

**Family and Children's Association, Inc.  
and Affiliate**

Consolidated Financial Statements and Consolidating and  
Supplementary Information

December 31, 2017 and 2016



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# Family and Children's Association, Inc. and Affiliate

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December 31, 2017 and 2016

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## **Independent Auditors' Report**

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

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Family and Children's Association, Inc. and Affiliate (the "Organization") which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and change in net assets and cash flows for the years then ended, and the related notes to 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. and Affiliate as of December 31, 2017 and 2016, 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.

## ***Other Matters***

### **Report on Consolidating and Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 19 to 21 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and is not a required part of the consolidated financial statements. Also, the supplementary information on page 22 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 audits 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 taken as a whole.

*Baker Tilly Virchow Krause, LLP*

Melville, New York  
May 17, 2018

## Family and Children's Association, Inc. and Affiliate

Consolidated Statements of Financial Position

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 391,203	\$ 1,466,943
Investments	3,683,017	3,748,524
Accounts receivable, net of allowance of approximately \$99,300 and \$109,000, respectively	3,928,240	3,398,322
Prepaid expenses and other current assets	361,278	167,151
Investments held as collateral (Note 2)	-	7,282,412
Total current assets	8,363,738	16,063,352
<b>Investments - Restricted</b>	582,333	582,333
<b>Property, Plant and Equipment, Net</b>	3,842,344	3,894,180
<b>Other Assets</b>	174,315	172,436
Total assets	<u>\$ 12,962,730</u>	<u>\$ 20,712,301</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Notes payable to bank	\$ -	\$ 7,282,412
Accounts payable and accrued expenses	2,074,621	2,005,127
Advances	223,250	548,620
Current portion of long-term debt	608,122	42,656
Liabilities, discontinued operations (Note 15)	1,531,529	2,039,277
Total current liabilities	4,437,522	11,918,092
<b>Long-Term Debt</b>	69,168	677,293
<b>Other Long-Term Liabilities</b>	14,136	21,226
Total liabilities	<u>4,520,826</u>	<u>12,616,611</u>
<b>Net Assets</b>		
Unrestricted (Note 8)	7,330,434	6,894,901
Temporarily restricted	529,137	618,456
Permanently restricted	582,333	582,333
Total net assets	<u>8,441,904</u>	<u>8,095,690</u>
Total liabilities and net assets	<u>\$ 12,962,730</u>	<u>\$ 20,712,301</u>

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Change in Unrestricted Net Assets from Operations</b>		
Support and revenue		
Contracts and fees from government agencies	\$ 14,444,011	\$ 15,578,177
Revenue from services to other agencies	925,296	858,941
Other program fees	869,779	1,009,371
Contributions and grants	1,683,820	1,347,170
Special events revenue	1,293,723	1,369,057
Special event costs of direct benefits to donors	(330,190)	(328,836)
Loss from rental operations	(111,629)	(119,671)
Other income	12,635	86,614
Net assets released from restriction	150,000	84,866
	<u>18,937,445</u>	<u>19,885,689</u>
Total unrestricted support and revenue		
<b>Expenses</b>		
Program services		
Mental health services	5,199,720	5,477,197
Runaway and homeless youth services	3,098,760	3,103,570
Family services	1,070,083	1,528,394
Services to the aged	1,959,593	1,757,729
Drug and alcohol services	2,938,744	3,066,342
Group home services	71,856	90,421
Independent living services	600,979	563,730
Adult and children and general counseling services	214,819	243,369
Scholarship programs	130,080	152,918
	<u>15,284,634</u>	<u>15,983,670</u>
Total program services		
Supporting services		
Management and general	2,214,444	2,244,744
Fundraising	650,368	625,478
	<u>2,864,812</u>	<u>2,870,222</u>
Total supporting services		
Services to other agencies	<u>861,619</u>	<u>783,382</u>
Total expenses	<u>19,011,065</u>	<u>19,637,274</u>
Change in unrestricted net assets before transfer from investments and non-operating activities	<u>(73,620)</u>	<u>248,415</u>
Transfer for operations and capital expenditures	<u>500,000</u>	<u>-</u>
Change in unrestricted net assets after transfer for operations and capital expenditures and before non-operating activities	<u>426,380</u>	<u>248,415</u>

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Change in Unrestricted Net Assets from Non-Operating Activities</b>		
Interest and dividend income, net of fees of \$37,968 and \$71,839, respectively	\$ 83,741	\$ 117,244
Net realized gain (loss) on sale of investments	999,695	(132,133)
Unrealized (depreciation) appreciation in fair value of investments	(574,283)	268,247
Transfer from investments for operations and capital expenditures	(500,000)	-
	<u>9,153</u>	<u>253,358</u>
Change in unrestricted net assets from non-operating activities	<u>9,153</u>	<u>253,358</u>
<b>Change in Unrestricted Net Assets</b>	<u>435,533</u>	<u>501,773</u>
<b>Change in Temporarily Restricted Net Assets</b>		
Interest and dividend income, net of fees of \$14,078 and \$12,340, respectively	1,738	11,696
Net realized gain (loss) on sale of investments	575	(3,630)
Unrealized appreciation (depreciation) in fair value of investments	38,258	(5,790)
Contributions	20,110	-
Net assets released from restriction	(150,000)	(84,866)
	<u>(89,319)</u>	<u>(82,590)</u>
Change in temporarily restricted net assets	<u>(89,319)</u>	<u>(82,590)</u>
Change in net assets	346,214	419,183
<b>Net Assets, Beginning of Year</b>	<u>8,095,690</u>	<u>7,676,507</u>
<b>Net Assets, End of Year</b>	<u>\$ 8,441,904</u>	<u>\$ 8,095,690</u>

See notes to consolidated financial statements

## Family and Children's Association, Inc. and Affiliate

### Consolidated Statements of Cash Flows

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 346,214	\$ 419,183
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	341,693	304,522
Loss on disposal of fixed assets	37,213	155
Decrease in allowance for doubtful accounts	(9,705)	(4,257)
Net realized and unrealized gain on investments	(464,245)	(126,694)
(Increase) decrease in operating assets:		
Accounts receivable	(520,213)	853,355
Prepaid expenses and other current assets	(194,127)	(41,261)
Other assets	(1,879)	(44,756)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	69,494	(40,843)
Advances	(325,370)	339,770
Liabilities, discontinued operations	(507,748)	(303,016)
Other long-term liabilities	(7,090)	100
Net cash (used in) provided by operating activities	<u>(1,235,763)</u>	<u>1,356,258</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(327,670)	(363,373)
Proceeds from sale of fixed assets	600	4,439
Purchase of investments	(6,392,450)	(5,596,616)
Proceeds from the sale of investments	<u>14,204,614</u>	<u>5,456,744</u>
Net cash provided by (used in) investing activities	<u>7,485,094</u>	<u>(498,806)</u>
<b>Cash Flows from Financing Activities</b>		
(Payments) proceeds from notes payable	(7,282,412)	200,000
Payments on long-term debt	<u>(42,659)</u>	<u>(58,886)</u>
Net cash (used in) provided by financing activities	<u>(7,325,071)</u>	<u>141,114</u>
Net (decrease) increase in cash and cash equivalents	(1,075,740)	998,566
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,466,943</u>	<u>468,377</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 391,203</u>	<u>\$ 1,466,943</u>
<b>Supplemental Information</b>		
Interest paid	<u>\$ 67,603</u>	<u>\$ 144,958</u>

See notes to consolidated financial statements



# **Family and Children's Association, Inc. and Affiliate**

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Notes to Consolidated Financial Statements

December 31, 2017 and 2016

## **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, as well as Independent Living Services and Group Homes.

Long Island Council on Alcoholism and Drug Dependence, Inc. ("LICADD") is a nonprofit 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. The accompanying consolidated financial statements of the Organization include the results of activities of FCA and LICADD.

### **Basis of Presentation**

The consolidated financial statements have been prepared on the accrual basis. All intercompany activities have been eliminated.

### **Revenue Recognition**

The Organization derives its revenue from, among other sources, contracts and fees for service from federal, state and county (Nassau and Suffolk Counties) governments; contributions and grants from individuals and organizations; Long Island's United Way contributions; fundraising drives and rental income. Revenues from reimbursement contracts are recorded as expenditures are made under the contracts.

### **Contributions**

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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and change in net assets as net assets released from restrictions. Temporarily restricted contributions that originate in a given year and are released from restriction in the same year by meeting the donors' restricted purposes are reflected in unrestricted net assets.

## **Family and Children's Association, Inc. and Affiliate**

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Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

The Organization reports gifts of property, plant and equipment as unrestricted support 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.

### **Net Assets**

The net assets of the Organization are reported as follows:

Unrestricted - Net assets which are not donor restricted and are available for general operations.

Temporarily restricted - 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.

Permanently restricted - Net assets subject to donor-imposed restrictions that stipulate resources be maintained in perpetuity, but generally permit the Organization to utilize earnings for unrestricted or temporarily restricted 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, 2017 and 2016, as it does not meet the criteria for recognition under generally accepted accounting principles.

### **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.

## **Family and Children's Association, Inc. and Affiliate**

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Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

### **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.

### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on various allocation factors.

### **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, 2017 and 2016.

### **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 generally accepted accounting principles 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.

## **Family and Children's Association, Inc. and Affiliate**

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Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

### **Evaluation of Subsequent Events**

Management has evaluated subsequent events through May 17, 2018, the date the consolidated financial statements are available for issuance, for inclusion or disclosure in the consolidated financial statements.

### **Recent Accounting Pronouncements**

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. 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. ASU 2014-09 is effective for the Organization for fiscal years beginning after December 15, 2018, with early adoption permitted. Management has concluded that the adoption of ASU 2014-09 will 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, 2019, with early adoption permitted. Management is currently evaluating the impact of ASU 2016-02 on the Organization's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. Management is currently evaluating the impact of ASU 2016-14 on the Organization's consolidated financial statements.

In November 2016, the FASB issued 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. ASU 2016-18 is effective for the Organization for fiscal years beginning after December 15, 2018, with early adoption permitted. ASU 2016-18 is to be applied retroactively with transition provisions. Management is currently evaluating the impact of ASU 2016-18 on the Organization's consolidated financial statements.

### **Reclassifications**

Certain 2016 amounts have been reclassified to conform with the 2017 presentation.

## Family and Children's Association, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

### 2. Investments

Investments are valued based on Level 1 and Level 2 inputs. The Organization had no Level 3 investments at December 31, 2017 or 2016.

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

	December 31, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Fair Value	Cost
Corporate stocks	\$ 1,876,754	\$ -	\$ 1,876,754	\$ 1,688,551
Corporate bonds	-	1,823,221	1,823,221	1,817,350
Total	<u>\$ 1,876,754</u>	<u>\$ 1,823,221</u>	3,699,975	<u>\$ 3,505,901</u>
Cash and cash equivalents			<u>565,375</u>	
Total investments			<u>\$ 4,265,350</u>	
December 31, 2016				
Corporate stocks	\$ 4,883,003	\$ -	\$ 4,883,003	\$ 4,101,377
Corporate bonds	-	4,278,056	4,278,056	4,329,583
Total	<u>\$ 4,883,003</u>	<u>\$ 4,278,056</u>	9,161,059	<u>\$ 8,430,960</u>
Cash and cash equivalents			<u>2,452,210</u>	
Total investments			<u>\$ 11,613,269</u>	

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

	2017	2016
Unrealized appreciation, beginning of year	\$ 730,099	\$ 467,642
Unrealized (depreciation) appreciation in fair value of investments, during fiscal year	<u>(536,025)</u>	<u>262,457</u>
Unrealized appreciation, end of year	<u>\$ 194,074</u>	<u>\$ 730,099</u>

Interest and dividend income was approximately \$69,200 and \$68,400, respectively, for 2017 and \$88,700 and \$124,400, respectively, for 2016.

At December 31, 2016, the investment portfolio balance held as collateral for the note payable to the bank (Note 6) was \$7,282,412.

## **Family and Children's Association, Inc. and Affiliate**

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Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

### **3. Transfer from Investments**

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 year ended December 31, 2017, \$500,000 was transferred from the endowment. There was no such transfer for the year ended December 31, 2016.

### **4. 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 and a LICADD endowment fund, consisting of one individual donor restricted endowment fund established to support the labor associated with and management of alcoholism programs.

#### **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 requiring the preservation of the original value of a gift for gifts received prior to September 17, 2010, absent donor stipulations to the contrary, and for post September 17, 2010 gifts, 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. As a result of this interpretation, the Organization has classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization.

#### **Spending Policy**

The Organization may spend earnings from the scholarship fund annually to provide scholarships. The LICADD endowment fund may be used when appropriated in accordance with the donor's intention.

#### **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.

## Family and Children's Association, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

The following presents the composition of endowment net assets by fund type for the years ended December 31:

	<b>2017</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Board designated endowment funds	\$ 246,623	\$ -	\$ -
Donor restricted endowment funds	-	481,114	582,333
	<b>2016</b>		
Board designated endowment funds	\$ 246,567	\$ -	\$ -
Donor restricted endowment funds	-	590,543	582,333

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

	<b>2017</b>		
	<b>Board Designated</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Net assets, beginning of year	\$ 246,567	\$ 590,543	\$ 582,333
Appropriated	-	(150,000)	-
Investment income	56	40,571	-
Net assets, end of year	<u>\$ 246,623</u>	<u>\$ 481,114</u>	<u>\$ 582,333</u>
	<b>2016</b>		
Net assets, beginning of year	\$ 247,153	\$ 588,267	\$ 582,333
Investment (loss) income	(586)	2,276	-
Net assets, end of year	<u>\$ 246,567</u>	<u>\$ 590,543</u>	<u>\$ 582,333</u>

### 5. Property, Plant and Equipment, Net

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

	<b>2017</b>	<b>2016</b>
Land	\$ 762,782	\$ 762,782
Furniture and equipment	6,680,369	6,530,640
Building and improvements	984,493	896,992
Vehicles	428,610	401,750
Construction in progress	6,078	237,272
	<u>8,862,332</u>	<u>8,829,436</u>
Accumulated depreciation and amortization	<u>5,019,988</u>	<u>4,935,256</u>
Total	<u>\$ 3,842,344</u>	<u>\$ 3,894,180</u>

## Family and Children's Association, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

Total depreciation and amortization expense for the years ended December 31, 2017 and 2016 was approximately \$342,000 and \$305,000, respectively, including approximately \$11,400 and \$18,100 of depreciation expense that has been offset against income from rental operations in the years ended December 31, 2017 and 2016, respectively.

### 6. Notes Payable to Bank

As of December 31, 2016, the Organization maintained a line of credit, secured by the Organization's investments as collateral, as such item is defined in the Uniform Commercial Code of New York, with a financial institution for \$7,500,000, of which, \$7,282,412 was outstanding. Interest was payable monthly at 30 day LIBOR (0.77% at December 31, 2016), plus 1.00%. The line was paid in full on March 30, 2017 through the liquidation of investments.

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 expires on November 30, 2018. Interest is payable at either the floating prime rate with a floor rate of 3.25% or 30 day LIBOR, plus 2.75%, with a floor rate of 3.0%. The line of credit agreement requires FCA to maintain a minimum of \$5,000,000 of unrestricted net assets at all times.

Interest expense on the line for the years ended December 31, 2017 and 2016 approximated \$39,000 and \$113,000, respectively.

### 7. Long-Term Debt

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

	<u>2017</u>	<u>2016</u>
Mortgage note (a)	\$ 576,105	\$ 588,460
New York State Medical Care Facilities Finance Agency Mortgage Payable (b)	<u>101,185</u>	<u>131,489</u>
	677,290	719,949
Less current portion of debt	<u>608,122</u>	<u>42,656</u>
Long-term portion of debt	<u>\$ 69,168</u>	<u>\$ 677,293</u>

- a) Effective September 2014, the Organization refinanced this pre-existing mortgage to a lower rate of 3.75%, with monthly interest payments of \$2,851 payable through July 1, 2018. The remaining balance of unpaid principal, together with accrued interest is to be paid on August 1, 2018. The mortgage note is secured by the Organization's administrative offices located in Mineola, New York.
- 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% 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.



## Family and Children's Association, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

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

Years ending December 31:	
2018	\$ 608,000
2019	34,000
2020	<u>35,000</u>
Total	<u>\$ 677,000</u>

Interest expense for the years ended December 31, 2017 and 2016 approximated \$29,000 and \$32,000, respectively, of which, \$22,000 has been offset against income from rental operations in 2017 and 2016, respectively.

### 8. Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31:

	<u>2017</u>	<u>2016</u>
Scholarships	\$ 27,913	\$ 27,913
Project THRIVE Contributions	20,110	-
LICADD - R. Brinkley Smithers Endowment	<u>481,114</u>	<u>590,543</u>
Total	<u>\$ 529,137</u>	<u>\$ 618,456</u>

The following is a summary of the net assets that were released from donor restrictions for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Scholarships	\$ -	\$ 69,866
Appropriations	150,000	-
Hempstead S.T.E.M. Project	<u>-</u>	<u>15,000</u>
Total	<u>\$ 150,000</u>	<u>\$ 84,866</u>

At December 31, 2017 and 2016, permanently restricted net assets consisted of amounts restricted for endowed scholarships and for the LICADD R. Brinkley Smithers Endowment.

At December 31, 2017 and 2016, approximately \$247,000 of unrestricted net assets have been designated by the Organization's board of trustees for scholarships, respectively.

## Family and Children's Association, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

### 9. Special Events Revenue

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

	2017		
	Gross Revenue	Costs of Direct Benefits to Donors	Net Revenue
Holiday Ball	\$ 260,698	\$ 45,745	\$ 214,953
Golf Outings	504,793	198,096	306,697
Scholarship Dinner	123,419	10,596	112,823
Angel Ball	313,194	64,857	248,337
Other	91,619	10,896	80,723
Total	<u>\$ 1,293,723</u>	<u>\$ 330,190</u>	<u>\$ 963,533</u>
	2016		
Holiday Ball	\$ 321,767	\$ 38,026	\$ 283,741
Golf Outings	546,274	191,350	354,924
Scholarship Dinner	102,908	18,818	84,090
Breakfast Sponsorship	48,576	6,956	41,620
Angel Ball	291,366	63,335	228,031
Other	58,166	10,351	47,815
Total	<u>\$ 1,369,057</u>	<u>\$ 328,836</u>	<u>\$ 1,040,221</u>

### 10. 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.

### 11. 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 (5% for 2017).

## Family and Children's Association, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

### 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% for 2016 and 2017). FCA's Board of Trustees approved the termination of this plan during 2017. 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) was approximately \$358,000 and \$395,000 for the years ended December 31, 2017 and 2016, respectively.

### LICADD 401(a) Plan

LICADD employees participate in the FCA 401(a) Plan. Prior to 2017, LICADD sponsored its own plan where contributions were equal to 6% of each employee's annual compensation. During the year ended December 31, 2017, the LICADD plan was merged into the FCA 401(a) Plan. Pension expense for the years ended December 31, 2017 and 2016 was approximately \$18,400 and \$28,500, respectively.

### LICADD 403(b) Plan

LICADD employees participate in the FCA 403(b) Plan. Prior to 2017, LICADD sponsored its own TDA Plan as defined under Section 403(b) of the IRC, which also provided for employee deferrals only. During the year ended December 31, 2017, the LICADD plan was merged into the FCA 403(b) Plan.

## 12. 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 at December 31, 2017 are approximately as follows:

Years ending December 31:	
2018	\$ 607,000
2019	371,000
2020	83,000
2021	123,000
	<hr/>
Total	\$ 1,184,000

Rent expense for the years ended December 31, 2017 and 2016 approximated \$716,000 and \$687,000, 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.

## **Family and Children's Association, Inc. and Affiliate**

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Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

### **13. 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.

### **14. 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.

### **15. 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 \$1,531,529 and \$2,039,277 as of December 31, 2017 and 2016, respectively, are segregated on the consolidated statements of financial position related to the discontinued operations.

## Family and Children's Association, Inc. and Affiliate

Consolidating Statement of Financial Position

December 31, 2017

	Family and Children's Association, Inc.	Long Island Council on Alcoholism and Drug Dependence, Inc.	Eliminations	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 186,882	\$ 204,321	\$ -	\$ 391,203
Investments	2,923,918	759,099	-	3,683,017
Accounts receivable, net of allowance of approximately \$91,000 and \$8,300, respectively	3,778,433	149,807	-	3,928,240
Prepaid expenses and other current assets	353,214	8,064	-	361,278
Due from affiliate	22,144	-	(22,144)	-
Total current assets	7,264,591	1,121,291	(22,144)	8,363,738
<b>Investments - Restricted</b>	182,333	400,000	-	582,333
<b>Property, Plant and Equipment, Net</b>	3,816,450	25,894	-	3,842,344
<b>Interest in Net Assets of Affiliate</b>	1,430,602	-	(1,430,602)	-
<b>Other Assets</b>	160,754	13,561	-	174,315
Total assets	<u>\$ 12,854,730</u>	<u>\$ 1,560,746</u>	<u>\$ (1,452,746)</u>	<u>\$ 12,962,730</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	\$ 2,012,396	\$ 62,225	\$ -	\$ 2,074,621
Advances	177,475	45,775	-	223,250
Current portion of long-term debt	608,122	-	-	608,122
Due to affiliate	-	22,144	(22,144)	-
Liabilities, discontinued operations (Note 15)	1,531,529	-	-	1,531,529
Total current liabilities	4,329,522	130,144	(22,144)	4,437,522
<b>Long-Term Debt</b>	69,168	-	-	69,168
<b>Other Long-Term Liabilities</b>	14,136	-	-	14,136
Total liabilities	4,412,826	130,144	(22,144)	4,520,826
<b>Net Assets</b>				
Unrestricted (Note 8)	7,330,434	549,488	(549,488)	7,330,434
Temporarily restricted	529,137	481,114	(481,114)	529,137
Permanently restricted	582,333	400,000	(400,000)	582,333
Total net assets	8,441,904	1,430,602	(1,430,602)	8,441,904
Total liabilities and net assets	<u>\$ 12,854,730</u>	<u>\$ 1,560,746</u>	<u>\$ (1,452,746)</u>	<u>\$ 12,962,730</u>

**Family and Children's Association, Inc. and Affiliate**Consolidating Statement of Activities and Change in Net Assets  
Year Ended December 31, 2017

	Family and Children's Association, Inc.	Long Island Council on Alcoholism and Drug Dependence, Inc.	Eliminations	Total
<b>Change in Unrestricted Net Assets from Operations</b>				
Support and revenue				
Contracts and fees from government agencies	\$ 14,444,011	\$ -	\$ -	\$ 14,444,011
Revenue from services to other agencies	925,296	-	-	925,296
Other program fees	255,820	613,959	-	869,779
Contributions and grants	1,476,102	207,718	-	1,683,820
Special events revenue	559,408	734,315	-	1,293,723
Special event costs of direct benefits to donors	(130,741)	(199,449)	-	(330,190)
Loss from rental operations	(111,629)	-	-	(111,629)
Other income	67,842	-	(55,207)	12,635
Net assets released from restriction	-	150,000	-	150,000
	<u>17,486,109</u>	<u>1,506,543</u>	<u>(55,207)</u>	<u>18,937,445</u>
Total unrestricted support and revenue				
<b>Expenses</b>				
Program services				
Mental health services	5,199,720	-	-	5,199,720
Runaway and homeless youth services	3,098,760	-	-	3,098,760
Family services	1,070,083	-	-	1,070,083
Services to the aged	1,959,593	-	-	1,959,593
Drug and alcohol services	2,045,241	933,357	(39,854)	2,938,744
Group home services	71,856	-	-	71,856
Independent living services	600,979	-	-	600,979
Adult and children and general counseling services	214,819	-	-	214,819
Scholarship programs	130,080	-	-	130,080
	<u>14,391,131</u>	<u>933,357</u>	<u>(39,854)</u>	<u>15,284,634</u>
Total program services				
<b>Supporting Services</b>				
Management and general	2,076,550	142,175	(4,281)	2,214,444
Fundraising	420,999	240,441	(11,072)	650,368
	<u>2,497,549</u>	<u>382,616</u>	<u>(15,353)</u>	<u>2,864,812</u>
Total supporting services				
Services to other agencies	861,619	-	-	861,619
	<u>17,750,299</u>	<u>1,315,973</u>	<u>(55,207)</u>	<u>19,011,065</u>
Total expenses				
Change in unrestricted net assets before transfer from investments and non-operating activities	(264,190)	190,570	-	(73,620)
Transfer from investments for operations and capital expenditures	500,000	-	-	500,000
Change in unrestricted net assets after transfer for operations and capital expenditures and before non-operating activities	<u>235,810</u>	<u>190,570</u>	<u>-</u>	<u>426,380</u>

**Family and Children's Association, Inc. and Affiliate**Consolidating Statement of Activities and Change in Net Assets  
Year Ended December 31, 2017

	<b>Family and Children's Association, Inc.</b>	<b>Long Island Council on Alcoholism and Drug Dependence, Inc.</b>	<b>Eliminations</b>	<b>Total</b>
<b>Change in Unrestricted Net Assets from Non-Operating Activities</b>				
Interest and dividend income, net of fees	\$ 83,129	\$ 612	\$ -	\$ 83,741
Net realized gain on sale of investments	998,963	732	-	999,695
Unrealized (depreciation) appreciation in fair value of investments	(579,050)	4,767	-	(574,283)
Earnings of affiliate	196,681	-	(196,681)	-
Transfer from investments for operations and capital expenditures	(500,000)	-	-	(500,000)
Change in unrestricted net assets from non-operating activities	<u>199,723</u>	<u>6,111</u>	<u>(196,681)</u>	<u>9,153</u>
<b>Change in Unrestricted Net Assets</b>	<u>435,533</u>	<u>196,681</u>	<u>(196,681)</u>	<u>435,533</u>
<b>Change in Temporarily Restricted Net Assets</b>				
Interest and dividend income, net of fees	-	1,738	-	1,738
Net realized gain on sale of investments	-	575	-	575
Unrealized appreciation in fair value of investments	-	38,258	-	38,258
Earnings of affiliate	(109,429)	-	109,429	-
Contributions	20,110	-	-	20,110
Net assets released from restriction	-	(150,000)	-	(150,000)
Change in temporarily restricted net assets	<u>(89,319)</u>	<u>(109,429)</u>	<u>109,429</u>	<u>(89,319)</u>
Change in net assets	<u>346,214</u>	<u>87,252</u>	<u>(87,252)</u>	<u>346,214</u>
<b>Net Assets, Beginning of Year</b>	<u>8,095,690</u>	<u>1,343,350</u>	<u>(1,343,350)</u>	<u>8,095,690</u>
<b>Net Assets, End of Year</b>	<u>\$ 8,441,904</u>	<u>\$ 1,430,602</u>	<u>\$ (1,430,602)</u>	<u>\$ 8,441,904</u>

**Family and Children's Association, Inc. and Affiliate**

Consolidated Statement of Functional Expenses

Year Ended December 31, 2017 (with comparative totals for 2016)

	Mental Health Services	Runaway and Homeless Youth Services	Family Services	Services to the Aged	Drug and Alcohol Services	Group Home 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	2017 Total Expenses	2016 Total Expenses
Salaries	\$ 3,265,573	\$ 2,068,445	\$ 632,003	\$ 1,270,138	\$ 1,623,012	\$ 16,287	\$ 368,675	\$ 104,673	\$ 19,020	\$ 9,367,826	\$ 1,180,572	\$ 71,806	\$ 1,252,378	\$ 442,523	\$ 521,285	\$ 11,584,012	\$ 12,183,245
Payroll taxes and employee benefits	942,885	499,298	158,711	356,124	347,735	4,996	87,807	32,320	4,591	2,434,467	299,686	19,336	319,022	113,592	193,042	3,060,123	3,271,167
	4,208,458	2,567,743	790,714	1,626,262	1,970,747	21,283	456,482	136,993	23,611	11,802,293	1,480,258	91,142	1,571,400	556,115	714,327	14,644,135	15,454,412
Occupancy costs, insurance and Utilities	321,741	75,251	53,936	69,454	407,283	9,126	89,862	19,424	747	1,046,824	135,958	-	135,958	24,532	66,347	1,273,661	1,228,083
Client activity	30,326	30,631	15,256	62,194	17,201	1,792	9,083	42,284	-	208,767	-	-	-	-	9,710	218,477	181,140
Contracted services	296,893	168,783	88,716	81,269	287,683	9,147	19,341	7,990	1,928	961,750	211,394	27,663	239,057	9,137	12,328	1,222,272	1,089,087
House supplies and equipment	10,257	31,586	7,941	3,795	8,912	77	613	234	-	63,415	3,203	-	3,203	362	320	67,300	67,126
Food and clothing	28,794	40,492	5,247	4,930	10,384	-	1,372	719	16	91,954	3,044	485	3,529	857	25,387	121,727	116,024
Repairs and maintenance	25,702	28,641	8,401	5,733	16,240	3,325	4,304	414	32	92,792	14,066	-	14,066	1,068	1,770	109,696	98,595
Travel	98,241	13,208	18,103	17,198	13,511	340	3,279	641	10	164,531	5,226	112	5,338	1,880	4,430	176,179	192,198
Telecommunications	44,314	35,023	26,273	18,607	41,971	1,527	11,395	3,274	6	182,390	37,933	-	37,933	7,823	3,362	231,508	228,940
Office supplies	13,735	21,343	11,076	21,627	29,169	17	883	-	142	97,992	14,587	1,385	15,972	8,600	11,053	133,617	130,501
Dues, licenses and permits	5,009	2,878	2,672	1,020	6,034	17	1,201	384	8	19,223	11,552	11,152	22,704	1,091	6	43,024	50,950
Conference and workshops	18,778	1,038	110	875	1,374	-	-	-	-	22,175	4,985	393	5,378	336	-	27,889	35,631
Staff development	12,548	12,475	2,768	18,405	11,660	17	833	422	-	59,128	10,803	-	10,803	11,238	9,492	90,661	78,308
Scholarship	-	-	-	-	-	-	-	-	93,000	93,000	-	52	52	-	-	93,052	114,600
Interest and bank charges	6,915	-	-	-	7,430	-	-	-	-	14,345	62,016	-	62,016	9,323	-	85,684	160,657
Fundraising	659	2,021	1,651	11,991	21,924	-	50	29	10,580	48,905	7,000	9,259	16,259	-	2,905	68,069	75,392
Bad debt and other	16,741	1,782	3,042	869	4,832	10,223	271	95	-	37,855	7,665	116	7,781	864	105	46,605	14,906
Miscellaneous	-	-	243	-	13,887	-	-	-	-	14,130	1,481	-	1,481	11,848	-	27,459	34,480
Depreciation and amortization	60,609	65,865	33,934	15,364	68,502	14,965	2,010	1,916	-	263,165	61,514	-	61,514	5,294	77	330,050	286,244
	<u>\$ 5,199,720</u>	<u>\$ 3,098,760</u>	<u>\$ 1,070,083</u>	<u>\$ 1,959,593</u>	<u>\$ 2,938,744</u>	<u>\$ 71,856</u>	<u>\$ 600,979</u>	<u>\$ 214,819</u>	<u>\$ 130,080</u>	<u>\$ 15,284,634</u>	<u>\$ 2,072,685</u>	<u>\$ 141,759</u>	<u>\$ 2,214,444</u>	<u>\$ 650,368</u>	<u>\$ 861,619</u>	<u>\$ 19,011,065</u>	<u>\$ 19,637,274</u>