

Family and Children's Association, Inc.

Financial Statements

December 31, 2025 and 2024

Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Family and Children's Association, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2025 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Organization as of December 31, 2024 were audited by other auditors whose report dated July 18, 2025 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 generally accepted auditing standards 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit 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 audit, significant audit findings and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

Other auditors have previously audited the Organization's 2024 financial statements, and they expressed an unmodified opinion in their report dated July 18, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

September 9, 2026

Family and Children's Association, Inc.

Statements of Financial Position December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 789,149	\$ 2,140,597
Investments	1,788,362	2,417,740
Accounts receivable, net of allowance for credit losses of \$192,620 for 2025 and 2024	7,921,088	7,452,612
Contributions receivable	303,353	348,547
Prepaid expenses and other current assets	<u>450,330</u>	<u>296,664</u>
Total Current Assets	11,252,282	12,656,160
Investments, perpetual endowment	457,785	423,958
Property, plant and equipment, net	8,176,967	8,129,383
Other Assets	342,058	310,048
Right-of-use assets	<u>1,237,329</u>	<u>1,458,852</u>
Total Assets	<u>\$ 21,466,421</u>	<u>\$ 22,978,401</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,302,475	\$ 2,282,766
Note payable to bank	2,000,000	1,930,000
Advances	1,342,055	1,676,183
Current portion of operating lease liabilities	<u>522,586</u>	<u>677,377</u>
Total Current Liabilities	<u>6,167,116</u>	<u>6,566,326</u>
Other liabilities	225,418	201,686
Long-term operating lease liabilities	<u>772,265</u>	<u>848,187</u>
Total Liabilities	<u>7,164,799</u>	<u>7,616,199</u>
Net Assets		
Without donor restrictions	13,370,393	14,522,904
With donor restrictions	<u>931,229</u>	<u>839,298</u>
Total Net Assets	<u>14,301,622</u>	<u>15,362,202</u>
Total Liabilities and Net Assets	<u>\$ 21,466,421</u>	<u>\$ 22,978,401</u>

See notes to financial statements

Family and Children's Association, Inc.

Statements of Activities Year Ended December 31, 2025 (with summarized totals for the year ended December 31, 2024)

	Without Donor Restrictions	With Donor Restrictions	2025	2024
OPERATING SUPPORT AND REVENUES				
Contracts and fees from government agencies	\$ 22,385,624	\$ -	\$ 22,385,624	\$ 21,676,613
Revenue from services to other agencies	250,000	-	250,000	261,567
Other program fees	611,515	-	611,515	694,657
Contributions and grants	389,320	523,332	912,652	1,007,117
Special events revenue	503,655	-	503,655	492,411
Special event costs of direct benefits to donors	(176,043)	-	(176,043)	(81,141)
Contributed nonfinancial assets	14,447	-	14,447	93,525
Other income	35,604	-	35,604	551,587
Net assets released from restrictions	465,228	(465,228)	-	-
Total Operating Support and Revenues	<u>24,479,350</u>	<u>58,104</u>	<u>24,537,454</u>	<u>24,696,336</u>
EXPENSES				
Program services:				
Mental health and wellness	1,937,224	-	1,937,224	2,039,655
Residential services	2,814,527	-	2,814,527	2,719,693
Family and community support	3,691,984	-	3,691,984	3,371,097
Senior and adult services	4,339,778	-	4,339,778	4,440,469
Harm reduction and recovery	3,700,481	-	3,700,481	3,579,863
Clinical services	4,527,666	-	4,527,666	3,681,015
Total Program Services	<u>21,011,660</u>	<u>-</u>	<u>21,011,660</u>	<u>19,831,792</u>
Supporting Services				
Management and general	4,042,798	-	4,042,798	4,673,089
Fundraising	926,310	-	926,310	896,314
Total Supporting Services	<u>4,969,108</u>	<u>-</u>	<u>4,969,108</u>	<u>5,569,403</u>
Total Expenses	<u>25,980,768</u>	<u>-</u>	<u>25,980,768</u>	<u>25,401,195</u>
Changes in Net Assets from Operating Activities	<u>(1,501,418)</u>	<u>58,104</u>	<u>(1,443,314)</u>	<u>(704,859)</u>
NONOPERATING ACTIVITIES				
Interest and dividends, net of fees	91,551	33,827	125,378	126,823
Net realized gain on sale of investments	127,626	-	127,626	81,892
Unrealized appreciation in fair value of investments	129,730	-	129,730	121,746
Change in Net Assets from Nonoperating Activities	<u>348,907</u>	<u>33,827</u>	<u>382,734</u>	<u>330,461</u>
Change in Net Assets	<u>(1,152,511)</u>	<u>91,931</u>	<u>(1,060,580)</u>	<u>(374,398)</u>
NET ASSETS				
Beginning of year	<u>14,522,904</u>	<u>839,298</u>	<u>15,362,202</u>	<u>15,736,600</u>
End of year	<u>\$ 13,370,393</u>	<u>\$ 931,229</u>	<u>\$ 14,301,622</u>	<u>\$ 15,362,202</u>

See notes to financial statements

Family and Children's Association, Inc.

Statement of Functional Expenses Year Ended December 31, 2025 (with summarized totals for the year ended December 31, 2024)

	Program Services									2025	2024
	Mental Health and Wellness	Residential Services	Family and Community Support	Senior and Adult Services	Harm Reduction and Recovery	Clinical Services	Total	Management and General	Fundraising	Total Expenses	Total Expenses
Salaries	\$ 1,289,468	\$ 1,876,276	\$ 2,192,426	\$ 2,916,845	\$ 1,910,341	\$ 2,695,578	\$ 12,880,934	\$ 2,173,264	\$ 589,920	\$ 15,644,118	\$ 14,988,478
Payroll taxes and employee benefits	320,586	368,658	433,485	757,635	452,503	563,188	2,896,055	388,851	95,836	3,380,742	3,344,897
	<u>1,610,054</u>	<u>2,244,934</u>	<u>2,625,911</u>	<u>3,674,480</u>	<u>2,362,844</u>	<u>3,258,766</u>	<u>15,776,989</u>	<u>2,562,115</u>	<u>685,756</u>	<u>19,024,860</u>	<u>18,333,375</u>
Occupancy costs	39,624	4,074	160,468	66,496	377,433	178,863	826,958	48,834	4,757	880,549	817,493
Insurance	10,928	71,321	52,866	22,622	50,043	45,296	253,076	12,904	1,993	267,973	311,386
Utilities	21,427	52,083	49,550	40,798	63,938	59,401	287,197	20,255	2,641	310,093	285,863
Client activities	14,172	16,877	112,875	10,566	122,865	2,496	279,851	7,088	6,854	293,793	281,694
Client assistance	8,974	14,814	70,684	94,187	122,686	11,775	323,120	-	21,887	345,007	480,815
Contracted services	47,857	44,626	123,711	96,028	170,388	342,666	825,276	465,215	20,645	1,311,136	1,109,054
Professional fees	14,719	14,484	40,936	21,365	13,775	173,851	279,130	320,509	55,142	654,781	598,245
House supplies and equipment	910	20,145	978	-	4,001	2,515	28,549	95	-	28,644	38,181
Food and clothing	4,977	81,158	26,986	1,913	25,179	9,563	149,776	-	3,655	153,431	248,026
Repairs and maintenance	12,563	72,426	37,613	24,408	94,810	68,906	310,726	24,964	2,629	338,319	295,697
Travel	20,007	3,533	39,590	44,059	34,546	15,277	157,012	-	1,082	158,094	136,461
Telecommunications	21,912	15,030	39,039	22,185	31,166	19,488	148,820	16,315	1,222	166,357	153,960
Office supplies	3,622	11,740	39,041	14,388	26,091	62,004	156,886	8,901	2,695	168,482	197,529
Program supplies	-	-	32,039	13,220	43,288	11,444	99,991	8,099	259	108,349	29,097
Dues, licenses and permits	2,947	6,494	11,859	7,490	7,179	116,232	152,201	47,940	5,404	205,545	208,338
Vehicle expense	645	19,583	24,987	423	5,223	3,308	54,169	-	-	54,169	50,380
Equipment rental	2,637	7,576	10,750	7,006	10,674	8,165	46,808	39,295	1,817	87,920	85,833
Conference and workshops	119	5,061	38,101	2,546	944	5,325	52,096	8,630	1,720	62,446	48,702
Community outreach	-	-	30,100	990	2,300	25,202	58,592	72,636	3,245	134,473	282,744
Staff development	21,622	22,618	35,471	13,869	18,971	29,475	142,026	99,862	3,091	244,979	249,756
Scholarship	-	-	8,000	-	-	-	8,000	-	62,000	70,000	81,380
Interest and bank charges	-	-	-	65	-	3,019	3,084	153,645	3,772	160,501	84,278
Printing	-	-	-	-	-	-	-	-	-	-	37,006
Postage and messenger	337	139	1,240	2,402	157	119	4,394	6,144	1,607	12,145	12,171
Donated goods	-	-	-	-	-	-	-	-	14,447	14,447	93,525
Bad debt expense	-	-	-	-	-	-	-	-	-	-	14,700
Miscellaneous	5,413	25	9,946	-	8,596	7,103	31,083	20,190	8,931	60,204	117,795
Depreciation and amortization	71,758	85,786	69,243	158,272	103,384	67,407	555,850	99,162	9,059	664,071	717,711
	<u>\$ 1,937,224</u>	<u>\$ 2,814,527</u>	<u>\$ 3,691,984</u>	<u>\$ 4,339,778</u>	<u>\$ 3,700,481</u>	<u>\$ 4,527,666</u>	<u>\$ 21,011,660</u>	<u>\$ 4,042,798</u>	<u>\$ 926,310</u>	<u>\$ 25,980,768</u>	<u>\$ 25,401,195</u>

See notes to financial statements

Family and Children's Association, Inc.

Statements of Cash Flows December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,060,580)	\$ (374,398)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Bad debt expense	-	14,700
Depreciation and amortization	664,071	717,711
Net realized and unrealized gain on investments	(257,356)	(203,638)
Amortization of right-of-use assets	720,763	683,679
Gain on disposition of fixed assets	-	(510,672)
(Increase) decrease in operating assets:		
Accounts receivable	(468,476)	(1,773,655)
Contributions receivable	45,194	(258,367)
Prepaid expenses and other current assets	(153,666)	(52,395)
Other assets	(32,010)	(48,227)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	19,709	547,588
Advances	(334,128)	198,485
Other liabilities	23,732	29,893
Payments of operating lease obligations	(729,953)	(672,039)
Net Cash Flows from Operating Activities	<u>(1,562,700)</u>	<u>(1,701,335)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(711,655)	(693,535)
Proceeds from sale of fixed assets, net	-	1,090,099
Purchase of investments	(496,712)	(622,581)
Proceeds from the sale of investments	<u>1,349,619</u>	<u>593,813</u>
Net Cash Flows from Investing Activities	<u>141,252</u>	<u>367,796</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	795,000	2,680,000
Payments of note payable	<u>(725,000)</u>	<u>(750,000)</u>
Net Cash Flows from Financing Activities	<u>70,000</u>	<u>1,930,000</u>
Net Change in Cash and Cash Equivalents	(1,351,448)	596,461
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,140,597</u>	<u>1,544,136</u>
End of year	<u>\$ 789,149</u>	<u>\$ 2,140,597</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 146,119</u>	<u>\$ 55,879</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Assets recognized through operating leases	<u>\$ 499,240</u>	<u>\$ 988,604</u>

See notes to financial statements

Family and Children's Association, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

1. Nature of Organization and Tax Status

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

The Organization provides assistance to Long Island's most vulnerable families, children, seniors, individuals and communities. Services include mental health counseling, family support, drug and alcohol treatment, addiction and 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. The Organization assists more than 36,000 Long Islanders annually, through professional counseling, case management support and other services.

Family and Children's Association, Inc. is classified as a 501(c)(3) organization, which is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code ("IRC") and a similar provision of the New York State income tax laws. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

2. Summary of Significant Accounting Policies

Basis of Accounting and Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

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.

Family and Children's Association, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Net Assets (continued)

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.

Summarized Financial Information

The accompanying financial statements include certain prior-year summarized comparative information on the statement of activities and functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended December 31, 2024, 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 appreciation in the fair value of investments is reflected in the accompanying statements of activities. 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.

Fair Value

The Organization follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or other inputs which can be corroborated by observable market data.

Family and Children's Association, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Fair Value (continued)

Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

Contributions Receivable

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. All contributions are considered to be available for general use unless specifically restricted by the donor. The gifts are reported as with donor restriction support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Allowance for Credit Losses

The Organization recognizes an allowance for credit losses for its receivables arising from reciprocal transactions to present the net amount expected to be collected. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events. Such receivables are written off when the Organization determines that such receivables are deemed uncollectible.

The Organization recognizes an allowance for credit losses for its receivables arising from reciprocal transactions to present the net amount expected to be collected. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events. Such receivables are written off when the Organization determines that such receivables are deemed uncollectible.

The Organization utilizes the loss rate method in determining its lifetime expected credit losses on accounts receivable arising from reciprocal transactions.

Family and Children's Association, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Allowance for Credit Losses (continued)

Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, payor type, customer creditworthiness and the effect of other external forces, such as economic conditions and legal and regulatory requirements, on the level of estimated credit losses in the existing receivables. As of December 31, 2025 and 2024 the allowance for credit losses was \$192,620.

Allowance for Doubtful Accounts

The Organization also recognizes an allowance for doubtful accounts for receivables arising from nonreciprocal revenue. Management specifically analyzes historical bad debts, ability and intent to pay, current funding trends and changes in payment terms and rates when evaluating the adequacy of the allowance for doubtful accounts. No allowance for doubtful accounts was considered necessary as of December 31, 2025 and 2024.

Property, Plant and Equipment

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 \$5,000 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.

Impairment of Long-Lived Assets

U.S. GAAP guidance, Accounting for the Impairment or Disposal of Long-lived Assets requires long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets.

If such assets are considered to be impaired, impairment would then be measured as the difference between the fair value of the asset and its carrying value to determine the amount of the impairment.

The Organization generally determines fair value by using the undiscounted cash flow method. There were no impairment charges required to be recognized for the years ended December 31, 2025 and 2024.

Family and Children's Association, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Accounting for Software Costs

All costs incurred in the planning stage of software development and implementation are expensed as incurred, as are internal and external training costs and maintenance costs. External and internal costs incurred during the software development and implementation stage of software are capitalized. Upgrades and enhancements that result in additional functionality to software, which enables the performance of tasks that were previously incapable, are also capitalized.

In 2025, The Organization entered into a contract for approximately \$1.2 million with a software company to develop a customized system. The remaining commitment from the contract was approximately \$708,000 as of December 31, 2025.

Capitalized implementation costs will be amortized using the straight-line method over its estimated useful life of 5 years, beginning January 2026 when all substantial testing of the software was completed, and the software was ready for its intended use.

Conditional Asset Retirement Obligations

The Organization accounts for Conditional Asset Retirement Obligations ("CARO") in accordance with U.S. GAAP, which defines a CARO as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity.

Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation does not defer recognition of a liability.

The fair value of the CARO is recorded on a discounted basis and accreted over time for the change in fair value. Management has determined that there are no CARO liabilities that are required to be accrued at December 31, 2025 and 2024.

Advances

Cash received for unsatisfied obligations is considered contract liabilities and presented as advances in the statements of financial position. Subsequent adjustments to contract price are recorded as reductions to revenue when made.

Operating Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities on the statements of financial position. Finance leases are included in finance lease ROU assets and finance lease liabilities, as applicable. ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. Lease liabilities are measured at the present value of future lease payments over the lease term.

Family and Children's Association, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Operating Leases (continued)

ROU assets are measured based on the lease liability, adjusted for lease incentives received, initial direct costs, and prepaid or accrued lease payments.

The Organization has elected the practical expedient to use a risk-free discount rate, determined using a period comparable with the lease term, for all classes of underlying assets. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise those options. Lease expense for operating leases is recognized on a straight-line basis over the lease term.

The Organization has elected the practical expedient not to separate lease and nonlease components for all classes of underlying assets and instead accounts for each lease component and its associated nonlease components as a single lease component. The Organization has also elected not to recognize ROU assets and lease liabilities for short-term leases with an initial lease term of 12 months or less. Lease payments on such leases are recognized as lease expense on a straight-line basis over the lease term.

Revenue From Contracts and Fees

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.

Contract assets and contract liabilities as of the beginning and end of the years ended December 31, 2025 and 2024 are as follows:

	<u>January 1, 2024</u>	<u>December 31, 2024</u>	<u>December 31, 2025</u>
Accounts Receivable	\$ 927,217	\$ 878,662	\$ 1,759,764
Advances	7,640	23,017	-

Fees from Government Agencies

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.

Family and Children's Association, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Contributions and Grants (continued)

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.

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, 2025 and 2024, the Organization has been awarded cost reimbursements and other conditional grants that have not been recognized as revenue in the amount of approximately \$9,783,000 and \$11,494,000.

Special Events Revenue

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

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.

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, 2025 and 2024, as it does not meet the criteria for recognition under U.S. GAAP.

Donated goods and services are recorded as income and expenses at the time the items are received, which is also the time they are placed into service.

Family and Children's Association, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Contributed Nonfinancial Assets (continued)

Donated services are reported as income and expense at their fair value if such services create value or would have been purchased if not provided by donation, require special skills, and are provided by individuals possessing such specialized skills. Donated goods are based on the market value of goods received, were used in conjunction with fundraising activities and are without donor restrictions. Donated services are based on usual and customary rates of the vendor were used in conjunction with management and general activities and are without donor restrictions.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. 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.

Advertising

It is the policy of the Organization to expense marketing and advertising expenses as incurred. Advertising expense was approximately \$235,000 and \$289,000 for the years ended December 31, 2025 and 2024 and is included in professional fees and program supplies on the statement of functional expenses.

Family and Children's Association, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Reclassifications

Certain reclassifications have been made to the 2024 balances previously reported in order to conform to the 2025 presentation.

Subsequent Events

Management has evaluated subsequent events through September 9, 2026, the date the financial statements are available for issuance, for inclusion or disclosure in the financial statements.

3. Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments, accounts and contributions receivable. 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. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation's insurance limits. As of December 31, 2025, the uninsured portion of these balances was \$663,370. Investment holdings at financial institutions are insured by the Securities Investor Protection Corporation ("SIPC") up to \$500,000 (\$250,000 for cash holdings).

At times balances may exceed the FDIC and/or the SIPC limit. The investment portfolio is managed by professional investment advisors and managers in accordance with the Organization's investment policy.

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

Family and Children's Association, Inc.

Notes to Financial Statements December 31, 2025 and 2024

4. Investments

Investments are valued based on Level 1 and Level 2 inputs. The Organization had no Level 3 investments as of December 31, 2025 and 2024.

	2025	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
		Total
Common stocks	\$ 476,033	\$ -
Mutual funds, equities	734,371	-
Mutual funds, fixed income	108,010	-
Corporate bonds	-	898,315
Total	<u>\$ 1,318,414</u>	<u>\$ 898,315</u>
Cash and cash equivalents		29,418
Total Investments		<u>\$ 2,246,147</u>

	2024	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
		Total
Common stocks	\$ 527,578	\$ -
Mutual funds, equities	927,328	-
Mutual funds, fixed income	101,285	-
Corporate bonds	-	1,254,239
Total	<u>\$ 1,556,191</u>	<u>\$ 1,254,239</u>
Cash and cash equivalents		31,268
Total Investments		<u>\$ 2,841,698</u>

Interest and dividend income approximated \$97,000 and \$28,000, respectively, for 2025 and \$99,000 and \$28,000, respectively for 2024.

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, 2025 and 2024, there were no transfers from investments.

Family and Children's Association, Inc.

Notes to Financial Statements December 31, 2025 and 2024

5. Property, Plant and Equipment

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

	2025	2024
Land	\$ 379,000	\$ 419,000
Furniture and equipment	2,377,733	2,364,077
Buildings and building improvements	5,536,679	5,259,120
Leasehold improvements	150,450	150,450
Condominium interest	3,334,745	3,334,745
Vehicles	951,386	979,386
Construction in progress	456,566	511,295
Software implementation costs	515,171	-
Total	\$ 13,701,730	\$ 13,018,073
Accumulated depreciation and amortization	(5,524,763)	(4,888,690)
Property Plant and Equipment, net	<u>\$ 8,176,967</u>	<u>\$ 8,129,383</u>

Total depreciation and amortization expense for the years ended December 31, 2025 and 2024 was approximately \$664,000 and \$718,000, respectively. During 2025, the Organization disposed of a fully depreciated vehicle with an original cost of \$28,000, and the related asset and accumulated depreciation were removed from the Organization's books and records.

6. Operating Leases

The Organization has operating leases for its real property, office equipment and vehicles. The Organization recognizes right-of-use assets and operating lease liabilities 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 Organization has two leases which expired after year end and were renewed for similar terms. These leases require future commitment payments aggregating approximately \$813,000 effective in 2026.

The components of operating lease cost included in the accompanying statements of functional expenses for the years ended December 31 are as follows:

	2025	2024
Operating lease cost:		
Lease cost, leases with terms greater than one year	\$ 720,763	\$ 683,679
Total Lease Cost	<u>\$ 720,763</u>	<u>\$ 683,679</u>

Family and Children's Association, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

6. Operating Leases (continued)

The following table summarizes the operating lease liabilities as of December 31:

	2025	2024
Operating lease liabilities:		
Current	\$ 522,586	\$ 677,377
Long-term	772,265	848,187
Total Operating Lease Liabilities	<u>\$ 1,294,851</u>	<u>\$ 1,525,564</u>

The cost of the assets under operating leases as of December 31, 2025 and 2024 approximated \$4,401,000 and \$3,952,000, with accumulated amortization of approximately \$3,164,000 and \$2,493,000.

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

	2025	2024
Operating cash flows from operating leases *	\$ 766,632	\$ 672,039
Right-of-use leased assets obtained in exchange for operating lease obligations	499,240	988,604
Weighted-average remaining lease term (in years):		
Operating leases	2.22	2.87
Weighted-average discount rate on operating leases	4.59%	5.10%

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

Future minimum lease payments as of December 31, 2025 are as follows:

2026	\$ 570,789
2027	354,601
2028	323,069
2029	108,846
2030	16,645
	<u>1,373,950</u>
Less present value discount	79,099
Total	<u>\$ 1,294,851</u>

Family and Children's Association, Inc.

Notes to Financial Statements December 31, 2025 and 2024

7. Note Payable to Bank

As of December 31, 2025 and 2024, the Organization had a \$2,000,000 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 had the option to 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%. As of December 31, 2025 and 2024, the outstanding balance on the line was \$2,000,000 and \$1,930,000, respectively, and the interest rate is 6.75% and 7.50%, respectively.

The line of credit agreement requires the Organization to comply with certain financial and non-financial covenants. The Organization was not in compliance with the non-financial covenants as of December 31, 2025.

The line expired on February 27, 2026 and was paid in full through another financial institution in May 2026 (see Note 18).

For the years ended December 31, 2025 and 2024, interest expense was approximately \$146,000 and \$68,000, respectively.

8. Endowment Funds

The Organization 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.

Notes to Financial Statements
December 31, 2025 and 2024

8. Endowment Funds (*continued*)

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 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:

	2025			
	Without Donor Restrictions	With Donor Restrictions		
	Board- Designated	Original Gift	Accumulated Gains	Total
Board-designated endowment funds	\$ 273,430	\$ -	\$ -	\$ 273,430
Donor-restricted endowment funds	-	382,333	75,452	457,785
Total	<u>\$ 273,430</u>	<u>\$ 382,333</u>	<u>\$ 75,452</u>	<u>\$ 731,215</u>
	2024			
	Without Donor Restrictions	With Donor Restrictions		
	Board- Designated	Original Gift	Accumulated Gains	Total
Board-designated endowment funds	\$ 244,528	\$ -	\$ -	\$ 244,528
Donor-restricted endowment funds	-	382,333	41,625	423,958
Total	<u>\$ 244,528</u>	<u>\$ 382,333</u>	<u>\$ 41,625</u>	<u>\$ 668,486</u>

Family and Children's Association, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

8. Endowment Funds (continued)

Endowment Investment Policy (continued)

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

	2025	
	Board- Designated	Net Assets with Donor Restrictions
Net assets, beginning of year	\$ 244,528	\$ 423,958
Investment income	<u>28,902</u>	<u>33,827</u>
Net assets, end of year	<u><u>\$ 273,430</u></u>	<u><u>\$ 457,785</u></u>
	2024	
	Board- Designated	Net Assets with Donor Restrictions
Net assets, beginning of year	\$ 247,210	\$ 405,688
Investment income	22,318	18,270
Transfer for operations	<u>(25,000)</u>	<u>-</u>
Net assets, end of year	<u><u>\$ 244,528</u></u>	<u><u>\$ 423,958</u></u>

Family and Children's Association, Inc.

Notes to Financial Statements December 31, 2025 and 2024

9. Net Assets With Donor Restrictions

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

	2025	2024
Capital Campaign, purpose restricted	\$ 96,000	\$ 96,000
Nursery Coop, time and purpose restricted	102,691	141,597
Learning Center, purpose restricted	57,180	74,552
East End Thrive, purpose restricted	30,555	-
Parents and Children Together - Lullaby, purpose restricted	29,637	25,000
Senior Financial, purpose restricted	46,818	25,899
Certified Community Behavioral Health Clinic, purpose restricted	25,000	25,000
Adopt-a-family, purpose restricted	14,668	17,017
Gun Violence Reduction Program "SNUG", purpose restricted	5,000	5,000
Elder Abuse Intervention, purpose restricted	3,360	3,360
WalkAbout, purpose restricted	-	380
Ombuds, purpose restricted	250	250
Staff computers, time and purpose restricted	61,000	-
Back-to-school, purpose restricted	1,285	1,285
Total Subject to Expenditure for Specified Time and Purposes	473,444	415,340
Perpetual endowment fund	457,785	423,958
Total	<u>\$ 931,229</u>	<u>\$ 839,298</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:

	2025	2024
Nursery Coop	\$ 263,905	\$ 185,180
Learning Center	17,372	10,622
Scholarship	56,990	-
Camp	5,885	-
Ladders	25,000	-
Parents and Children Together	3,000	-
Parents and Children Together-Lullaby	20,363	-
WalkAbout	5,000	-
Senior Financial	58,966	-
Adopt-a-Family	8,747	-
Total	<u>\$ 465,228</u>	<u>\$ 195,802</u>

Family and Children's Association, Inc.

Notes to Financial Statements December 31, 2025 and 2024

10. 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:

2025							
	Mental Health and Wellness	Residential Services	Family and Community Support	Senior and Adult Services	Harm Reduction and Recovery	Clinical Services	Total
Revenue from contracts:							
Medicaid	\$ 509,942	\$ 1,466,752	\$ -	\$ -	\$ -	\$ 1,106,268	\$ 3,082,962
Health Homes	745,015	-	-	-	-	-	745,015
Medicaid Managed Care	466,086	-	-	217	-	495,236	961,539
Client fees	-	-	-	22,911	-	434,760	457,671
Rental revenue	-	-	-	-	14,400	-	14,400
Medicare	-	-	-	2,639	-	55,817	58,456
Social Security Income	-	108,420	-	-	-	-	108,420
Total Revenue from Contracts	<u>\$ 1,721,043</u>	<u>\$ 1,575,172</u>	<u>\$ -</u>	<u>\$ 25,767</u>	<u>\$ 14,400</u>	<u>\$ 2,092,081</u>	<u>\$ 5,428,463</u>

2024							
	Mental Health and Wellness	Residential Services	Family and Community Support	Senior and Adult Services	Harm Reduction and Recovery	Clinical Services	Total
Revenue from contracts:							
Medicaid	\$ 121,952	\$ 1,755,700	\$ -	\$ -	\$ -	\$ 106,169	\$ 1,983,821
Health Homes	624,843	-	-	-	-	-	624,843
Medicaid Managed Care	508,621	-	-	-	-	871,767	1,380,388
Client fees	-	-	277,683	276,852	-	294,945	849,480
Rental revenue	-	-	-	-	14,415	-	14,415
Medicare	-	-	-	9,239	-	31,391	40,630
Social Security Income	-	147,638	-	-	-	-	147,638
Total Revenue from Contracts	<u>\$ 1,255,416</u>	<u>\$ 1,903,338</u>	<u>\$ 277,683</u>	<u>\$ 286,091</u>	<u>\$ 14,415</u>	<u>\$ 1,304,272</u>	<u>\$ 5,041,215</u>

Family and Children's Association, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

11. Special Events Revenue

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

	2025		
	Gross Revenue	Costs of Direct Benefits to Donors	Net Revenue
Harvest Celebration	\$ 133,747	\$ 36,252	\$ 97,495
Golf outing	81,240	103,206	(21,966)
Scholarship event	55,780	8,643	47,137
Other	232,888	27,942	204,946
Total	<u>\$ 503,655</u>	<u>\$ 176,043</u>	<u>\$ 327,612</u>

	2024		
	Gross Revenue	Costs of Direct Benefits to Donors	Net Revenue
Harvest Celebration	\$ 282,420	\$ 16,688	\$ 265,732
Golf outing	106,732	48,357	58,375
Scholarship event	48,850	5,956	42,894
Other	54,409	10,140	44,269
Total	<u>\$ 492,411</u>	<u>\$ 81,141</u>	<u>\$ 411,270</u>

Family and Children's Association, Inc.

Notes to Financial Statements December 31, 2025 and 2024

12. Liquidity and Availability of Financial Resources

The Organization's financial assets available within one year of December 31, 2025 and 2024 for general expenditures are as follows:

	2025	2024
Cash and cash equivalents	\$ 789,149	\$ 2,140,597
Investments	2,246,147	2,841,698
Accounts receivable	7,921,088	7,452,612
Contributions receivable	303,353	348,547
Total Financial Assets	\$ 11,259,737	\$ 12,783,454
Less amounts unavailable for general within one year, due to:		
Time and purpose restricted	\$ 473,444	\$ 415,340
Perpetual endowment fund	457,785	423,958
Board-designated, scholarship fund	273,430	244,528
Total Financial Assets Available	<u>\$ 10,055,078</u>	<u>\$ 11,699,628</u>

Liquidity Management

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.

13. 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 (5.00% for 2025 and 2024).

Pension expense for the years ended December 31, 2025 and 2024 was approximately \$554,000 and \$408,000, respectively.

Family and Children's Association, Inc.

Notes to Financial Statements December 31, 2025 and 2024

14. Related Party Transactions

During the year ended December 31, 2025, the Organization received discounted legal and training services from an entity in which two Board members are partners or employees.

During the year ended December 31, 2024, the Organization received discounted legal and banking services from an entity in which two Board members are partners or employees. Amounts incurred for such legal and training services were approximately \$23,000 and \$15,000, respectively, during the year ended December 31, 2025. Amounts incurred for such legal and banking services were approximately \$15,000 and \$59,000, respectively, during the year ended December 31, 2024. Both arrangements were disclosed and approved by the Board of Trustees.

For the years ended December 31, 2025 and 2024, approximately \$173,000 and \$277,000, respectively of contributions and grants were received from members of the Organization's Board of Trustees or their related associations.

15. 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 \$225,000 and \$202,000 as of December 31, 2025 and 2024, respectively, are classified as other assets and other liabilities in the Organization's statements of financial position. As of December 31, 2025 and 2024, total employer contributions into the Plan since inception totaled approximately \$165,000 and \$150,000, respectively, included in these amounts is approximately \$15,000 for the years ended December 31, 2025 and 2024.

16. 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.

In June 2023, the New York State Office of Mental Health ("OMH") recorded a grant lien on the Organization's property in West Hempstead, New York in the amount of \$874,079. The Organization is required to provide services for a period of forty years. The lien is reduced by 2.5% for each year that the services are performed. In the event the Organization is unable to continue providing services at the site, OMH is entitled to appoint a receiver. The project has not yet commenced.

Family and Children's Association, Inc.

Notes to Financial Statements
December 31, 2025 and 2024

17. 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.

18. Subsequent Events

Effective January 1, 2026 the 403(B) employer contribution was decreased from 5% to 2%.

In April 2026, the Organization entered into a new \$3,000,000 revolving line of credit with a financial institution which was used to pay in full the existing line of credit which had an outstanding balance of \$2,000,000 at December 31, 2025. The revolving line of credit is scheduled to expire on April 27, 2027. The revolving line of credit allows for repayment of principal at any time during the loan term and requires any remaining unpaid balance to be repaid at the expiration date. The outstanding balance bears interest at the U.S. Prime Rate, with a floor rate of 5.0%. The revolving line of credit agreement requires the Organization to comply with certain financial and non-financial covenants. The Organization had a balance of \$1,864,647 on the revolving line of credit as of August 31, 2026.

* * * * *