

# FAMILY & CHILDREN'S AGENCY, INC.

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
JUNE 30, 2019 AND 2018

# **FAMILY & CHILDREN'S AGENCY, INC.**

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## **Independent Auditors' Report**

To the Board of Directors  
Family & Children's Agency, Inc.  
Norwalk, Connecticut

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

We have audited the accompanying financial statements of Family & Children's Agency, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family & Children's Agency, Inc., as of June 30, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 2, during the year ended June 30, 2019, Family & Children's Agency, Inc., adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of program services expenses are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2019, on our consideration of Family & Children's Agency, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Family & Children's Agency, Inc.'s 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 & Children's Agency, Inc.'s internal control over financial reporting and compliance.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
December 10, 2019

# FAMILY & CHILDREN'S AGENCY, INC.

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 236,019	\$ 99,712
Investments	3,089,527	2,944,400
Accounts receivable, net	928,548	841,164
Grants receivable	105,248	115,726
Prepaid expenses	67,706	59,779
Funds held by auxiliary	89,449	95,637
Restricted cash	3,731	5,021
Other assets	175,673	33,878
Property and equipment, net	<u>629,591</u>	<u>708,916</u>
<b>Total Assets</b>	<u>\$ 5,325,492</u>	<u>\$ 4,904,233</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 542,307	\$ 496,433
Accrued payroll and related expenses	936,839	766,043
Notes payable	-	11,103
Refundable deposits	95,887	55,200
Refundable advances	<u>98,776</u>	<u>70,177</u>
Total liabilities	<u>1,673,809</u>	<u>1,398,956</u>
<b>Net Assets</b>		
Net assets without donor restrictions:		
Undesignated	509,217	488,018
Board-designated - endowment	<u>3,089,527</u>	<u>2,944,400</u>
Total net assets without donor restrictions	<u>3,598,744</u>	<u>3,432,418</u>
Net assets with donor restrictions	<u>52,939</u>	<u>72,859</u>
Total net assets	<u>3,651,683</u>	<u>3,505,277</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 5,325,492</u>	<u>\$ 4,904,233</u>

The accompanying notes are an integral part of the financial statements

# FAMILY & CHILDREN'S AGENCY, INC.

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Support and Other Changes</b>						
Grant income	\$ 12,082,929	\$ -	\$ 12,082,929	\$ 11,539,493	\$ -	\$ 11,539,493
Program fees	3,372,535	-	3,372,535	3,252,375	-	3,252,375
Contributions	1,876,845	48,920	1,925,765	1,783,001	58,438	1,841,439
Special events	682,496	-	682,496	656,755	-	656,755
Other income	196,657	-	196,657	3,948	-	3,948
Net assets released from restrictions	68,840	(68,840)	-	32,020	(32,020)	-
Total revenue, support and other changes	<u>18,280,302</u>	<u>(19,920)</u>	<u>18,260,382</u>	<u>17,267,592</u>	<u>26,418</u>	<u>17,294,010</u>
<b>Expenses</b>						
Program services	16,468,977	-	16,468,977	15,985,021	-	15,985,021
Development and fundraising	1,128,944	-	1,128,944	1,003,524	-	1,003,524
Management and general	410,031	-	410,031	352,002	-	352,002
Total expenses before depreciation	<u>18,007,952</u>	<u>-</u>	<u>18,007,952</u>	<u>17,340,547</u>	<u>-</u>	<u>17,340,547</u>
<b>Income (Loss) from Operations Before Depreciation</b>	272,350	(19,920)	252,430	(72,955)	26,418	(46,537)
<b>Depreciation</b>	<u>251,551</u>	<u>-</u>	<u>251,551</u>	<u>220,728</u>	<u>-</u>	<u>220,728</u>
<b>Income (Loss) from Operations</b>	20,799	(19,920)	879	(293,683)	26,418	(267,265)
<b>Other Changes in Net Assets</b>						
Investment return, net	145,127	-	145,127	240,211	-	240,211
Gain on disposal of property and equipment	400	-	400	11,918	-	11,918
<b>Increase (Decrease) in Net Assets</b>	166,326	(19,920)	146,406	(41,554)	26,418	(15,136)
<b>Net Assets - Beginning of Year</b>	<u>3,432,418</u>	<u>72,859</u>	<u>3,505,277</u>	<u>3,473,972</u>	<u>46,441</u>	<u>3,520,413</u>
<b>Net Assets - End of Year</b>	<u>\$ 3,598,744</u>	<u>\$ 52,939</u>	<u>\$ 3,651,683</u>	<u>\$ 3,432,418</u>	<u>\$ 72,859</u>	<u>\$ 3,505,277</u>

The accompanying notes are an integral part of the financial statements

# FAMILY & CHILDREN'S AGENCY, INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 146,406	\$ (15,136)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	251,551	220,728
Realized and unrealized gain on investments	(50,281)	(190,032)
Gain on disposal of property and equipment	(400)	(11,918)
(Increase) decrease in operating assets:		
Accounts receivable	(87,384)	28,344
Grants receivable	10,478	26,062
Prepaid expenses	(7,927)	(18,307)
Funds held by auxiliary	6,188	1,207
Restricted cash	1,290	-
Other assets	(141,795)	4,495
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	45,874	166,408
Accrued payroll and related expenses	170,796	(79,915)
Refundable deposits	40,687	49,246
Refundable advances	28,599	48,985
Net cash provided by operating activities	<u>414,082</u>	<u>230,167</u>
<b>Cash Flows from Investing Activities</b>		
Cash outlay for property and equipment	(172,226)	(229,702)
Proceeds from disposal of property and equipment	400	14,500
Purchases of investments	(94,846)	(50,179)
Net cash used in investing activities	<u>(266,672)</u>	<u>(265,381)</u>
<b>Cash Flows from Financing Activities</b>		
Principal payments on notes payable	(11,103)	(64,800)
Net cash used in financing activities	<u>(11,103)</u>	<u>(64,800)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	136,307	(100,014)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>99,712</u>	<u>199,726</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 236,019</u>	<u>\$ 99,712</u>
<b>Cash Paid During the Year for Interest</b>	\$ 16,428	\$ 13,471

The accompanying notes are an integral part of the financial statements

## FAMILY & CHILDREN'S AGENCY, INC.

### STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019				2018			
	Program Services	Management and General	Development and Fundraising	Total	Program Services	Management and General	Development and Fundraising	Total
Salaries and benefits	\$ 9,960,681	\$ 370,335	\$ 770,103	\$ 11,101,119	\$ 9,626,479	\$ 308,760	\$ 634,252	\$ 10,569,491
Client support	3,740,724	-	-	3,740,724	3,613,182	-	-	3,613,182
Contract employees	1,349,951	8,008	36,695	1,394,654	1,235,357	8,026	28,396	1,271,779
Occupancy	568,600	1,860	28,695	599,155	645,652	2,598	24,300	672,550
Travel	207,579	3,328	3,161	214,068	253,256	1,835	2,930	258,021
Fundraising events	-	-	158,679	158,679	-	-	198,868	198,868
Telephone	118,699	2,873	7,056	128,628	105,988	1,950	4,308	112,246
Office supplies	80,428	1,633	44,113	126,174	79,147	1,185	32,564	112,896
Insurance	108,775	3,238	8,374	120,387	92,859	2,700	5,997	101,556
Equipment rental	92,615	2,084	7,629	102,328	102,681	2,355	7,363	112,399
Finance and other fees	71,664	2,120	5,484	79,268	61,916	1,801	3,999	67,716
Conferences	61,070	5,807	9,445	76,322	53,699	16,552	11,274	81,525
Professional fees	41,625	6,419	2,957	51,001	36,309	3,000	2,221	41,530
Miscellaneous	17,390	17	16,291	33,698	16,614	36	13,818	30,468
Postage	20,981	197	11,593	32,771	26,522	162	6,616	33,300
Dues and memberships	22,624	515	5,338	28,477	31,792	735	3,648	36,175
Public relations	5,571	1,597	13,331	20,499	3,568	307	22,970	26,845
<b>Total Expenses Before Depreciation</b>	<b>16,468,977</b>	<b>410,031</b>	<b>1,128,944</b>	<b>18,007,952</b>	<b>15,985,021</b>	<b>352,002</b>	<b>1,003,524</b>	<b>17,340,547</b>
<b>Depreciation</b>	<b>227,288</b>	<b>6,765</b>	<b>17,498</b>	<b>251,551</b>	<b>201,825</b>	<b>5,869</b>	<b>13,034</b>	<b>220,728</b>
<b>Total Expenses</b>	<b>\$ 16,696,265</b>	<b>\$ 416,796</b>	<b>\$ 1,146,442</b>	<b>\$ 18,259,503</b>	<b>\$ 16,186,846</b>	<b>\$ 357,871</b>	<b>\$ 1,016,558</b>	<b>\$ 17,561,275</b>

The accompanying notes are an integral part of the financial statements



# **FAMILY & CHILDREN'S AGENCY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE 1 - ORGANIZATION**

Family & Children's Agency Inc. (the Agency) is a nonstock, not-for-profit corporation formed as a social service agency engaged in assisting individuals and families primarily throughout Fairfield County who are faced with adversity. Assistance is available through various programs that provide professional guidance designed to promote harmonious family and interpersonal relationships and healthy personal development.

#### **Program Services**

The Agency provides the following services:

##### **Adoption Services**

Adoption Services provides home studies and support services for domestic and foreign adoption. Revenues are received from client fees and contributions.

##### **Behavioral Health Services**

Behavioral Health Services include individual, family and group counseling. As a licensed child, adolescent and adult psychiatric clinic, the Agency provides assessment, psychiatric services and counseling to individuals ages five and up. Project Reward is a substance abuse treatment program for substance-abusing women and their children. The program provides intensive outpatient services and aftercare. Homeless service programs provide social rehabilitation case management and supportive housing. Revenues are received from client fees, federal and state grants, contributions and in-kind donations.

##### **Child Welfare Services**

Child Welfare Services encompasses in-home child psychiatric services as well as specialized foster care, family support programs such as Parents as Teachers and our MOM'S programs and youth development programs such as the ASPIRE after-school program. Revenues are received from program fees, federal and state grants, contributions, in-kind donations and fundraising events.

##### **Home Care Services**

Home Care Services include Live-In, Home Health Aide, Assisted Transportation, Chore, Companion and Homemaking services for the frail elderly. Revenues are received from client fees that are largely paid by third-party payors including federal grants, private payors and contributions.

##### **Personal Alert**

Personal Alert provides emergency response system services primarily to people living in Fairfield County and surrounding towns. Personal Alert receives income from client fees, which are paid by Southwestern Connecticut Agency on Aging and private payors.

# FAMILY & CHILDREN'S AGENCY, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment changes the previous reporting model for nonprofit organizations and enhances the disclosure requirements. The major changes include: (a) requiring the presentation of only two classes of net assets rather than three, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investments expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. This ASU is effective for annual periods beginning after December 15, 2017. Management has adopted ASU 2016-14 for the year ended June 30, 2019. The amendments have been retrospectively applied with the exception of disclosures on liquidity and availability of resources for the year ended June 30, 2018.

#### Basis of Accounting and Presentation

The financial statements of the Agency have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of the Agency are reported in the following net asset categories:

##### **Net Assets Without Donor Restrictions**

Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors. The Board of Directors has established a portion of the net assets without donor restrictions to function as an endowment.

##### **Net Assets With Donor Restrictions**

Net assets with donor restrictions represent contributions that are restricted by the donor as to purpose or time of expenditure. Net assets with donor restrictions also represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Agency to expend the income earned thereon. The Agency did not have any net assets with restrictions in perpetuity as of June 30, 2019 and 2018.

#### Measure of Operations

The Agency's measure of operations includes all changes in net assets except investment return, net and loss on disposal of property and equipment.

# **FAMILY & CHILDREN'S AGENCY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. It is management's opinion that the estimates applied in the accompanying financial statements are reasonable.

### **Cash and Cash Equivalents**

Cash and cash equivalents include cash in banks and certain highly liquid investments with original maturities of 90 days or less, exclusive of amounts held by brokers, which are considered to be investments.

The Agency places its cash deposits with high credit-quality institutions. Such deposits exceed federal depository insurance limits at times during the year. However, management believes that the Agency's deposits are not subject to significant credit risk.

### **Accounts Receivable**

The Agency generally does not require collateral or other security in providing health care and other services to clients. However, the Agency routinely obtains assignment of clients' benefits payable under their health care insurance programs, plans or policies. Based on management's assessment of the credit history with clients having outstanding balances and their current relationships with them, it has concluded that a reserve of \$50,000 is deemed necessary at June 30, 2019 and 2018. Accounts receivable balances are written off when management has concluded that all reasonable methods of collection have been exhausted.

### **Grants Receivable**

Grants from federal, state and other sources are recognized as revenue when the related expenditures are incurred or revenue otherwise earned. Grants receivable represents unreimbursed expenses at June 30, 2019 and 2018.

### **Investment Valuation and Income Recognition**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include the Agency's gains and losses on investments bought and sold as well as held during the year. Realized and unrealized gains and losses on these investments are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

### **Property and Equipment**

Property and equipment acquisitions and improvements thereon that exceed \$1,000 are recorded at cost or donated value. Depreciation is provided using the straight-line method based on the estimated useful lives.

# **FAMILY & CHILDREN'S AGENCY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

### **Restricted Cash and Refundable Deposits**

Restricted cash and refundable deposits represent adoption funds received from prospective parents, which are held in escrow for future payments.

### **Refundable Advances**

Amounts of grants and contracts that are received but unearned are reflected as refundable advances in the accompanying statements of financial position and are subsequently reflected in the accompanying statements of activities during the period to which they apply as funds are expended.

### **Contributions**

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are discounted to their present value. The Agency reports nongovernmental contributions and grants of cash and other assets as donor-restricted support if they are received with donor stipulations that limit their use. 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 statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with net assets without donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

### **Program Fees**

Program fees are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered.

### **Governmental Grants and Contracts**

Other than certain awards to fund capital expenditures, governmental grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost-reimbursement grants and contracts is recognized to the extent of costs incurred. Revenue from performance-based grants and contracts are recognized to the extent of performance achieved.

The Agency receives a significant portion of its revenue from the State of Connecticut. A significant reduction in the level of this support, if it were to occur, could have a significant effect on the Agency's programs.

# **FAMILY & CHILDREN'S AGENCY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Donated Property and Services**

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased by the Agency. Donated services meeting these criteria consisted of donated program supplies totaling \$51,554 and \$42,200 for the years ended June 30, 2019 and 2018, respectively, and are included in the revenues and expenses on the statements of activities. Donated property and goods are recorded as support and expensed at fair market value when determinable, otherwise at values indicated by the donor.

While many individuals volunteer their time and perform a variety of tasks that assist the Agency, no amounts have been recognized in the accompanying financial statements for such services because the criteria for recognition of such volunteer efforts have not been met.

### **Functional Expense Allocation**

The cost of providing the various program and supporting services has been reported on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefitted. Such allocations have been determined by management on an equitable basis. Allocation of overhead expenses including occupancy and depreciation are allocated to functional areas based upon square footage. The allocations of other common expenses that by their nature are administrative in support of the overall organization are accumulated in a pool and allocated to programs and supporting services by cost center based upon the total salary expenses in each cost center.

### **Income Taxes**

The Agency is exempt from federal income taxes under provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made.

### **Subsequent Events**

In preparing these financial statements, management has evaluated subsequent events through December 10, 2019, which represents the date the financial statements were available to be issued.

### **NOTE 3 - FAIR VALUE MEASUREMENT**

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

#### **Level 1**

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.

# FAMILY & CHILDREN'S AGENCY, INC.

## NOTES TO FINANCIAL STATEMENTS

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### Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

### Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

#### **Money Market Funds**

Money market funds are valued at the quoted net asset value of shares reported in the active market in which the money market funds are traded.

#### **Mutual Funds and Exchange-Traded Equity Funds**

Mutual funds and exchange-traded equity funds are valued at the quoted net asset value of shares held by the Agency at year end.

There have been no changes in the methodologies used at June 30, 2019 and 2018.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair values of all investments are determined using quoted prices for identical assets in active markets in which the Agency has access (Level 1).

# FAMILY & CHILDREN'S AGENCY, INC.

## NOTES TO FINANCIAL STATEMENTS

The following tables set forth the Agency's assets at fair value as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Exchange-traded equity funds	\$ 1,296,824	\$ 1,338,729
Mutual funds:		
Equity	726,543	730,276
Fixed income	461,568	360,732
Total assets at fair value	<u>2,484,935</u>	<u>2,429,737</u>
Money market funds	<u>604,592</u>	<u>514,663</u>
Total Investments	<u>\$ 3,089,527</u>	<u>\$ 2,944,400</u>

### NOTE 4 - UNEMPLOYMENT SERVICES TRUST

The Agency is self-insured for unemployment claims through Unemployment Services Trust (UST). Contributions to UST are accumulated and used to pay future claims. The Agency could be required to make additional payments if claims exceed the accumulated contributions. As of June 30, 2019, accumulated contributions of \$143,545 were included in other assets on the statement of financial position, and there was an estimated claim liability of \$23,164 included in accounts payable and accrued expenses on the statement of financial position. Per the contract with UST, the Agency has the ability to withdraw funds if accumulated contributions exceed the estimated liability.

### NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 1,653,009	\$ 1,631,208
Equipment and fixtures	1,273,666	1,194,776
Vehicles	126,864	83,029
Internal software	688,422	667,221
	<u>3,741,961</u>	<u>3,576,234</u>
Less accumulated depreciation	<u>(3,112,370)</u>	<u>(2,867,318)</u>
Net Property and Equipment	<u>\$ 629,591</u>	<u>\$ 708,916</u>

### NOTE 6 - LINE OF CREDIT

The Agency has an available line of credit in the amount of \$1,400,000. Interest is payable monthly based on *The Wall Street Journal* Prime Rate (5.50% and 5.00% at June 30, 2019 and 2018, respectively), and will be renewed annually at the bank's discretion. The line of credit is secured by substantially all of the Agency's assets and contains various financial and other covenants.

There was no balance outstanding as of June 30, 2019 and 2018.

# FAMILY & CHILDREN'S AGENCY, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7 - NOTES PAYABLE

The Agency obtained a \$300,000 note payable with an interest rate of 4.25% and monthly payments of principal and interest totaling \$5,567. This note matures on August 2, 2018 and is secured by the Agency's assets. The outstanding balance was paid in full during fiscal year 2019.

The agreement includes various restrictions and financial covenants.

### NOTE 8 - LEASE COMMITMENTS

The Agency leases various office equipment, facilities and vehicles under operating leases, which expire at various times through June 2023, with monthly payments ranging from \$52 to \$15,259. Rent expense for the years ended June 30, 2019 and 2018 amounted to \$325,426 and \$384,156, respectively.

At June 30, 2019, minimum future rental payments under these operating leases were as follows:

#### Year Ending June 30

2020	\$ 285,632
2021	251,256
2022	197,444
2023	<u>189,585</u>
Total	\$ <u>923,917</u>

### NOTE 9 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Agency's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 236,019
Investments	3,089,527
Accounts receivable, net	928,548
Grants receivable	<u>105,248</u>
Total financial assets available within one year	4,359,342
Less amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	(52,939)
Amounts unavailable without Board's approval:	
Board-designated endowment	<u>(3,089,527)</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	\$ <u>1,216,876</u>

#### Liquidity Management

The Agency maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Agency invests cash in excess of weekly requirements in short-term investments. The Agency also has a line of credit it could draw upon in the event of an unanticipated liquidity need.



# FAMILY & CHILDREN'S AGENCY, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Scholarship and staff enhancement	\$ 47,663	\$ 59,639
Child welfare services and client support fund	5,276	7,871
Summer camp scholarships	<u>-</u>	<u>5,349</u>
Total Net Assets with Donor Restrictions	<u>\$ 52,939</u>	<u>\$ 72,859</u>

Net assets released from restriction by incurring expenses satisfying the purpose restrictions for child welfare services and client support were \$68,840 and \$32,020 for the years ended June 30, 2019 and 2018, respectively.

### NOTE 11 - ENDOWMENT

The Agency's endowment consists of funds designated by the Board of Directors to function as an endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>
Endowment net assets - June 30, 2017	\$ <u>2,704,189</u>
Investment return:	
Investment income	50,179
Investment gain	<u>190,032</u>
Total investment return	<u>240,211</u>
Endowment net assets - June 30, 2018	<u>2,944,400</u>
Investment return:	
Investment income	94,846
Investment gain	<u>50,281</u>
Total investment return	<u>145,127</u>
Endowment Net Assets - June 30, 2019	<u>\$ <u>3,089,527</u></u>

# **FAMILY & CHILDREN'S AGENCY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Return Objectives and Risk Parameters**

The Agency has adopted investment and spending policies for endowment assets that attempt to maintain the purchasing power of the endowment assets. Endowment assets include only board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various industry benchmarks and indexes while assuming a moderate level of investment risk. Actual returns in any given year may vary.

### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Agency relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Agency targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term rate of return objectives within prudent risk constraints.

### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Agency has a policy allowing for the appropriation each year of up to 5% of its endowment fund's average fair value at the beginning of the fiscal year (July 1) in which the distribution is planned. In establishing this policy, the Agency considered the long-term expected return on its endowment. This is consistent with the Agency's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

### **NOTE 12 - DEFINED CONTRIBUTION RETIREMENT PLAN**

The Agency maintains a defined contribution retirement plan as defined under Section 401(a) of the Internal Revenue Code. All employees are eligible to participate after one year and the completion of 1,000 hours of service. The Agency's annual contribution is equal to 3% of the eligible employee's annual salary. In addition, the Agency will contribute 100% of up to 2% of an employee's contribution. Employees are fully vested immediately for the first 3% and after three years of service for the 2% match. Employer contributions to the plan were \$327,535 and \$352,920 for 2019 and 2018, respectively.

### **NOTE 13 - FEDERAL AND STATE ASSISTANCE PROGRAMS**

The Agency participates in a number of federal and state assisted grant programs. The use of grants in programs is subject to future review by the grantors. Such reviews may result in the Agency having liabilities to the grantors.



## **Supplementary Information**

# FAMILY & CHILDREN'S AGENCY, INC.

## SCHEDULE OF PROGRAM SERVICES EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

	<u>Behavioral Health</u>	<u>Home Care</u>	<u>Adoption</u>	<u>Child Welfare</u>	<u>Personal Alert</u>	<u>Total</u>
<b>Program Services Expenses</b>						
Salaries and benefits	\$ 2,850,718	\$ 1,598,302	\$ 485,232	\$ 4,828,431	\$ 197,998	\$ 9,960,681
Client support	55,575	1,377	35,944	3,519,862	127,966	3,740,724
Contract employees	1,130,361	46,016	23,240	145,312	5,022	1,349,951
Occupancy	212,850	37,346	22,040	288,534	7,830	568,600
Travel	36,646	12,631	18,338	135,943	4,021	207,579
Telephone	32,066	16,921	5,275	62,594	1,843	118,699
Office supplies	25,411	9,195	4,278	36,983	4,561	80,428
Insurance	30,849	18,604	5,353	51,938	2,031	108,775
Equipment rental	28,033	13,269	6,215	43,469	1,629	92,615
Finance and other fees	20,601	12,184	3,536	34,013	1,330	71,664
Conferences	20,802	7,870	5,134	26,681	583	61,070
Professional fees	11,346	6,570	4,650	18,342	717	41,625
Miscellaneous	3,446	7,600	50	5,928	366	17,390
Postage	4,752	1,132	10,201	4,287	609	20,981
Dues and memberships	8,740	2,958	1,920	8,683	323	22,624
Public relations	1,047	632	1,897	1,764	231	5,571
<b>Total Expenses Before Depreciation</b>	<u>4,473,243</u>	<u>1,792,607</u>	<u>633,303</u>	<u>9,212,764</u>	<u>357,060</u>	<u>16,468,977</u>
<b>Depreciation</b>	<u>64,461</u>	<u>38,874</u>	<u>11,185</u>	<u>108,525</u>	<u>4,243</u>	<u>227,288</u>
<b>Total</b>	<u>\$ 4,537,704</u>	<u>\$ 1,831,481</u>	<u>\$ 644,488</u>	<u>\$ 9,321,289</u>	<u>\$ 361,303</u>	<u>\$ 16,696,265</u>

# FAMILY & CHILDREN'S AGENCY, INC.

## SCHEDULE OF PROGRAM SERVICES EXPENSES FOR THE YEAR ENDED JUNE 30, 2018

	<u>Behavioral Health</u>	<u>Home Care</u>	<u>Adoption</u>	<u>Child Welfare</u>	<u>Personal Alert</u>	<u>Total</u>
<b>Program Services Expenses</b>						
Salaries and benefits	\$ 2,619,719	\$ 1,556,655	\$ 469,360	\$ 4,751,388	\$ 229,357	\$ 9,626,479
Client support	45,216	2,985	24,553	3,414,393	126,035	3,613,182
Contract employees	1,000,627	48,454	13,403	166,387	6,486	1,235,357
Occupancy	241,350	47,203	22,259	324,890	9,950	645,652
Travel	41,175	11,981	24,746	172,047	3,307	253,256
Telephone	26,161	13,110	4,895	60,294	1,528	105,988
Office supplies	28,880	7,911	5,097	35,091	2,168	79,147
Insurance	24,778	16,532	4,573	44,763	2,213	92,859
Equipment rental	29,610	16,656	6,580	47,347	2,488	102,681
Finance and other fees	16,522	11,023	3,049	29,847	1,475	61,916
Conferences	21,591	6,096	2,203	22,233	1,576	53,699
Professional fees	9,177	6,123	3,612	16,578	819	36,309
Miscellaneous	2,505	6,349	716	6,699	345	16,614
Postage	5,600	1,570	12,336	6,505	511	26,522
Dues and memberships	10,074	4,873	3,958	12,206	681	31,792
Public relations	952	635	176	1,720	85	3,568
<b>Total Expenses Before Depreciation</b>	<u>4,123,937</u>	<u>1,758,156</u>	<u>601,516</u>	<u>9,112,388</u>	<u>389,024</u>	<u>15,985,021</u>
<b>Depreciation</b>	<u>53,854</u>	<u>35,932</u>	<u>9,939</u>	<u>97,291</u>	<u>4,809</u>	<u>201,825</u>
<b>Total</b>	<u><u>\$ 4,177,791</u></u>	<u><u>\$ 1,794,088</u></u>	<u><u>\$ 611,455</u></u>	<u><u>\$ 9,209,679</u></u>	<u><u>\$ 393,833</u></u>	<u><u>\$ 16,186,846</u></u>