

FAMILY & CHILDREN'S AGENCY, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND 2019**

FAMILY & CHILDREN'S AGENCY, INC.

CONTENTS

Independent Auditors' Report	1-2
Statements of Financial Position - June 30, 2020 and 2019	3
Statements of Activities for the Years Ended June 30, 2020 and 2019	4
Statements of Cash Flows for the Years Ended June 30, 2020 and 2019	5
Statements of Functional Expenses for the Years Ended June 30, 2020 and 2019	6
Notes to Financial Statements	7-17
Schedules of Program Services Expenses for the Years Ended June 30, 2020 and 2019	18-19

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020, Family & Children's Agency, Inc., adopted Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were 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 8, 2020, 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 8, 2020

FAMILY & CHILDREN'S AGENCY, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 2,448,937	\$ 236,019
Investments	2,982,084	3,089,527
Accounts receivable, net	721,037	928,548
Grants receivable	58,172	105,248
Prepaid expenses	166,430	67,706
Funds held by auxiliary	29,601	89,449
Restricted cash	3,731	3,731
Other assets	220,694	175,673
Property and equipment, net	<u>553,332</u>	<u>629,591</u>
Total Assets	<u>\$ 7,184,018</u>	<u>\$ 5,325,492</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 455,384	\$ 542,307
Accrued payroll and related expenses	951,221	936,839
Notes payable	1,938,371	-
Refundable deposits	167,677	95,887
Refundable advances	<u>191,647</u>	<u>98,776</u>
Total liabilities	<u>3,704,300</u>	<u>1,673,809</u>
Net Assets		
Net assets without donor restrictions:		
Undesignated	(323,924)	509,217
Board-designated - endowment	<u>2,982,084</u>	<u>3,089,527</u>
Total net assets without donor restrictions	2,658,160	3,598,744
Net assets with donor restrictions	<u>821,558</u>	<u>52,939</u>
Total net assets	<u>3,479,718</u>	<u>3,651,683</u>
Total Liabilities and Net Assets	<u>\$ 7,184,018</u>	<u>\$ 5,325,492</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, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Other Changes						
Grant income	\$ 11,645,434	\$ -	\$ 11,645,434	\$ 12,082,929	\$ -	\$ 12,082,929
Program fees	3,125,656	-	3,125,656	3,372,535	-	3,372,535
Contributions	1,962,862	795,369	2,758,231	1,876,845	48,920	1,925,765
Special events	271,589	-	271,589	682,496	-	682,496
Other income	851	-	851	196,657	-	196,657
Net assets released from restrictions	26,750	(26,750)	-	68,840	(68,840)	-
Total revenue, support and other changes	<u>17,033,142</u>	<u>768,619</u>	<u>17,801,761</u>	<u>18,280,302</u>	<u>(19,920)</u>	<u>18,260,382</u>
Expenses						
Program services	16,219,667	-	16,219,667	16,468,977	-	16,468,977
Development and fundraising	1,078,137	-	1,078,137	1,128,944	-	1,128,944
Management and general	335,817	-	335,817	410,031	-	410,031
Total expenses before depreciation	<u>17,633,621</u>	<u>-</u>	<u>17,633,621</u>	<u>18,007,952</u>	<u>-</u>	<u>18,007,952</u>
Income (Loss) from Operations Before Depreciation	(600,479)	768,619	168,140	272,350	(19,920)	252,430
Depreciation	<u>232,662</u>	<u>-</u>	<u>232,662</u>	<u>251,551</u>	<u>-</u>	<u>251,551</u>
Income (Loss) from Operations	(833,141)	768,619	(64,522)	20,799	(19,920)	879
Other Changes in Net Assets						
Investment return, net	(107,443)	-	(107,443)	145,127	-	145,127
Gain on disposal of property and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>400</u>	<u>-</u>	<u>400</u>
Increase (Decrease) in Net Assets	(940,584)	768,619	(171,965)	166,326	(19,920)	146,406
Net Assets - Beginning of Year	<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>
Net Assets - End of Year	<u>\$ 2,658,160</u>	<u>\$ 821,558</u>	<u>\$ 3,479,718</u>	<u>\$ 3,598,744</u>	<u>\$ 52,939</u>	<u>\$ 3,651,683</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (171,965)	\$ 146,406
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	232,662	251,551
Realized and unrealized (gain) loss on investments	204,225	(50,281)
Gain on disposal of property and equipment	-	(400)
(Increase) decrease in operating assets:		
Accounts receivable	207,511	(87,384)
Grants receivable	47,076	10,478
Prepaid expenses	(98,724)	(7,927)
Funds held by auxiliary	59,848	6,188
Restricted cash	-	
Other assets	(45,021)	(141,795)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(86,923)	45,874
Accrued payroll and related expenses	14,382	170,796
Refundable deposits	71,790	40,687
Refundable advances	92,871	28,599
Net cash provided by operating activities	<u>527,732</u>	<u>412,792</u>
Cash Flows from Investing Activities		
Cash outlay for property and equipment	(139,032)	(172,226)
Proceeds from disposal of property and equipment	-	400
Purchases of investments	(96,782)	(94,846)
Net cash used in investing activities	<u>(235,814)</u>	<u>(266,672)</u>
Cash Flows from Financing Activities		
Proceeds from Paycheck Protection Program	1,921,000	-
Principal payments on notes payable	-	(11,103)
Net cash provided by (used in) financing activities	<u>1,921,000</u>	<u>(11,103)</u>
Net Increase in Cash, Cash Equivalents and Restricted Cash	2,212,918	135,017
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	<u>239,750</u>	<u>104,733</u>
Cash, Cash Equivalents and Restricted Cash - End of Year	<u>\$ 2,452,668</u>	<u>\$ 239,750</u>
Cash Paid During the Year for Interest	\$ 7,930	\$ 16,428

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, 2020 AND 2019

	2020				2019			
	Program Services	Management and General	Development and Fundraising	Total	Program Services	Management and General	Development and Fundraising	Total
Salaries and benefits	\$ 10,082,954	\$ 297,954	\$ 763,098	\$ 11,144,006	\$ 9,960,681	\$ 370,335	\$ 770,103	\$ 11,101,119
Client support	3,393,961	-	-	3,393,961	3,740,724	-	-	3,740,724
Contract employees	1,380,851	8,241	32,664	1,421,756	1,349,951	8,008	36,695	1,394,654
Occupancy	562,174	2,001	26,599	590,774	568,600	1,860	28,695	599,155
Travel	155,453	1,544	3,230	160,227	207,579	3,328	3,161	214,068
Fundraising events	-	-	138,249	138,249	-	-	158,679	158,679
Telephone	128,657	3,014	8,104	139,775	118,699	2,873	7,056	128,628
Office supplies	88,187	3,119	36,124	127,430	80,428	1,633	44,113	126,174
Insurance	118,336	3,166	8,746	130,248	108,775	3,238	8,374	120,387
Equipment rental	84,541	1,772	8,031	94,344	92,615	2,084	7,629	102,328
Finance and other fees	68,263	1,826	5,045	75,134	71,664	2,120	5,484	79,268
Conferences	29,450	10,422	6,059	45,931	61,070	5,807	9,445	76,322
Professional fees	40,672	1,082	2,988	44,742	41,625	6,419	2,957	51,001
Miscellaneous	36,866	492	16,259	53,617	17,390	17	16,291	33,698
Postage	21,489	281	6,522	28,292	20,981	197	11,593	32,771
Dues and memberships	24,583	610	4,896	30,089	22,624	515	5,338	28,477
Public relations	3,230	293	11,523	15,046	5,571	1,597	13,331	20,499
Total Expenses Before Depreciation	16,219,667	335,817	1,078,137	17,633,621	16,468,977	410,031	1,128,944	18,007,952
Depreciation	211,383	5,656	15,623	232,662	227,288	6,765	17,498	251,551
Total Expenses	\$ 16,431,050	\$ 341,473	\$ 1,093,760	\$ 17,866,283	\$ 16,696,265	\$ 416,796	\$ 1,146,442	\$ 18,259,503

The accompanying notes are an integral part of the financial statements

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

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.

Coronavirus

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. As a result of the spread of coronavirus, economic uncertainties have arisen which have resulted in significant volatility in the investment markets.

On March 10, 2020, Connecticut Governor Ned Lamont declared a Public Health and Civil Preparedness Emergency. As a result, the Agency announced that it would close offices and employees would transition into remote working.

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

On April 16, 2020, the Agency received a Paycheck Protection Program (PPP) loan of \$1,921,000 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). See Note 7 for further discussion.

The duration of the uncertainties around the coronavirus and the ultimate financial effects cannot be reasonably estimated at this time.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendment clarifies guidance on how an entity determines whether a transfer of assets is a contribution or exchange transaction. The amendment also clarifies the determination of conditional contributions based on evaluating whether there is a right of return and a barrier to overcome. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified prospective method, in which case the effect of applying the standard would be recognized for any agreements not completed and any new agreements entered into at the date of initial application. The new standard is effective for annual reporting periods beginning after December 15, 2018. Management has adopted ASU 2018-08 for the year ended June 30, 2020. The amendments have been applied using the full retrospective method.

There was no cumulative effect of applying ASU 2018-08.

In November 2016, the Financial Accounting Standards Board issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which provides guidance on the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. The amendments 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 and restricted cash equivalents. This ASU is effective for annual periods beginning after December 15, 2018. The Agency has adopted the amendments for the year ended December 31, 2019. The amendments have been applied retrospectively to all periods presented.

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.

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

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, 2020 and 2019.

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.

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.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,448,937	\$ 236,019
Restricted cash	<u>3,731</u>	<u>3,731</u>
Total Cash, Cash Equivalents and Restricted Cash Shown in the Statements of Cash Flows	<u>\$ 2,452,668</u>	<u>\$ 239,750</u>

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

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, 2020 and 2019. Accounts receivable balances are written off when management has concluded that all reasonable methods of collection have been exhausted.

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.

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, Including Government Grants and Contracts

In accordance with ASU 2018-08, certain governmental grants and contracts received by a not-for-profit, including certain awards to fund capital expenditures, are generally considered to be contributions rather than exchange transactions since there was not commensurate value transferred between the resource provider and the Agency. Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of return of

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

assets) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor.

The Agency reports contributions 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 accompanying statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented as net assets without donor restrictions. Transfers of assets from a resource provider received before the barriers are overcome are reported as deferred revenue on the accompanying consolidated statements of financial position.

Conditional government grants and contracts not recognized as revenue as of June 30, 2019 total \$39,215. Government grants and contracts are conditioned on incurring qualified program expenses.

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.

Program Fees

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

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 \$111,706 and \$51,554 for the years ended June 30, 2020 and 2019, 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 statements 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 agency 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.

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

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 8, 2020, 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.

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.

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

There have been no changes in the methodologies used at June 30, 2020 and 2019.

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).

The following tables set forth the Agency's assets at fair value as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Exchange-traded equity funds	\$ 1,066,734	\$ 1,296,824
Mutual funds:		
Equity	702,883	726,543
Fixed income	658,887	461,568
Total assets at fair value	<u>2,428,504</u>	<u>2,484,935</u>
Money market funds	<u>553,580</u>	<u>604,592</u>
Total Investments	<u>\$ 2,982,084</u>	<u>\$ 3,089,527</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, 2020 and 2019, accumulated contributions of \$182,966 and \$143,545, respectively, were included in other assets on the statements of financial position, and there was an estimated claim liability of \$16,866 and \$23,164, respectively, included in accounts payable and accrued expenses on the statements 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, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Buildings and improvements	\$ 1,682,264	\$ 1,653,009
Equipment and fixtures	1,400,811	1,273,666
Vehicles	126,864	126,864
Internal software	688,422	688,422
	<u>3,898,361</u>	<u>3,741,961</u>
Less accumulated depreciation	<u>(3,345,029)</u>	<u>(3,112,370)</u>
Net Property and Equipment	<u>\$ 553,332</u>	<u>\$ 629,591</u>

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

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 (3.25% and 5.50% at June 30, 2020 and 2019, 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, 2020 and 2019.

NOTE 7 - NOTES PAYABLE

On April 16, 2020, the Agency received a PPP loan of \$1,921,000 granted by the SBA under the CARES Act. A portion of this loan may be forgivable based on the amount of qualifying expenses incurred and levels of employee headcount and salaries maintained during a measurement period. The Agency considers the PPP loan to be debt and, accordingly, will record the amount of forgiveness, if any, when legally released by the lender. At the time of issuance of the financial statements, notice of forgiveness had not been received from the lender. The lending institution will provide the Agency with a schedule of payments once the amounts to be forgiven have been determined and the principal balance to be repaid becomes known. Any portion of the loan that must be repaid will bear interest at a rate of 1% per annum and be due and payable in full on April 16, 2022.

The Agency has an interest-free loan agreement with Eversource Energy for an energy efficient improvement project in Norwalk, Connecticut. The total amount of improvements financed was \$17,371. The term on the loans was for 40 months commencing in July 2020. Total payments of \$434 consisting of principal only were due monthly. The balance on the note as of June 30, 2020 was \$17,371.

Current maturities of notes payable over the next four fiscal years are as follows:

2021	\$	5,211
2022		5,211
2023		5,211
2024		<u>1,738</u>
Total	\$	<u>17,371</u>

NOTE 8 - LEASE COMMITMENTS

The Agency leases various office equipment, facilities and vehicles under operating leases, which expire at various times through August 2024, with monthly payments ranging from \$52 to \$15,259. Rent expense for the years ended June 30, 2020 and 2019 amounted to \$338,640 and \$325,426, respectively.

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

At June 30, 2020, minimum future rental payments under these operating leases were as follows:

Year Ending June 30

2021	\$	325,862
2022		269,959
2023		247,343
2024		37,276
2025		<u>6,213</u>
Total	\$	<u>886,653</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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,448,937	\$ 236,019
Investments	2,982,084	3,089,527
Accounts receivable, net	721,037	928,548
Grants receivable	<u>58,172</u>	<u>105,248</u>
Total financial assets available within one year	6,210,230	4,359,342
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(821,558)	(52,939)
Amounts unavailable without Board's approval:		
Board-designated endowment	<u>(2,982,084)</u>	<u>(3,089,527)</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	\$ <u>2,406,588</u>	\$ <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

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Scholarship and staff enhancement	\$ 765,561	\$ 47,663
Child welfare services and client support fund	<u>55,997</u>	<u>5,276</u>
Total Net Assets with Donor Restrictions	\$ <u>821,558</u>	\$ <u>52,939</u>

Net assets released from restriction by incurring expenses satisfying the purpose restrictions for child welfare services and client support were \$26,750 and \$68,840 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</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>3,089,527</u>
Investment return:	
Investment income	96,782
Investment loss	<u>(204,225)</u>
Total investment return	<u>(107,443)</u>
Endowment Net Assets - June 30, 2020	\$ <u>2,982,084</u>

FAMILY & CHILDREN'S AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

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 \$357,126 and \$327,535 for 2020 and 2019, 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, 2020

	<u>Behavioral Health</u>	<u>Home Care</u>	<u>Adoption</u>	<u>Child Welfare</u>	<u>Personal Alert</u>	<u>Total</u>
Program Services Expenses						
Salaries and benefits	\$ 2,825,319	\$ 1,639,835	\$ 432,567	\$ 5,009,349	\$ 175,884	\$ 10,082,954
Client support	33,678	1,508	24,245	3,216,837	117,693	3,393,961
Contract employees	1,137,624	54,059	16,810	167,072	5,286	1,380,851
Occupancy	191,464	39,733	26,435	296,509	8,033	562,174
Travel	25,948	10,066	12,767	103,984	2,688	155,453
Telephone	36,142	19,900	5,271	65,356	1,988	128,657
Office supplies	23,772	16,999	5,420	39,602	2,394	88,187
Insurance	32,673	20,766	5,073	57,793	2,031	118,336
Equipment rental	24,225	12,639	6,169	40,098	1,410	84,541
Finance and other fees	18,848	11,979	2,926	33,338	1,172	68,263
Conferences	7,514	5,948	868	14,787	333	29,450
Professional fees	11,161	7,093	1,983	19,742	693	40,672
Miscellaneous	8,289	10,092	4,212	13,634	639	36,866
Postage	3,365	1,841	10,066	5,732	485	21,489
Dues and memberships	9,674	3,018	3,194	8,400	297	24,583
Public relations	878	558	136	1,553	105	3,230
Total Expenses Before Depreciation	4,390,574	1,856,034	558,142	9,093,786	321,131	16,219,667
Depreciation	58,364	37,093	9,062	103,236	3,628	211,383
Total	<u>\$ 4,448,938</u>	<u>\$ 1,893,127</u>	<u>\$ 567,204</u>	<u>\$ 9,197,022</u>	<u>\$ 324,759</u>	<u>\$ 16,431,050</u>

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>
Program Services Expenses						
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
Total Expenses Before Depreciation	4,473,243	1,792,607	633,303	9,212,764	357,060	16,468,977
Depreciation	64,461	38,874	11,185	108,525	4,243	227,288
Total	<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>