

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

Financial Statements

December 31, 2022 and 2021

# Family and Children's Association, Inc.

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## Independent Auditors' Report

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

### Opinion

We have audited the financial statements of Family and Children's Association, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and change in net assets and functional expenses for the year ended December 31, 2022 and cash flows for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the change in its net assets for the year ended December 31, 2022 and its cash flows for the years ended December 31, 2022 and 2021 in accordance with accounting principles generally accepted in the United States of America (GAAP).

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matter

As described in Note 1 to the financial statements, on January 1, 2022, the Organization adopted Accounting Standards Codification Topic 842 as required by Accounting Standards Update 2016-02, *Leases (Topic 842)* and its related amendments. Our opinion is not modified with respect to this matter.

### Other Matter

### Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 1, 2022. In our opinion, the summarized comparative information on the statements of activities and change in net assets and functional expenses presented herein for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings and certain internal control-related matters that we identified during the audits.

*Baker Tilly US, LLP*

Uniondale, New York  
May 31, 2023

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

Statements of Financial Position

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,289,801	\$ 2,004,676
Investments	2,144,997	2,485,276
Accounts receivable	5,441,832	4,449,519
Prepaid expenses and other current assets	<u>224,483</u>	<u>286,023</u>
Total current assets	10,101,113	9,225,494
<b>Investments, Perpetual Endowment</b>	182,333	182,333
<b>Cash Restricted for Endowment</b>	201,566	200,400
<b>Property, Plant and Equipment, Net</b>	8,959,528	9,153,786
<b>Other Assets</b>	182,187	144,469
<b>Right-of-Use Assets</b>	<u>1,104,029</u>	<u>-</u>
Total assets	<u>\$ 20,730,756</u>	<u>\$ 18,906,482</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,602,993	\$ 1,659,880
Advances	1,951,164	670,619
Current portion of operating lease liabilities	498,559	-
Liabilities, discontinued operations (Note 20)	<u>608,682</u>	<u>483,939</u>
Total current liabilities	4,661,398	2,814,438
<b>Long-Term Operating Lease Liabilities</b>	<u>658,130</u>	<u>-</u>
Total liabilities	<u>5,319,528</u>	<u>2,814,438</u>
<b>Net Assets</b>		
Net assets without donor restrictions	14,550,729	15,253,551
Net assets with donor restrictions	<u>860,499</u>	<u>838,493</u>
Total net assets	<u>15,411,228</u>	<u>16,092,044</u>
Total liabilities and net assets	<u>\$ 20,730,756</u>	<u>\$ 18,906,482</u>

See notes to financial statements

**Family and Children's Association, Inc.**Statement of Activities and Change in Net Assets  
Year Ended December 31, 2022 (With Comparative Totals for 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2022</u>	<u>Total 2021</u>
<b>Operating Support and Revenues</b>				
Contracts and fees from government agencies	\$ 17,773,192	\$ -	\$ 17,773,192	\$ 15,566,886
Revenue from services to other agencies	520,994	-	520,994	741,214
Other program fees	534,809	-	534,809	539,399
Contributions and grants	862,861	295,447	1,158,308	1,218,856
Special events revenue	472,355	-	472,355	524,191
Special event costs of direct benefits to donors	(113,323)	-	(113,323)	(115,176)
Contributed nonfinancial assets	45,772	-	45,772	-
Other income	492,099	-	492,099	3,017,746
Net assets released from restrictions	274,607	(274,607)	-	-
Total operating support and revenues	<u>20,863,366</u>	<u>20,840</u>	<u>20,884,206</u>	<u>21,493,116</u>
<b>Expenses</b>				
Program services:				
Mental health services	3,859,515	-	3,859,515	3,632,770
Runaway and homeless youth services	1,280,338	-	1,280,338	1,324,552
Family services	2,018,529	-	2,018,529	1,557,106
Services to the aged	2,972,525	-	2,972,525	2,472,738
Drug and alcohol services	5,292,764	-	5,292,764	3,903,258
Independent living services	536,216	-	536,216	545,415
Adult and children and general counseling services	195,065	-	195,065	175,955
Scholarship programs	85,024	-	85,024	98,585
Total program services	<u>16,239,976</u>	<u>-</u>	<u>16,239,976</u>	<u>13,710,379</u>
Supporting services:				
Management and general	3,905,522	-	3,905,522	3,907,150
Fundraising	652,723	-	652,723	517,397
Total supporting services	<u>4,558,245</u>	<u>-</u>	<u>4,558,245</u>	<u>4,424,547</u>
Services to other agencies	<u>392,185</u>	<u>-</u>	<u>392,185</u>	<u>580,352</u>
Total expenses	<u>21,190,406</u>	<u>-</u>	<u>21,190,406</u>	<u>18,715,278</u>
Change in net assets from operating activities	<u>(327,040)</u>	<u>20,840</u>	<u>(306,200)</u>	<u>2,777,838</u>
<b>Nonoperating Activities</b>				
Interest and dividends, net of fees	69,840	1,166	71,006	42,186
Net realized (loss) gain on sale of investments	(11,420)	-	(11,420)	128,666
Unrealized (depreciation) appreciation in fair value of investments	(371,030)	-	(371,030)	16,593
Change in net assets from nonoperating activities	<u>(312,610)</u>	<u>1,166</u>	<u>(311,444)</u>	<u>187,445</u>
Change in net assets	(639,650)	22,006	(617,644)	2,965,283
<b>Net Assets, Beginning</b>	<u>15,190,379</u>	<u>838,493</u>	<u>16,028,872</u>	<u>13,126,761</u>
<b>Net Assets, Ending</b>	<u>\$ 14,550,729</u>	<u>\$ 860,499</u>	<u>\$ 15,411,228</u>	<u>\$ 16,092,044</u>

See notes to financial statements

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

Statement of Functional Expenses

Year Ended December 31, 2022 (With Comparative Totals for 2021)

	Mental Health Services	Runaway and Homeless Youth Services	Family Services	Services to the Aged	Drug and Alcohol Services	Independent Living Services	Adult and Children and General Counseling Services	Scholarship Programs	Total Program Services	Management and General	Public Relations	Total Management and General	Fundraising	Services to Other Agencies	2022 Total Expenses	2021 Total Expenses
Salaries	\$ 2,577,624	\$ 804,818	\$ 1,155,257	\$ 1,971,347	\$ 2,745,012	\$ 333,149	\$ 90,010	\$ 3,955	\$ 9,681,172	\$ 2,161,093	\$ 2,928	\$ 2,164,021	\$ 428,905	\$ 237,962	\$ 12,512,060	\$ 11,160,343
Payroll taxes and employee benefits	563,780	144,469	266,709	510,264	627,759	89,613	16,634	725	2,219,953	641,528	479	642,007	69,971	98,610	3,030,541	2,811,308
	3,141,404	949,287	1,421,966	2,481,611	3,372,771	422,762	106,644	4,680	11,901,125	2,802,621	3,407	2,806,028	498,876	336,572	15,542,601	13,971,651
Occupancy costs, insurance and utilities	179,399	46,610	38,559	55,764	570,827	66,264	10,220	79	967,722	129,759	-	129,759	14,809	-	1,112,290	1,078,964
Client activity	30,378	20,895	94,394	152,133	57,222	670	50,972	-	406,664	-	-	-	46,279	530	453,473	216,208
Contracted services	122,350	38,730	292,346	42,452	657,855	11,009	1,486	637	1,166,865	598,313	101,287	699,600	50,417	681	1,917,563	1,594,342
House supplies and equipment	20,697	18,462	2,633	1,607	28,976	1,111	43	-	73,529	3,821	-	3,821	1,611	-	78,961	50,506
Food and clothing	43,370	45,337	22,049	7,121	50,154	2,189	2,152	-	172,372	4,792	-	4,792	610	21,740	199,514	119,274
Repairs and maintenance	21,959	26,687	4,560	16,679	15,706	3,104	1,509	-	90,204	1,031	-	1,031	125	-	91,360	109,273
Travel	25,068	729	30,439	18,821	20,928	6,358	232	37	102,612	5,912	-	5,912	692	-	109,216	63,004
Telecommunications	47,192	15,665	25,936	21,130	58,114	10,505	2,474	-	181,016	19,408	-	19,408	1,987	-	202,411	188,110
Office supplies	29,946	34,127	29,335	13,476	56,140	1,167	3,167	25	167,383	13,407	183	13,590	225	966	182,164	118,067
Dues, licenses and permits	11,325	6,095	2,620	4,333	26,032	1,285	353	-	52,043	37,080	5,875	42,955	476	467	95,941	125,554
Conference and workshops	38,108	-	-	1,495	2,618	-	378	-	42,599	-	-	-	-	-	42,599	32,121
Staff development	17,417	10,872	6,888	10,363	40,983	719	2,017	-	89,259	10,073	-	10,073	7,464	2,003	108,799	66,729
Scholarship	-	-	-	-	239	-	-	72,500	72,739	-	-	-	-	-	72,739	85,000
Interest and bank charges	15	-	-	10	1,951	-	248	789	3,013	16,383	-	16,383	14,326	-	33,722	74,014
Miscellaneous event expenses	162	77	1,061	5,530	5,260	149	442	6,277	18,958	31,494	-	31,494	6,251	-	56,703	49,305
Bad debt and other	-	-	-	-	120,849	-	2,713	-	123,562	-	-	-	-	24,433	147,995	106,218
Depreciation and amortization	130,725	66,765	45,743	140,000	206,139	8,924	10,015	-	608,311	120,676	-	120,676	8,575	4,793	742,355	666,938
	<u>\$ 3,859,515</u>	<u>\$ 1,280,338</u>	<u>\$ 2,018,529</u>	<u>\$ 2,972,525</u>	<u>\$ 5,292,764</u>	<u>\$ 536,216</u>	<u>\$ 195,065</u>	<u>\$ 85,024</u>	<u>\$ 16,239,976</u>	<u>\$ 3,794,770</u>	<u>\$ 110,752</u>	<u>\$ 3,905,522</u>	<u>\$ 652,723</u>	<u>\$ 392,185</u>	<u>\$ 21,190,406</u>	<u>\$ 18,715,278</u>

See notes to financial statements

## Family and Children's Association, Inc.

### Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (617,644)	\$ 2,965,283
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	742,355	666,938
Net realized and unrealized loss (gain) on investments	382,450	(145,259)
Net accretion of operating leases	(10,512)	-
(Increase) decrease in operating assets:		
Accounts receivable	(992,313)	(348,030)
Prepaid expenses and other current assets	61,540	(226,783)
Other assets	(37,718)	(1,053)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(56,887)	(255,774)
Advances	1,280,545	(2,696,294)
Liabilities, discontinued operations	124,743	(312,890)
Net cash flows from operating activities	<u>876,559</u>	<u>(353,862)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	(548,097)	(1,585,792)
Purchase of investments	(517,700)	(1,717,746)
Proceeds from the sale of investments	475,529	2,232,614
Net cash flows from investing activities	<u>(590,268)</u>	<u>(1,070,924)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from note payable	450,000	-
Payments of note payable	(450,000)	(1,755,000)
Net cash flows from financing activities	<u>-</u>	<u>(1,755,000)</u>
Net increase (decrease) in cash and cash equivalents	286,291	(3,179,786)
<b>Cash and Cash Equivalents and Restricted Cash, Beginning</b>	<u>2,205,076</u>	<u>5,384,862</u>
<b>Cash and Cash Equivalents and Restricted Cash, Ending</b>	<u>\$ 2,491,367</u>	<u>\$ 2,205,076</u>
<b>Reconciliation of Cash and Cash Equivalents and Restricted Cash to Statement of Financial Position</b>		
Cash and cash equivalents	\$ 2,289,801	\$ 2,004,676
Cash restricted for endowment	201,566	200,400
Total cash and cash equivalents and restricted cash	<u>\$ 2,491,367</u>	<u>\$ 2,205,076</u>
<b>Supplemental Information</b>		
Interest paid	<u>\$ 7,631</u>	<u>\$ 39,780</u>

See notes to financial statements



# Family and Children's Association, Inc.

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Notes to Financial Statements  
December 31, 2022 and 2021

## 1. Description of Organization and Summary of Significant Accounting Policies

### Nature of Operations

Family and Children's Association, Inc. (the Organization) is a New York State charitable not-for-profit organization.

The Organization provides a broad range of programs and services, all of which are designed to support families who are experiencing economic, vocational, health or mental health challenges. Assistance is provided through professional counseling, case management support and other activities designed to enhance family, individual and community functioning. The Organization assists with more than 34,000 Long Islanders per year, providing services such as mental health counseling, family support, drug and alcohol treatment, addiction recovery support services, runaway and homeless youth counseling, crisis intervention, case management, advocacy and screened referrals, programs for local seniors and residential services for disadvantaged populations.

### Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP).

### Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information on the statements of activities and change in net assets and functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity U.S. GAAP. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended December 31, 2021, from which the summarized information was derived.

### 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.

### Investments

Investments consist primarily of cash and cash equivalents, common stocks, corporate bonds and mutual funds, which are carried at fair value. The change in unrealized (depreciation) appreciation in the fair value of investments is reflected in the accompanying statements of activities and change in net assets. Common stocks and mutual funds are valued based on quoted prices of identical assets in active markets. Corporate bonds are valued based on use of observable inputs for comparable securities.

### 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.

# Family and Children's Association, Inc.

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Notes to Financial Statements  
December 31, 2022 and 2021

## Net Assets

Net assets are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** - Net assets which are not subject to donor restrictions and are available for general operations. Included in net assets without donor restrictions are Board-designated amounts which have been designated by the Organization's Board of Trustees for scholarships.

**Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor or grantor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When the restrictions expire, either with the passage of time or other events specified by the donor, net assets with donor restrictions are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Dependent upon the restriction imposed by the donor, earnings are maintained in perpetuity or may be utilized for operational purposes.

## 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.

## Revenue From Contracts

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

Special events revenue represents a reciprocal transaction equal to the cost of direct benefits to donors with the remainder representing contribution revenue.

## Contribution Income

### Government Support

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

### Contributions and Grants

The Organization reports gifts of cash or other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional contributions, which contain both a barrier and right of return or release, are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

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

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Notes to Financial Statements  
December 31, 2022 and 2021

Unconditional promises to give are initially recorded and subsequently carried at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.

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

As of December 31, 2022, the Organization has been awarded cost reimbursements and other conditional grants that have not been recognized as income in the amount of approximately \$16,419,000.

### **Contributed Nonfinancial Assets**

Volunteers contribute significant amounts of time for program services, administration and fundraising activities. The value of this contributed time is not reflected in the accompanying financial statements for the years ended December 31, 2022 and 2021, as it does not meet the criteria for recognition under U.S. GAAP. Contributed goods are recorded at fair value at the date of donation based on purchase price of similar items and were utilized for programs.

### **Allowance for Doubtful Accounts**

Management must make estimates of collectability of receivables. 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.

### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities and change in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that are directly identified to specific programs or supporting functions and are recorded accordingly. Allocated expenses include salaries, payroll taxes and fringe benefits which are allocated based on estimates of time and effort. Other allocated expenses include occupancy, repairs and maintenance, depreciation, amortization and insurance, which are allocated based on square footage.

### **Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Organization qualifies for the charitable contribution deduction as it qualifies as a public charity. The Organization is required to file a Return of Organization Exempt from Income Taxes (Form 990) with the Internal Revenue Service. It is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. Management has determined that the Organization is not subject to unrelated business income tax.

### **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 financial statements to comply with the provisions of FASB ASC 740.

# Family and Children's Association, Inc.

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Notes to Financial Statements  
December 31, 2022 and 2021

## Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Evaluation of Subsequent Events

Management has evaluated subsequent events through May 31, 2023, the date the financial statements are available for issuance, for inclusion or disclosure in the financial statements.

## Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (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 statements of financial position and disclosing key information about leasing arrangements.

As of January 1, 2022, the Organization adopted the new standard. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. The Organization elected to apply the transition requirements as of January 1, 2022. This approach resulted in any leases existing at, or entered into after January 1, 2022 being reported in accordance with ASC 842. Consequently, the Organization's reporting and disclosures for the comparative 2021 period presented in the financial statements continue to be in accordance with ASC 840. Upon adoption of the standard on January 1, 2022, the Organization established a right-of-use asset of \$1,550,401 and a lease liability of \$1,613,528 related to its real property and personal property operating leases. The Organization had a cumulative adjustment of \$63,172 to decrease net assets upon the adoption of ASC 842 related to its operating leases that existed at the date of adoption.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Organization elected:

- The package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.
- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the Organization's right-of-use assets.

# Family and Children's Association, Inc.

Notes to Financial Statements  
December 31, 2022 and 2021

The new standard also provides for several accounting policy elections, as follows:

- The Organization has elected the policy not to separate lease and nonlease components for all asset classes.
- When the rate implicit in the lease is not determinable, rather than using the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.
- The Organization elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will be recorded on a straight-line basis over the lease term.

Additional required disclosures for Topic 842 are contained in Note 7.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The adoption of ASU 2020-07 does not have any significant impact on the Organization's financial statements.

## Reclassifications

Certain 2021 amounts have been reclassified to conform with the 2022 presentation.

## 2. Revenue From Contracts

The Organization disaggregates revenue from reciprocal contracts by types of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Performance obligations are satisfied as services are rendered. Payments are due upon receipt of related billing. The following tables represent amounts included in contracts and fees from government agencies, revenue from services to other agencies, and other program fees on the statements of activities and change in net assets for the years ended December 31, 2022 and 2021, respectively:

	2022						Total
	Mental Health Services	Family Services	Services to the Aged	Drug and Alcohol Services	Residential	Other	
Revenue from contracts:							
Medicaid	\$ 286,153	\$ -	\$ 37,317	\$ 85,244	\$ 1,954,220	\$ -	\$ 2,362,934
Health Homes	905,111	-	-	-	-	-	905,111
Medicaid Managed Care	397,270	-	-	578,609	-	-	975,879
Client fees	-	215,356	174,584	144,869	-	-	534,809
Rental income	-	-	-	15,400	-	-	15,400
Medicare	-	-	729	15,551	-	-	16,280
SSI	-	-	-	-	162,955	-	162,955
Other	-	-	-	10	3,316	73,204	76,530
Total revenue from contracts	<u>\$ 1,588,534</u>	<u>\$ 215,356</u>	<u>\$ 212,630</u>	<u>\$ 839,683</u>	<u>\$ 2,120,491</u>	<u>\$ 73,204</u>	<u>\$ 5,049,898</u>

## Family and Children's Association, Inc.

Notes to Financial Statements  
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	2021						Total
	Mental Health Services	Family Services	Services to the Aged	Drug and Alcohol Services	Residential	Other	
Revenue from contracts:							
Medicaid	\$ 132,892	\$ -	\$ -	\$ 53,459	\$ 2,316,126	\$ -	\$ 2,502,477
Health Homes	1,086,924	-	-	-	-	-	1,086,924
Medicaid Managed Care	261,847	-	-	478,434	-	-	740,281
Client fees	-	236,153	112,073	182,719	-	-	530,945
Rental income	-	-	-	14,600	-	9,128	23,728
Medicare	-	-	-	27,709	-	-	27,709
SSI	-	-	-	-	146,192	-	146,192
Other	350	-	-	2,600	5,048	-	7,998
Total revenue from contracts	<u>\$ 1,482,013</u>	<u>\$ 236,153</u>	<u>\$ 112,073</u>	<u>\$ 759,521</u>	<u>\$ 2,467,366</u>	<u>\$ 9,128</u>	<u>\$ 5,066,254</u>

Accounts receivable as of December 31, 2022 and 2021, respectively, included \$932,933 and \$1,016,512 related to revenue from contracts.

### 3. Investments

Investments are valued based on Level 1 and Level 2 inputs. The Organization had no Level 3 investments as of December 31, 2022 or 2021.

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

	December 31, 2022		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Fair Value
Common stock	\$ 344,257	\$ -	\$ 344,257
Mutual funds - equities	691,819	-	691,819
Mutual funds - fixed income	88,516	-	88,516
Corporate bonds	-	1,140,137	1,140,137
Total	<u>\$ 1,124,592</u>	<u>\$ 1,140,137</u>	2,264,729
Cash and cash equivalents			<u>62,601</u>
Total investments			<u>\$ 2,327,330</u>

## Family and Children's Association, Inc.

Notes to Financial Statements  
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	December 31, 2021		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Fair Value
Common stock	\$ 418,411	\$ -	\$ 418,411
Mutual funds - equities	846,685	-	846,685
Mutual funds - fixed income	86,948	-	86,948
Corporate bonds	-	1,252,667	1,252,667
Total	<u>\$ 1,352,044</u>	<u>\$ 1,252,667</u>	2,604,711
Cash and cash equivalents			<u>62,898</u>
Total investments			<u>\$ 2,667,609</u>

Interest and dividend income approximated \$40,000 and \$21,000, respectively, for 2022 and \$42,000 and \$19,000, respectively, for 2021.

#### 4. Operating Measure and Transfer From Investments

The Organization uses a measure of operations that excludes investment income from operations. Annually, the Board of Trustees may authorize a transfer of a designated amount from investments to the Organization's operating account. This designated amount is identified in the Organization's annual budget in order to assist with operating expenses, and, is at the discretion of management and the Board of Trustees. For the years ended December 31, 2022 and 2021, there were no transfers from investments.

#### 5. Endowment Funds

The Organization's has donor restricted endowment funds. There is an endowment whose corpus and earnings are to be retained in perpetuity and an endowment whose corpus is to be retained in perpetuity and earnings on which are to be utilized for a scholarship fund. Additionally, there is Board-designated endowment, earnings on which are designated for scholarships.

Unless otherwise stated in the gift instrument, the assets in an endowment fund shall be donor-restricted assets and net assets until appropriated for expenditure by the Organization.

#### Interpretation of Relevant Law

The spending of endowment funds by a not-for-profit corporation in the State of New York is governed by the New York Prudent Management of Institutional Funds Act (NYPMIFA). The Organization has interpreted NYPMIFA as allowing the Organization to appropriate for expenditure or accumulate earnings as the Organization determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. From time to time, certain donor-restricted endowment funds may have a fair value less than the amount required to be maintained by donors or by law. Management has interpreted state law to permit prudent spending from underwater endowments.

## Family and Children's Association, Inc.

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### Spending Policy

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

### Endowment Investment Policy

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

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

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

	2022			
	Board-Designated	With Donor Restrictions		Total
Original Gift		Accumulated Gains		
Board-designated endowment funds	\$ 220,579	\$ -	\$ -	\$ 220,579
Donor-restricted endowment funds	-	382,333	1,566	383,899
Total	\$ 220,579	\$ 382,333	\$ 1,566	\$ 604,478

  

	2021			
	Board-Designated	With Donor Restrictions		Total
Original Gift		Accumulated Gains		
Board-designated endowment funds	\$ 251,499	\$ -	\$ -	\$ 251,499
Donor-restricted endowment funds	-	382,333	400	382,733
Total	\$ 251,499	\$ 382,333	\$ 400	\$ 634,232

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

	2022	
	Board-Designated	Net Assets With Donor Restrictions
Net assets, beginning of year	\$ 251,499	\$ 382,733
Investment (loss) income, net of appropriations	(30,920)	1,166
Net assets, end of year	\$ 220,579	\$ 383,899



## Family and Children's Association, Inc.

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	2021	
	Board- Designated	Net Assets With Donor Restrictions
Net assets, beginning of year	\$ 248,798	\$ 382,333
Investment income, net of appropriations	2,701	400
Net assets, end of year	<u>\$ 251,499</u>	<u>\$ 382,733</u>

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

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

	2022	2021
Land	\$ 504,000	\$ 504,000
Furniture and equipment	2,500,972	2,233,751
Building and improvements	9,985,255	9,752,548
Vehicles	812,295	773,028
Construction in progress	48,230	126,444
Total	13,850,752	13,389,771
Accumulated depreciation and amortization	4,891,224	4,235,985
Property, plant and equipment, net	<u>\$ 8,959,528</u>	<u>\$ 9,153,786</u>

Total depreciation and amortization expense for the years ended December 31, 2022 and 2021 approximated \$742,000 and \$667,000, respectively.

Included in buildings and improvements as of December 31, 2022 and 2021 is a donated building with original cost of \$3,320,000, contributed for the purpose of providing office space that the Organization utilizes for administrative and certain program operations.

### 7. Operating Leases

The Organization has operating leases for its real property, office equipment and vehicles. The Organization recognizes right-of-use assets and a lease liability for operating leases based on the net present value of future minimum lease payments. Lease expense for the Organization's operating leases is recognized on a straight-line basis over the lease term, including renewal periods that are considered reasonably certain.

The components of operating lease cost included in the accompanying statement of functional expenses for the year ended December 31, 2022 are as follows:

Operating lease cost:	
Lease cost, leases with terms greater than one year	\$ 511,402
Short-term lease cost	-
Total lease cost	<u>\$ 511,402</u>

## Family and Children's Association, Inc.

Notes to Financial Statements

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Other information related to the Organization's operating leases and supplemental cash flows for the year ended December 31, 2022 are as follows:

Operating cash flows from operating leases *	\$	521,912
Right-of-use leased assets obtained in exchange for new operating lease obligations		-
Weighted-average remaining lease term:		
Operating leases		2.70
Weighted-average discount rate on operating leases		4.79%

\* Cash flows relating to operating lease costs for leases with terms greater than one year. Excludes variable lease costs.

Future minimum lease payments as of December 31, 2022 were:

2023	\$	479,632
2024		426,978
2025		260,875
2026		67,920
		<u>1,235,405</u>
Less present value discount		<u>78,716</u>
Total	\$	<u>1,156,689</u>

### 8. Note Payable to Bank

The Organization has a \$2,500,000 revolving line of credit with a financial institution secured by all of the Organization's assets as defined in the Uniform Commercial Code of New York. Effective 2022, under the terms of the line of credit, the Organization may elect to request a Term AMERIBOR Loan or a Prime Rate Loan. Dependent upon the election, interest is payable at the Term AMERIBOR rate plus 2.75% or the Prime Rate, with a floor rate of 3.0%. For the year ended December 31, 2021, interest was payable at the 30 day LIBOR rate 0.10% as of December 31, 2021, plus 2.75%, with a floor rate of 3.0%. The line of credit agreement requires the Organization to comply with certain financial and nonfinancial covenants including maintaining a minimum of \$6,000,000 of net assets without donor restrictions at all times. There was no outstanding balance on the line as of December 31, 2022 and 2021. The line expires on November 30, 2023.

Interest expense on the line for the year ended December 31, 2022 and 2021 approximated \$8,000 and \$40,000, respectively.

## Family and Children's Association, Inc.

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### 9. Paycheck Protection Program

The Organization received loan proceeds in the amount of \$3,023,238 under the Paycheck Protection Program (PPP) which was established as part of Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA).

The Organization expended all of the PPP received on qualified expenses, met all conditions attached to the PPP, and on October 9, 2021, received notice from the SBA that forgiveness of the \$3,023,238 of the PPP proceeds was granted. Therefore, the Organization recorded other income in the amount of \$3,023,238 within the statement of activities and change in net assets for the year ended December 31, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after the forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request. As of the date of this report, no audit has been initiated.

### 10. Net Assets With Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Capital Campaign, purpose restricted	\$ 96,000	\$ 96,000
Nursery Coop, time and purpose restricted	325,605	324,116
Learning Center, purpose restricted	21,874	1,443
Scholarship, purpose restricted	8,448	6,799
Camp, purpose restricted	8,675	14,747
Adopt-a-family, purpose restricted	15,148	10,655
WalkAbout, purpose restricted	-	2,000
Back-to-school, purpose restricted	850	-
	<hr/>	<hr/>
Total subject to expenditure for specified purposes	476,600	455,760
Perpetual endowment fund	383,899	382,733
	<hr/>	<hr/>
Total	<u>\$ 860,499</u>	<u>\$ 838,493</u>

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

	<u>2022</u>	<u>2021</u>
Nursery Coop	\$ 248,511	\$ 208,183
Learning Center	1,443	23,557
Scholarship	6,799	4,267
Camp	14,747	-
Adopt-a-Family	1,107	-
WalkAbout	2,000	-
	<hr/>	<hr/>
Total	<u>\$ 274,607</u>	<u>\$ 236,007</u>

## Family and Children's Association, Inc.

Notes to Financial Statements  
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### 11. Special Events Revenue

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

	2022		
	Gross Revenue	Costs of Direct Benefits to Donors	Net Revenue
Holiday Ball	\$ 177,422	\$ 39,718	\$ 137,704
Golf outing	168,391	71,180	97,211
Scholarship event	86,620	-	86,620
Other	39,922	2,425	37,497
Total	<u>\$ 472,355</u>	<u>\$ 113,323</u>	<u>\$ 359,032</u>

  

	2021		
	Gross Revenue	Costs of Direct Benefits to Donors	Net Revenue
Holiday Ball	\$ 236,879	\$ 40,419	\$ 196,460
Golf outing	159,439	74,037	85,402
Scholarship event	110,794	-	110,794
Other	17,079	720	16,359
Total	<u>\$ 524,191</u>	<u>\$ 115,176</u>	<u>\$ 409,015</u>

### 12. 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.

### 13. Liquidity and Availability of Resources

The Organization's financial assets available within one year of December 31, 2022 and 2021 for general expenditures such as operating expenses and fixed asset purchases not financed with debt financing are as follows:

	2022	2021
Cash and cash equivalents	\$ 2,491,367	\$ 2,205,676
Investments	2,327,330	2,667,609
Accounts receivable	5,441,832	4,449,519
Total financial assets	10,260,529	9,322,804
Less amounts unavailable for general expenditures within one year, due to:		
Time and purpose restricted	476,600	455,760
Perpetual endowment fund	383,899	382,733
Board-designated, scholarship fund	220,579	251,499
Total financial assets available	<u>\$ 9,179,451</u>	<u>\$ 8,232,812</u>

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

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Notes to Financial Statements

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

During February 2019, the Organization was awarded a grant from the New York State Department of Health (NYSDOH), a portion of which was to be used to pay off allowable debt related to the 1199 pension liability in the amount of approximately \$632,000. As of the date of this report, NYSDOH has provided funding for the payoff of the pension liability from discontinued operations (see Note 20) in the amount of \$604,000 and reimbursed the Organization for payments made by the Organization related to the 1199 pension liability totaling approximately \$28,000.

### **14. Related-Party Transactions**

During the years ended December 31, 2022 and 2021, the Organization received discounted legal and banking services from entities in which two Board members are partners or employees. Amounts incurred for such legal and banking services were approximately \$5,000 and \$13,000 during the year ended December 31, 2022, respectively, and \$44,000 and \$45,000 during the year ended December 31, 2021, respectively. Both arrangements were disclosed and approved by the Board of Trustees.

### **15. Defined Contribution Pension Plan**

The Organization maintains a Tax-Deferred Annuity Plan as defined under Section 403(b) of the IRC. This Plan provides for employer contributions based on a percentage of each eligible employee's compensation as determined by the Organization's Board of Trustees (5% for 2022 and 2021).

Pension expense for the years ended December 31, 2022 and 2021 was approximately \$381,000 and \$398,000, respectively.

### **16. Deferred Compensation Payable**

The Organization maintains a 457(b) deferred compensation plan (the Plan). The Plan is a contributory plan. Pursuant to the plan agreements, the Plan's assets are considered general assets of the Organization until the assets are distributed. As a result, the Plan's net assets available for benefits of approximately \$141,000 and \$134,000 as of December 31, 2022 and 2021, respectively, are classified as other assets and deferred compensation payable in the Organization's statements of financial position. As of December 31, 2022 and 2021, total employer contributions into the Plan since inception totaled approximately \$120,000 and \$90,000, respectively, included in these amounts are approximately \$30,000 and \$0 for the years ended December 31, 2022 and 2021, respectively.

### **17. Commitments and Contingencies**

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.**

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Notes to Financial Statements  
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### **18. 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. Changes in contract amounts due or payable, resulting from audit adjustments, are reflected in the operations of the Organization when such adjustments are determined or can be reasonably estimated.

### **19. Concentrations of Credit Risk**

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments and accounts receivable from government agencies.

Cash balances frequently exceed the federal depository insurance coverage limits. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

The investment portfolio is managed by professional investment advisors and managers in accordance with the Organization's investment policy.

Accounts receivable are predominately from various federal, state and local government agencies. Management has determined that net receivables from government agencies are collectible.

### **20. Discontinued Mental Health Clinic Operations**

In 2011, the Organization's Board approved a resolution to discontinue the operations of its Article 31 mental health clinics (the Clinics). The Clinics ceased operations March 31, 2012. Liabilities related to pension obligations related to the discontinued operations of the Clinics in the amounts of \$608,682 and \$483,939 as of December 31, 2022 and 2021, respectively, are segregated on the statements of financial position. The full amount of the liability was paid in January 2023.