amortization expense for the years ended December 31, 2019 and 2018 approximated $400,000 and $360,000, respectively, including approximately $13,000 and $27,000 of depreciation expense that has been offset against income from rental operations in the years ended December 31, 2019 and 2018, respectively.

Included in buildings and improvements as of December 31, 2019 is a donated building in the amount of $3,320,000, contributed for the purpose of providing new office space to FCA for its administrative and certain program functions.

7. Notes Payable to Bank

In January 2018, the Organization obtained a line of credit, secured by all of the Organization's assets, as such item is defined in the Uniform Commercial Code of New York, with a financial institution for $2,500,000. The line of credit expired on November 30, 2019 and was extended through November 30, 2020. Interest is payable at the 30 day LIBOR rate (1.82 and 2.46 percent as of December 31, 2019 and 2018, respectively), plus 2.75 percent, with a floor rate of 3.0 percent. The line of credit agreement requires FCA to maintain a minimum of $5,000,000 of net assets without donor restrictions at all times. As of December 31, 2019 and 2018, $1,755,000 and $630,000 was outstanding on the line, respectively.

Interest expense on the line for the years ended December 31, 2019 and 2018 approximated $30,000.

8. Long-Term Debt

Long-term debt consists of the following as of December 31:

		2019		2018
Mortgage note, Signature Bank (a)	$	570,795	$	597,779
New York State Medical Care Facilities Finance Agency Mortgage Payable (b)		35,341		69,168
		606,136		666,947
Less debt issuance costs		27,006		28,935
		579,130		638,012
Less current portion of debt		67,723		61,236
Long-term portion of debt	$	511,407	$	576,776

a) On November 1, 2018, the Organization obtained a 15-year mortgage at a rate of 5.125 percent in the principal amount of $600,000. The mortgage note requires monthly payments of $4,784 and matures on November 1, 2033 and is secured by the Organization's administrative offices located in Mineola, New York. Debt financing costs of $28,935 were incurred and deferred in conjunction with this mortgage.

b) The mortgage acquired through merger with West Nassau Counseling Center from New York State Medical Care Facilities Finance Agency bears interest at the rate of 5.58 percent per annum. Principal and interest of $18,609 are payable semi-annually until December 1, 2020, when the entire unpaid balance of principal and interest shall become due and payable. The Organization receives annual funding from the Department of Mental Health for payment of principal and interest.

Future principal payments on the above listed debt are approximately as follows:

Years ending December 31:		
2020	$	68,000
2021		30,000
2022		32,000
2023		34,000
2024		35,000
Thereafter		407,000
Total	$	606,000

Interest expense for the years ended December 31, 2019 and 2018 approximated $34,000 and $26,000, respectively, of which, $30,000 and $20,000 has been offset against income from rental operations in 2019 and 2018, respectively.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following as of December 31:

	2019	2018
Nursery Coop, time and purpose restricted	$ 209,953	$ -
Friendly visitors, purpose restricted	-	26,464
Senior finances, purpose restricted	-	11,643
Family ties, purpose restricted	2,431	2,431
Adopt-a-family, walkabout, purpose restricted	1,560	1,560
Project THRIVE sound system, purpose restricted	1,087	1,087
Lakeview Prom, purpose restricted	468	468
Total subject to expenditure for specified purposes	215,499	43,653
FCA perpetual endowment fund	182,333	182,333
Total	$ 397,832	$ 225,986

Net assets were released from restrictions through appropriation, expiration of time restrictions and/or by incurring expenses to satisfy the restricted purpose specified by the donor as follows during the years ended December 31:

	2019	2018
Scholarships	$ -	$ 27,913
Project THRIVE sound system	-	20,110
Friendly visitors	26,464	-
Senior finances	11,643	-
Total	$ 38,107	$ 48,023

10. Special Events Revenue

The Organization generated revenue from the following special events during the years ended December 31:

	2019		
	Gross Revenue	Costs of Direct Benefits to Donors	Net Revenue
Holiday Ball	$ 265,872	$ 47,131	$ 218,741
Golf outings	146,295	62,467	83,828
Scholarship event	103,086	7,731	95,355
Other	20,406	100	20,306
Total	$ 535,659	$ 117,429	$ 418,230

	2018		
	Gross Revenue	Costs of Direct Benefits to Donors	Net Revenue
Holiday Ball	$ 500,660	$ 35,153	$ 465,507
Golf outings	166,785	74,798	91,987
Scholarship event	118,649	9,375	109,274
Other	58,370	2,055	56,315
Total	$ 844,464	$ 121,381	$ 723,083

11. Services to Other Agencies

The Organization has entered into agreements with independent agencies, under which such agencies carry out the daily activities of groups of programs that are principally financed by grants from governmental agencies. The Organization maintains the financial records and incurs various expenses relating to these programs, which consist primarily of payroll and related expenses. The Organization does not direct the daily activities of such programs.

12. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the statements of financial position date for general expenditures such as operating expenses, debt service, and fixed asset purchases not financed with debt financing are as follows:

	2019	2018
Cash and cash equivalents	$ 900,109	$ 776,566
Investments	2,759,512	2,421,295
Accounts receivable	4,569,287	4,684,554
Total financial assets	8,228,908	7,882,415
Less amounts unavailable for general expenditures within one year, due to:		
Time and purpose restricted	215,499	43,653
Perpetual endowment funds	182,333	182,333
Board designated, scholarship fund	248,893	248,342
Total financial assets available	$ 7,582,183	$ 7,408,087

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization's main source of liquidity is contracts and fees from government agencies. The Organization also has a line of credit available for short-term cash needs. Although a portion of investments are available for expenditure, it is not the Organization's intention to use investments for operating purposes.

During February 2019, the Organization was awarded up to $2,663,000 from New York State Department of Health (NYSDOH), a portion of which will be used to pay off allowable debt related to the 1199 pension liability in the amount of $928,000, the mortgage note in the amount of $588,000, and the DASNY bond in the amount of $57,000. The confirmation of the debt and contract are in progress between the Organization and NYS DOH. It is anticipated that this debt will be eliminated by December 31, 2020.

13. Defined Contribution Pension Plans

FCA 403(b) Plan

FCA maintains a Tax-Deferred Annuity Plan as defined under Section 403(b) of the Internal Revenue Code. This Plan provided for employee deferrals only until August 1, 2017, when it was amended to permit employer contributions based on a percentage of each eligible employee's compensation as determined by the FCA Board of Trustees.

FCA 401(a) Plan

FCA sponsored a defined contribution pension plan for employees who were eligible after one year of service. Annual contributions to the Plan were based on a percentage of each eligible employee's compensation, as determined by the Organization's Board of Trustees (5 percent for 2019 and 2018). FCA's Board of Trustees approved the termination of this plan during 2017, with an effective date of March 8, 2018. Eligible participants were permitted to roll balances into the FCA 403(b) plan or opt for other forms of distribution.

Pension expense for the FCA 403(b) and FCA 401(a) for the years ended December 31, 2019 and 2018 was approximately $396,000 and $384,000, respectively.

14. Commitments and Contingencies

Leases

The Organization is obligated under various noncancellable operating leases for certain of its facilities, expiring through fiscal 2021. Future minimum lease payments under these operating leases as of December 31, 2019 are approximately as follows:

Years ending December 31:		
2020	$	391,000
2021		233,000
2022		117,000
2023		120,000
2024		123,000
Total	$	984,000

Rent expense for the years ended December 31, 2019 and 2018 approximated $462,000 and $593,000, respectively.

Litigation

The Organization is subject to lawsuits and claims with respect to matters arising in the normal course of business. The Organization defends its position on all actions. In the opinion of management, the ultimate liabilities, if any, from these lawsuits or claims will not materially affect the financial position of the Organization. Nevertheless, due to the uncertainty of the settlement process, management's view of the outcome may be modified in the future.

15. Government Funding and Rate Adjustments

Substantial funding of programs is provided to the Organization by federal, state and local government agencies. Continuation of such funding is dependent on budgetary allocations from such agencies. In addition, reimbursements under contracts are subject to audit by various agencies on a regular basis. Additional liabilities resulting from future audits are not presently determinable. Changes in contract amounts due or payable resulting from audit adjustments or rate appeals are reflected in the operations of the Organization when such adjustments are determined or can be reasonably estimated.

16. Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments, accounts receivable from government agencies and client fees. The Organization places its temporary cash investments with various financial institutions. Accounts receivable are predominately from federal, state and local government agencies, including Medicaid, Medicare, and other third-party and private payors. From time to time, the cash balances exceed the federal depository insurance coverage limit.

17. Discontinued Mental Health Clinic Operations

On December 16, 2011, the Organization's board approved a resolution to discontinue the operations of its Article 31 mental health clinics in West Hempstead and Roosevelt (the Clinics). As of March 31, 2012, the Clinics ceased operations. Liabilities in the amounts of $1,031,120 and $1,300,517 as of December 31, 2019 and 2018, respectively, are segregated on the consolidated statements of financial position related to the discontinued mental health clinic operations.

18. Discontinued LICADD Operations

In September 2019, the Organization's board approved a resolution to discontinue its affiliation with LICADD. As of September 30, 2019, the affiliation ceased and a loss of $1,639,492 was recorded related to the discontinued operation. The operating activities of LICADD for the year December 31, 2018 was reclassified as discontinued operations, and assets and liabilities specific to LICADD were segregated on the consolidated statement of financial position.

Assets and liabilities of discontinued operations were as follows:

	December 31, 2018
Assets:	
Cash and cash equivalents	$ 373,381
Investments	742,488
Accounts receivable, net	215,492
Prepaid expenses	14,272
Investments, perpetual endowments	400,000
Property and equipment, net	21,554
Other assets	13,561
Total assets, discontinued operations	$ 1,780,748
Liabilities:	
Accounts payable and accrued expenses	$ 53,568
Deferred revenue	55,942
Total liabilities, discontinued operations	$ 109,510

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Number	Expenditures
United States Department of Housing and Urban Development			
Passed-Through Nassau County Office of Housing and Community Development:			
Emergency Solutions Grant Program	14.231	CQHI19000095	$ 103,193
Emergency Solutions Grant Program	14.231	CQHI19000057	26,766
Total United States Department of Housing and Urban Development Passed-Through Nassau County Office of Housing and Community Development			129,959
United States Department of Health and Human Services			
Basic Center Grant	93.623		53,354
Basic Center Grant	93.623		139,387
Transitional Living for Homeless Youth	93.550		43,672
Transitional Living for Homeless Youth	93.550		176,747
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		103,011
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		346,297
Total Direct United States Department of Health and Human Services			862,468
Passed-Through Nassau County Department of Social Services:			
Social Services Block Grant	93.667	CQSS13000025	171,456
Chafee Foster Care Independence Program	93.674	CQSS18000003	233,122
Total United States Department of Health and Human Services Passed-Through Nassau County Department of Social Services			404,578
Passed-Through Nassau County Department of Mental Health:			
Block Grants for Community Mental Health Services	93.958	CQHS19000046	149,926
Total United States Department of Health and Human Services Passed-Through Nassau County Department of Mental Health			149,926
Passed-Through Nassau County Department of Aging:			
Aging Cluster:			
Special Programs for the Aging - Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	CQHS19000086	201,330
Total Aging Cluster			201,330
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779	CQHS19000086	125,641
Total United States Department of Health and Human Services Passed-Through Nassau County Department of Aging			326,971
Passed-Through New York State Office for the Aging:			
Special Programs for the Aging - Title VII, Chapter 2, Long-Term Care Ombudsman Services for Older Individuals	93.042	C15007GG	200,117
Total United States Department of Health and Human Services Passed-Through New York State Office for the Aging			200,117
Passed-Through Suffolk County Department of Social Services:			
Chafee Foster Care Independence Program	93.674	001-6010-4980-54-00001	257,416
Block Grants for Community Mental Health Services	93.958	001-4330-4980-00-00064	8,820
Total United States Department of Health and Human Services Passed-Through Suffolk County Department of Social Services			266,236

See notes to schedule of expenditures of federal awards

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Number	Expenditures
Passed-Through New York State Office of Addiction Services and Supports:			
Opioid State Targeted Response	93.788	H79TI081718 - PO 141524	$ 37,043
Opioid State Targeted Response	93.788	6H79TI0818718-01	65,733
Opioid State Targeted Response	93.788	H79TI0818718-02 - PO 146164	39,949
Opioid State Targeted Response	93.788	H79TI081718 - PO 146721	15,203
Opioid State Targeted Response	93.788	H79TI081718 - PO 143391	20,338
Opioid State Targeted Response	93.788	H79TI081718 - PO 144823	26,013
Total United States Department of Health and Human Services Passed-Through New York State Office of Addiction Services and Supports			204,279
Total United States Department of Health and Human Services			2,414,575
United States Department of Justice			
Passed-Through New York State Office of Victim Services:			
Crime Victim Assistance	16.575	C10955GG	19,497
Total United States Department of Justice Passed-Through New York State Office of Victim Services			19,497
Total United States Department of Justice			19,497
Total expenditures of federal awards			$ 2,564,031
Federal Awards Totals by CFDA Number			
Emergency Solutions Grant Program	14.231		$ 129,959
Basic Center Grant	93.623		$ 192,741
Transitional Living for Homeless Youth	93.550		$ 220,419
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		$ 449,308
Block Grants for Community Mental Health Services	93.958		$ 158,746
Special Programs for the Aging - Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042		$ 200,117
Special Programs for the Aging - Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		$ 201,330
Social Services Block Grant	93.667		$ 171,456
Chafee Foster Care Independence Program	93.674		$ 490,538
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779		$ 125,641
Opioid State Targeted Response (STR)	93.788		$ 204,279
Crime Victim Assistance	16.575		$ 19,497

See notes to schedule of expenditures of federal awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant expenditures of Family and Children's Association, Inc. (the Organization) and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements. The supplementary information was derived from, and relates directly to, the underlying accounting records used to prepare the consolidated financial statements.

2. Indirect Cost Rate

The Organization has elected to use the 10 percent de minimis indirect cost rate for direct federal awards under the Uniform Guidance.

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

To the Board of Trustees of
Family and Children's Association, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Family and Children's Association, Inc. (the Organization) and Affiliate which comprise the statement of financial position as of December 31, 2019, the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and change in net assets and cash flows, and statements of functional expenses for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from 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.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Melville, New York
June 3, 2020

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees of
Family and Children's Association, Inc.

Report on Compliance for Each Major Federal Program

We have audited Family and Children's Association, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended December 31, 2019. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Organization'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Melville, New York
July 6, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified?	____ yes	X none reported
Noncompliance material to financial statements noted?	____ yes	X no

Federal Awards

Internal control over major federal programs:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified?	____ yes	X none reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ yes	X no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.044	Special Programs for the Aging - Title III, Part B, Grants for Supportive Services and Senior Centers
93.779	Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations
93.042	Special Programs For The Aging - Title VII, Chapter 2, Long Term Care Ombudsman Services For Older Individuals

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X yes	____ no

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

Section IV - Summary Schedule of Prior Year's Audit Findings

None.