

FAMILY AND CHILD SERVICE OF SCHENECTADY, INC.

Financial Statements

December 31, 2015

LUBBE & HOSEY, PC
CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Family and Child Service of Schenectady, Inc.:

We have audited the accompanying financial statements of **Family and Child Service of Schenectady, Inc. (Agency)** (a New York not-for-profit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Family and Child Service of Schenectady, Inc.** as of December 31, 2015, and the change 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.

(Continued)

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in the Schedule of Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Albany, New York
May 10, 2016

A handwritten signature in black ink that reads "Lubbe + Hasky, PC". The signature is written in a cursive, flowing style with a large, sweeping flourish at the end.

FAMILY AND CHILD SERVICE OF SCHENECTADY, INC.

Statement of Financial Position

December 31, 2015

(with comparative totals for 2014)

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash	\$ 2,299	7,507
Investments (note 3)	292,183	299,539
Accounts receivable:		
Governmental contract	11,384	11,384
Fees and contracts for service	67,312	55,277
Medicaid	119,147	127,188
Grant	5,000	-
Other	-	2,756
Prepaid expenses and deposits	37,712	38,418
Property and equipment, net (note 4)	158,167	158,729
Custodial client trust	<u>13,902</u>	<u>11,366</u>
Total assets	<u>\$707,106</u>	<u>712,164</u>
<u>LIABILITIES AND NET ASSETS</u>		
Line of credit (note 6)	34,406	30,000
Accounts payable and accrued expenses	121,974	105,836
Salaries, wages and related items payable	21,969	17,808
Deferred revenue	6,500	5,430
Custodial client trust	<u>13,902</u>	<u>11,366</u>
Total liabilities	<u>198,751</u>	<u>170,440</u>
Commitments and contingencies (note 6)		
Net assets (note 2):		
Unrestricted - undesignated	249,308	291,380
Unrestricted - board designated	<u>250,000</u>	<u>250,000</u>
Total unrestricted net assets	499,308	541,380
Temporarily restricted	<u>9,047</u>	<u>344</u>
Total net assets	<u>508,355</u>	<u>541,724</u>
Total liabilities and net assets	<u>\$707,106</u>	<u>712,164</u>

See accompanying notes to financial statements.

FAMILY AND CHILD SERVICE OF SCHENECTADY, INC.

Statement of Activities

Year ended December 31, 2015

(with comparative totals for 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenues:				
Governmental contract	\$ 113,837	-	113,837	113,837
Contributions and grants:				
United Way	-	30,000	30,000	45,626
Other	9,306	19,100	28,406	11,653
Medicaid	885,433	-	885,433	849,399
Fees and contracts for service	384,867	-	384,867	334,798
Special event, net expenses of \$7,933	17,454	-	17,454	12,445
Investment income (note 3)	712	-	712	27,818
Miscellaneous	2,700	-	2,700	3,800
Net assets released from restrictions	<u>40,397</u>	<u>(40,397)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>1,454,706</u>	<u>8,703</u>	<u>1,463,409</u>	<u>1,399,376</u>
Expenses:				
Program services:				
Counseling	20,581	-	20,581	19,551
Homemaker	429,502	-	429,502	430,197
Family support	<u>693,953</u>	<u>-</u>	<u>693,953</u>	<u>667,406</u>
Total program services	<u>1,144,036</u>	<u>-</u>	<u>1,144,036</u>	<u>1,117,154</u>
Supporting services:				
Management and general	328,264	-	328,264	329,168
Fund raising	<u>24,478</u>	<u>-</u>	<u>24,478</u>	<u>24,082</u>
Total supporting services	<u>352,742</u>	<u>-</u>	<u>352,742</u>	<u>353,250</u>
Total expenses	<u>1,496,778</u>	<u>-</u>	<u>1,496,778</u>	<u>1,470,404</u>
Change in net assets	(42,072)	8,703	(33,369)	(71,028)
Net assets, beginning of year	<u>541,380</u>	<u>344</u>	<u>541,724</u>	<u>612,752</u>
Net assets, end of year	<u>\$ 499,308</u>	<u>9,047</u>	<u>508,355</u>	<u>541,724</u>

See accompanying notes to financial statements.

FAMILY AND CHILD SERVICE OF SCHENECTADY, INC.

Statement of Cash Flows

Year ended December 31, 2015

(with comparative totals for 2014)

	<u>2015</u>	<u>2014</u>
Cash (used for) provided from operating activities:		
Change in net assets	\$ (33,369)	(71,028)
Adjustments to reconcile change in net assets to cash provided from (used for) operating activities:		
Depreciation	7,297	7,449
Investment loss (gain), net	18,115	(13,681)
Changes in operating assets and liabilities:		
Accounts receivable	(6,238)	3,895
Prepaid expenses and deposits	706	(6,263)
Accounts payable and accrued expenses	16,138	5,481
Salaries, wages and related items payable	4,161	(39,096)
Deferred revenue	<u>1,070</u>	<u>(2,568)</u>
Cash provided from (used for) operating activities	<u>7,880</u>	<u>(115,811)</u>
Cash provided from (used for) investing activities:		
Sales/redemptions of investments	7,500	5,625
Purchases of investments	(18,259)	(274,211)
Acquisition of property and equipment	<u>(6,735)</u>	<u>-</u>
Cash (used for) investing activities	<u>(17,494)</u>	<u>(268,586)</u>
Cash provided from (used for) financing activities:		
Borrowings from line of credit	117,400	50,000
Payments on line of credit	<u>(112,994)</u>	<u>(20,000)</u>
Cash provided from financing activities	<u>4,406</u>	<u>30,000</u>
 (Decrease) in cash	 (5,208)	 (354,397)
Cash and cash equivalents, beginning of year	<u>7,507</u>	<u>361,904</u>
Cash and cash equivalents, end of year	\$ <u><u>2,299</u></u>	\$ <u><u>7,507</u></u>
 Supplemental Information:		
Interest paid	\$ <u><u>3,208</u></u>	<u><u>2,031</u></u>

See accompanying notes to financial statements.

FAMILY AND CHILD SERVICE OF SCHENECTADY, INC.

Notes to Financial Statements

December 31, 2015

(1) Organization and Summary of Significant Accounting Policies

(a) Organization, Income Tax and Use of Estimates

Family and Child Service of Schenectady, Inc. (the "Agency") is a not-for-profit entity organized in 1930. The Agency's purpose is to preserve and enhance the integrity of family life by providing counseling, homemaker, and family support services, predominantly in Schenectady County, New York. The Agency is substantially supported through medicaid fee income.

The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable New York State law. The Agency has also been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code and qualifies for deductible contributions. No provision for income taxes has been made in the accompanying financial statements. Management has determined that there are no uncertain tax positions. As of December 31, 2015, the tax years that remain subject to examination by taxing authorities begin with 2012.

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

(b) Basis of Accounting and Presentation

The financial statements of the Agency have been prepared on the accrual basis of accounting.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Agency reports information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted net assets at December 31, 2015.

(c) Revenue Recognition

Governmental Contract

Revenue from a governmental cost reimbursement contract is recognized when expenses relative to the contract are incurred. Cash received in advance of being earned or in excess of contract expenditures incurred is recorded as deferred revenue and subsequently recognized over the period or periods to which it relates.

Contributions and Grants

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-restricted amounts are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(Continued)

FAMILY AND CHILD SERVICE OF SCHENECTADY, INC.

Notes to Financial Statements (Continued)

(1) Organization and Summary of Significant Accounting Policies (Continued)**(c) Revenue Recognition (Continued)****Contributions and Grants (Continued)**

No amounts have been reflected in the financial statements for donated services. The Agency generally pays for services requiring specific expertise. Volunteers have donated time to the Agency's program and supporting services during the year ended December 31, 2015. These services do not meet the criteria for recognition.

Medicaid/Fees and Contracts for Service

Medicaid income and fees charged for billable client services provided are reflected as revenue as earned. Accounts receivable are reflected at the current amount due. Finance charges are not assessed on past due balances. If necessary, the Agency records an allowance for uncollectible fees based upon management's review of the collectability of the receivable. The calculation of the allowance takes into consideration the age of the receivable and whether the client is currently participating in a program administered by the Agency. No allowance for uncollectible fees was deemed necessary by management at December 31, 2015.

(d) Investments

Investments consist of a common stock and mutual funds (equity funds) recorded at fair value. Fair value is determined based upon information obtained from the Agency's broker and other sources. Investment income, including gains or losses, is credited to revenue when earned. Investment income is charged to unrestricted net assets unless a donor or law restricts its use. Investment fees are paid to outside custodians for managing investments. These fees have been netted against investment income in the statement of activities.

(e) Property and Equipment, and Depreciation

Expenditures for property and equipment equal to or in excess of \$1,000 are capitalized at cost. Donated assets in excess of \$1,000 are capitalized at fair value on date of donation. Depreciation is computed on the straight line method over the estimated useful lives of building and improvements (5 to 30 years), and furniture, fixtures and equipment (5 years). Expenditures for normal repairs and maintenance are charged to operations as incurred. Expenditures that increase the life of an asset are capitalized and depreciated over the estimated useful life of the asset. When units of property are retired or disposed of, their costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to operations.

(f) Custodial Client Trust

Cash maintained pursuant to contractually mandated separate account requirements totaled \$13,902 at December 31, 2015, and consists of cash held for clients under Agency agreements.

(g) Cash Equivalents

The Agency considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents as of December 31, 2015.

(Continued)

FAMILY AND CHILD SERVICE OF SCHENECTADY, INC.

Notes to Financial Statements (Continued)

(1) Organization and Summary of Significant Accounting Policies (Continued)

(h) Functional Expenses

The costs of providing programs and activities have been summarized on a functional basis in the statement of activities. Expenses are charged to program or supporting services based on direct expenditures incurred. Expenses not directly chargeable are allocated to program or supporting services based upon specific allocation methods.

(i) Advertising Costs

Advertising costs, such as marketing and publicity, are expensed as incurred. These costs totaled \$1,533 during the year ended December 31, 2015.

(j) Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended December 31, 2014 from which the summarized information was derived.

(k) Reclassifications

Certain items in the 2014 comparative totals have been reclassified to conform to current year classifications. Such reclassifications had no effect on the previously reported change in net assets.

(2) Net Assets

Unrestricted net assets consist of resources available for programs and administration of the Agency which have not been restricted by a donor.

Board designated net assets is an amount established by the Board of Directors which represents unrestricted funds set aside for the future continuation of the Agency.

Temporarily restricted net assets consist of resources available for the Agency's Homemaker (\$5,000) and Family Support (\$4,047) programs.

(3) Investments

Investments consist of the following at December 31, 2015:

	<u>Cost</u>	<u>Fair Value</u>
Common stock	\$ 4,763	19,194
Mutual funds	<u>279,345</u>	<u>272,989</u>
	<u>\$284,108</u>	<u>292,183</u>

The following summarizes investment income for the year ended December 31, 2015:

Interest, dividends, and capital gain distributions	\$ 18,827
Investment loss, net	<u>(18,115)</u>
	<u>\$ 712</u>

(Continued)

FAMILY AND CHILD SERVICE OF SCHENECTADY, INC.

Notes to Financial Statements (Continued)

(4) Property and Equipment

Property and equipment is summarized as follows:

Land	\$ 19,220
Buildings, including improvements	226,138
Furniture, fixtures and equipment	<u>19,297</u>
	264,655
Less accumulated depreciation	<u>106,488</u>
	<u>\$158,167</u>

Depreciation expense for the year ended December 31, 2015 was \$7,297.

(5) Defined Contribution Plan

The Agency sponsors a defined contribution plan. Participation in the plan is available for all employees meeting eligibility requirements, one of which is two years of service. Retirement expense for the year ended December 31, 2015 was \$56,646.

(6) Commitments and Contingencies**Line of Credit**

A line of credit arrangement with the Agency's bank provides for short-term borrowings of up to \$75,000, with interest at 7.0%. There were outstanding line of credit borrowings of \$34,406 at December 31, 2015. The line of credit required no compensating balances or payment of a commitment fee, and is collateralized by a lien on the Agency's business assets.

The line of credit constitutes a business commitment and is subject to continued creditworthiness and review by the lending bank. It is anticipated that a similar line of credit will be maintained in the future.

Concentration of Credit Risk - Cash

The Agency maintains cash balances in high credit quality financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. From time to time the Agency may maintain bank deposits in excess of amounts insured by the FDIC. Management feels that the risk associated with these excess deposits is not significant. No amounts exceeded FDIC at December 31, 2015.

Risks and Uncertainties

Investments are exposed to risks, such as interest rate, market and credit risks. Due to these risks, it is at least reasonably possible that changes in the near term would materially affect the amounts reported in the statements of financial position and activities.

Grant/Contract Programs

The Agency participates in grant and contract programs (including governmental fees for service and medicaid) which are subject to financial and compliance audits by the funding source or its representatives. The Agency's compliance with applicable grant and contract requirements may be established at some future date. The amount of expenditures or funding which may be disallowed by funding sources cannot be determined at this time. Management expects such amounts, if any, to be immaterial.

(Continued)

FAMILY AND CHILD SERVICE OF SCHENECTADY, INC.

Notes to Financial Statements (Continued)

(7) Financial Instruments/Fair Value Measurements

Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Agency has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Agency's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The following sets forth, by level, within the fair value hierarchy, amounts recorded in the Agency's financial statements at fair value as of December 31, 2015:

	<u>Level 1</u>
Investments - common stock	\$ 19,194
Investments - mutual funds	<u>272,989</u>
	<u>\$292,183</u>

Cash, accounts receivable, line of credit, accounts payable, accrued liabilities, and deferred revenue - carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

(8) Subsequent Events

Management has evaluated subsequent events through May 10, 2016, the date on which the financial statements were available to be issued, and has determined that there are no adjustments or additional disclosures required.

FAMILY AND CHILD SERVICE OF SCHENECTADY, INC.

Schedule of Expenses

Year ended December 31, 2015

(with comparative totals for 2014)

	<u>2015</u>	<u>2014</u>
Salaries and wages	\$1,040,151	1,023,188
Payroll taxes	77,160	75,729
Employee benefits	<u>132,194</u>	<u>137,482</u>
Total personnel services	1,249,505	1,236,399
Professional and other fees	32,681	28,437
Consultants	42,585	31,083
Supplies and materials	16,426	13,028
Telephone	8,399	13,289
Specific assistance and allowances	40,622	43,719
Recreation	2,492	1,809
Occupancy and maintenance	15,902	19,107
Equipment rental and repair	4,853	4,190
Printing and publications	2,911	4,886
Insurance	13,344	12,808
Postage and shipping	4,417	4,897
Travel and meals	39,896	37,625
Dues and subscriptions	824	948
Marketing and publicity	1,533	2,401
Interest	3,342	2,066
Miscellaneous	<u>9,749</u>	<u>6,263</u>
Total expenses before depreciation	1,489,481	1,462,955
Depreciation	<u>7,297</u>	<u>7,449</u>
Total expenses	<u>\$1,496,778</u>	<u>1,470,404</u>

See accompanying independent auditor's report.