

**NORTH SHORE CHILD AND FAMILY
GUIDANCE ASSOCIATION, INC.
AND SUBSIDIARY**

**Consolidated Financial Statements
For the Years Ended
December 31, 2018
and
December 31, 2017**

Independent Auditor's Report

To the Board of Directors of
North Shore Child and Family Guidance Association, Inc.

We have audited the accompanying consolidated financial statements of North Shore Child and Family Guidance Association, Inc. and Subsidiary which comprise the consolidated statements of financial position as of December 31, 2018 and December 31, 2017 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of North Shore Child and Family Guidance Association, Inc. and Subsidiary as of December 31, 2018 and December 31, 2017 and the results of their activities and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty & Donnelly LLP

May 20, 2019

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
AND SUBSIDIARY**

Consolidated Statements of Financial Position

Assets

	December 31	
	2018	2017
Current assets		
Cash and cash equivalents	\$1,864,507	\$1,377,816
Investments, at fair value	957,088	1,037,441
Government grants and other receivables	1,602,705	1,549,468
Current portion of pledges receivable	175,000	304,300
Prepaid expenses and other assets	<u>56,247</u>	<u>83,989</u>
Total current assets	4,655,547	4,353,014
Pledges receivable, net	365,430	533,363
Property and equipment, net	<u>2,123,509</u>	<u>1,702,484</u>
Total assets	<u>\$7,144,486</u>	<u>\$6,588,861</u>

Liabilities and Net Assets

Current liabilities		
Contract payable	\$ 214,119	\$ -
Accounts payable and accrued expenses	592,280	525,849
Unearned revenue	59,205	170,753
Current portion of long-term debt	<u>363,552</u>	<u>330,000</u>
Total current liabilities	1,229,156	1,026,602
Long-term liabilities		
Long-term debt, net	<u>2,786,667</u>	<u>2,665,981</u>
Total liabilities	<u>4,015,823</u>	<u>3,692,583</u>
Net assets		
Without donor restrictions	1,866,797	907,348
With donor restrictions	<u>1,261,866</u>	<u>1,988,930</u>
Total net assets	<u>3,128,663</u>	<u>2,896,278</u>
Total liabilities and net assets	<u>\$7,144,486</u>	<u>\$6,588,861</u>

See notes to consolidated financial statements.

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
AND SUBSIDIARY**

Consolidated Statements of Activities

	For the Years Ended December 31		
	2018		2017
	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Program service fees	\$ 4,420,718	\$ -	\$ 4,420,718
Government grants	3,065,132	-	3,065,132
Contributions	334,578	533,572	868,150
Special events, net of direct benefits to donors of \$140,608 in 2018 and \$150,747 in 2017	788,200	-	788,200
United Way and community funds	18,876	-	18,876
Investment return (loss)	(79,200)	-	(79,200)
Other	3,423	-	3,423
Net assets released from restrictions	1,260,636	(1,260,636)	-
Total public support and revenue	9,812,363	(727,064)	9,085,299
Expenses			
Program services			
Clinical	4,826,298	-	4,826,298
School community collaborative	1,927,503	-	1,927,503
Early childhood	121,465	-	121,465
Outreach	199,622	-	199,622
Total program services	7,074,888	-	7,074,888
Supporting activities			
Management and general	1,267,601	-	1,267,601
Fundraising	510,425	-	510,425
Total supporting activities	1,778,026	-	1,778,026
Total expenses	8,852,914	-	8,852,914
Increase (decrease) in net assets	959,449	(727,064)	232,385
Net assets, beginning of year	907,348	1,988,930	2,896,278
Net assets, end of year	\$ 1,866,797	\$ 1,261,866	\$ 3,128,663

See notes to consolidated financial statements.

Consolidated Statements of Functional Expenses
For the Year Ended December 31, 2018
(With Summarized Comparative Information for December 31, 2017)

See notes to consolidated financial statements.

NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
AND SUBSIDIARY

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services				Supporting Activities		
	School Community Collaborative	Early Childhood	Outreach	Total	Management and General	Fund- Raising	Total
Payroll and related expenses							
Payroll	\$ 2,814,391	\$ 69,494	\$ 123,883	\$ 4,321,508	\$ 704,937	\$ 240,787	\$ 945,724
Payroll taxes and fringe benefits	1,076,916	28,869	45,655	1,660,661	237,897	62,436	300,333
Total payroll and related expenses	3,891,307	98,363	169,538	5,982,169	942,834	303,223	1,246,057
Other expenses							
Advertising	1,094	14	16	1,214	253	1,187	1,440
Bank charges	-	-	-	-	15,378	3,619	18,997
Bond costs	-	-	-	-	827	-	827
Computer	51,827	22	156	58,044	8,225	5,611	13,836
Consulting	2,200	-	-	2,200	12,850	14,600	27,450
Depreciation	132,979	4,298	4,430	143,080	3,826	44,619	48,445
Dues and subscriptions	270	-	-	270	2,200	1,257	3,457
Equipment	27,527	741	776	35,840	5,122	2,809	7,931
Food and entertainment	2,641	467	2,434	5,542	155	14,010	14,165
Insurance	64,725	1,502	1,927	76,332	14,353	9,504	23,857
Interest	81,292	1,870	1,924	85,086	61,908	9,313	71,221
Professional fees	-	-	-	-	34,455	-	34,455
Office expenses and supplies	26,336	782	1,185	34,119	71,279	2,413	73,692
Postage	5,106	8	305	5,419	2,244	3,570	5,814
Printing and publications	240	-	5,107	5,814	159	42,046	42,205
Program supplies	20,914	300	387	21,601	-	1,238	1,238
Repairs and maintenance	176,487	4,310	4,879	187,300	23,464	12,863	36,327
Tax expense	896	-	-	896	665	213	878
Temporary help	18,521	-	-	18,521	-	-	-
Travel and automobile	16,595	1,407	496	19,814	497	5,035	5,532
Telephone and utilities	103,364	3,131	3,337	110,085	20,193	9,414	29,607
Other	2,830	1,166	422	4,430	9,276	14,879	24,155
Total other expenses	735,844	20,018	27,781	815,607	287,329	198,200	485,529
Total	\$ 4,627,151	\$ 118,381	\$ 197,319	\$ 6,797,776	\$ 1,230,163	\$ 501,423	\$ 1,731,586
							\$ 8,529,362

See notes to consolidated financial statements.

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
AND SUBSIDIARY**

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2018	2017
Cash flows from operating activities		
Increase in net assets	\$ 232,385	\$ 1,080,000
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	191,665	191,525
Amortization of financing costs	26,906	25,544
Realized and unrealized (gain) loss on investments	98,553	(119,089)
Donated securities	(50,213)	(79,380)
Proceeds from sale of donated securities	50,213	79,380
Contributions earmarked for capital	(180,500)	(274,680)
(Increase) decrease in assets		
Government grants and other receivables	(53,237)	(245,094)
Pledges receivable	297,233	(315,001)
Prepaid expenses and other assets	17,742	(1,558)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	66,431	(65,744)
Unearned revenue	(111,548)	(93,422)
Net cash provided by operating activities	<u>585,630</u>	<u>182,481</u>
Cash flows from investing activities		
Purchases of property and equipment, net of contract payable	(398,571)	(36,361)
Purchases of investments	(475,548)	(581,581)
Proceeds from sale of investments	457,348	560,577
Net cash (used in) investing activities	<u>(416,771)</u>	<u>(57,365)</u>
Cash flows from financing activities		
Proceeds from long-term debt	750,000	-
Repayment of long-term debt	(554,543)	(298,000)
Long-term debt issuance costs	(58,125)	-
Contributions earmarked for capital	180,500	274,680
Net cash provided by (used in) investing activities	<u>317,832</u>	<u>(23,320)</u>
Net increase in cash and cash equivalents	486,691	101,796
Cash and cash equivalents, beginning of year	<u>1,377,816</u>	<u>1,276,020</u>
Cash and cash equivalents, end of year	<u>\$ 1,864,507</u>	<u>\$ 1,377,816</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 144,835</u>	<u>\$ 130,763</u>

See notes to consolidated financial statements.

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements
December 31, 2018 and December 31, 2017**

Note 1 – Nature of organization and summary of significant accounting policies

Nature of organization

North Shore Child and Family Guidance Association, Inc. is a non-profit mental health agency incorporated in New York State. It was founded in 1953 and is presently a major Long Island facility for consultation, counseling and treatment of youth and their families.

North Shore Child and Family Guidance Association Holding Corporation is a New York not-for-profit corporation formed for the purpose of acquiring, purchasing, leasing, constructing and renovating real property in furtherance of the exempt purposes of North Shore Child and Family Guidance Association, Inc.

Principles of consolidation

The consolidated financial statements include the accounts of North Shore Child and Family Guidance Association, Inc. and North Shore Child and Family Guidance Association Holding Corporation (collectively, the “Agency”) and all intercompany accounts and transactions have been eliminated upon consolidation.

Program services

Clinical – Clinical services include diagnostic evaluations and treatment and are provided as a major component at all sites and through home visits. Clinical services include individual, family, and group therapy, crisis services, case management, medication follow-up, and psycho-educational and self-help support groups. Included are core mental health and chemical dependency.

School community collaborative – The school community collaborative focuses on students with serious emotional disturbances who are at risk for being placed in settings outside of their homes. The aim is to maintain students in the least restrictive and most inclusionary environment which includes a school-based mental health collaboration with Nassau BOCES covering all Nassau County School Districts.

Early childhood – Early childhood services focuses on the needs of children from birth through 6 years of age and their families. The goal of these services is to ensure that the emotional needs of very young children are recognized and that services are created that are both psychologically and developmentally sound. The services are delivered through the use of evaluation, therapy, consultation, and parental/care giver education primarily in the Agency’s Marks’ Family Right from the Start 0-3+ Center.

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)
December 31, 2018 and December 31, 2017**

Note 1 – Nature of organization and summary of significant accounting policies (continued)

Program services (continued)

Outreach – Outreach services include those provided on-site in homes, schools, community centers, religious institutions, neighborhoods and in other formal and informal community locations. Primarily preventative, outreach services aim to reach vulnerable and disenfranchised populations such as recent immigrants, children with serious learning problems, youth with histories of truancy and delinquent behavior who are unlikely to access agency services through more formal means.

Net assets

The Agency's net assets consist of the following:

Net assets without donor restrictions of the Agency have not been restricted by an outside donor and are therefore available for use in carrying out the operations of the Agency.

Net assets with temporary donor restrictions of the Agency have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of the Agency pursuant to those stipulations.

Net assets with perpetual donor restrictions of the Agency include donor stipulations that must be maintained by the Agency in perpetuity. The Agency does not have any net assets with perpetual donor restrictions.

Funding

The Agency derives its revenue primarily from cost reimbursement contracts from New York State and Nassau County, program service fees and contributions from individuals, corporations and foundations.

Funding contracts are often subject to audit by the applicable granting agencies. The possible disallowances by the granting agencies of any item charged to the program cannot be determined until such time when and if an audit occurs. Therefore, no provision for any potential disallowances that may result from such audits has been made in the accompanying consolidated financial statements. Management is of the opinion that any potential disallowances will not be material to the accompanying consolidated financial statements.

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)
December 31, 2018 and December 31, 2017**

Note 1 – Nature of organization and summary of significant accounting policies (continued)

Pledges

Pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using a risk-adjusted rate applicable to the year in which the pledges are made. Amortization of the discount is included in contributions revenue.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. The Agency reports contributions with donor restrictions, if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulation expires, assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Bequests are recorded as revenue when a legally binding obligation is received and when a fair value can reasonably be determined. The Agency did not receive any bequests during 2018 and 2017.

Cash equivalents

The Agency considers all highly liquid investments with original maturities of 90 days or less to be cash equivalents.

Investments

Investments are recorded at fair value. Realized and unrealized gains or losses are reported in the consolidated statements of activities as increases or decreases in net assets.

Fair value measurements

The Agency invests in mutual and exchange-traded funds. The Agency's mutual and exchange-traded funds are measured using Level 1 inputs, which are defined as quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date.

Allowance for doubtful accounts

As of December 31, 2018 and December 31, 2017, the Agency's management has determined that there are no potentially uncollectible receivables and thus, an allowance for doubtful accounts is not necessary. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)
December 31, 2018 and December 31, 2017**

Note 1 – Nature of organization and summary of significant accounting policies (continued)

Property and equipment

Property and equipment are stated at cost. Expenditures for property and equipment above a nominal amount with a useful life greater than one year are capitalized. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Buildings and improvements	8 – 25 years
Furniture, fixtures and equipment	3 – 5 years

Unamortized costs of financing

Costs of financing are being amortized over the periods of the related long-term debt. Unamortized costs of financing are netted with the Agency's long-term debt on the consolidated statements of financial position and the amortization of the costs of financing are included with interest expense on the consolidated statements of functional expenses.

Functional expenses

The cost of providing the various programs and other activities has been summarized on a functional basis. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Expenses attributable to more than one functional category are allocated based on square footage.

Use of estimates

The consolidated financial statements of the Agency are prepared in conformity with accounting principles generally accepted in the United States of America, which require 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

In-kind services

A number of volunteers, including members of the Board of Directors, have donated significant amounts of their time to the Agency's program services, management and general services and fundraising campaigns. These donated services have not been recorded in the accompanying consolidated statements of activities because they do not meet the criteria for recording such services.

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)
December 31, 2018 and December 31, 2017**

Note 1 – Nature of organization and summary of significant accounting policies (continued)

Concentrations of credit risk

The Agency's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents, investments and receivables. The Agency places its cash and cash equivalents with what it believes to be quality financial institutions. At times during the year, the Agency's cash accounts exceeded the FDIC insurance limit. The Agency has not incurred any losses in its cash accounts to date. The Agency's investments are exposed to various risks such as interest rate, market volatility, liquidity and credit. Due to the level of risk associated with investment securities, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the consolidated statements of financial position as of December 31, 2018. The Agency routinely monitors the collectibility of its receivables to ensure they are viable. As a result, the Agency believes no significant concentrations of credit risk exist with respect to its cash, cash equivalents, investments and receivables.

Recent accounting pronouncement

Not-for-Profit Financial Statement Presentation

During 2018, the Agency adopted Accounting Standards Update ("ASU") No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows.

Subsequent events

The Agency has evaluated events and transactions for potential recognition or disclosure through May 20, 2019, which is the date the consolidated financial statements were available to be issued.

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)
December 31, 2018 and December 31, 2017**

Note 2 – Liquidity and availability of financial assets

The Agency's working capital and cash flows have seasonal variations during the year attributable to cash receipts from program service fees, government contracts and grants, contributions and other revenue items. The following is a summary of the Agency's financial assets as of December 31, 2018 that are available for general use within one year of the statement of financial position date:

Cash and cash equivalents	\$ 1,864,507
Investments, at fair value	957,088
Government grants and other receivables	1,602,705
Current portion of pledges receivable	<u>175,000</u>
Sub-total	4,599,300
Less: Net assets with program restrictions or time restrictions greater than one year	<u>(1,111,866)</u>
Total	<u>\$ 3,487,434</u>

The Agency also has available a \$500,000 revolving line of credit (see note 6) to finance short-term working capital needs that may be drawn upon as necessary.

Note 3 – Investments

The following is a summary of the investments at December 31, 2018 and December 31, 2017:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 47,061	\$ 47,061	\$ 39,311	\$ 39,311
Mutual and exchange-traded funds				
Equities	571,895	533,034	548,304	644,410
Fixed income	213,762	207,881	240,606	239,835
Hedge funds	137,627	131,517	87,916	93,104
Commodities	<u>47,432</u>	<u>37,595</u>	<u>24,245</u>	<u>20,781</u>
Total	<u>\$1,017,777</u>	<u>\$ 957,088</u>	<u>\$ 940,382</u>	<u>\$1,037,441</u>

Investment return (loss) for the years ended December 31, 2018 and December 31, 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 19,353	\$ 17,403
Realized gain on the sale of investments	59,195	54,940
Unrealized gain (loss) on investments	<u>(157,748)</u>	<u>64,149</u>
Total investment return (loss)	<u>\$ (79,200)</u>	<u>\$ 136,492</u>

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)
December 31, 2018 and December 31, 2017**

Note 4 – Pledges receivable

As of December 31, 2018 and December 31, 2017, pledges receivable are due to be collected as follows:

	<u>2018</u>	<u>2017</u>
Due in one year	\$ 175,000	\$ 304,300
Due in one to five years	<u>375,000</u>	<u>550,000</u>
Sub-total	550,000	854,300
Less: interest discount at a rate of 1.0% for 2018 and 2017	<u>(9,570)</u>	<u>(16,637)</u>
Total	540,430	837,663
Less: current portion	<u>(175,000)</u>	<u>(304,300)</u>
Long-term portion	<u>\$ 365,430</u>	<u>\$ 533,363</u>

Note 5 – Property and equipment

Property and equipment consist of the following at December 31, 2018 and December 31, 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 259,150	\$ 259,150
Buildings and improvements	4,624,867	4,561,146
Furniture, fixtures and equipment	544,563	470,553
Construction in progress	<u>485,819</u>	<u>10,860</u>
Sub-total	5,914,399	5,301,709
Less: accumulated depreciation	<u>3,790,890</u>	<u>3,599,225</u>
Total	<u>\$ 2,123,509</u>	<u>\$ 1,702,484</u>

Note 6 – Long-term debt and line of credit

During 2015, the Agency issued a \$1,586,000 tax-exempt revenue bond Series 2015C-1, a \$2,089,000 revenue bond Series 2016C-2 and a \$180,000 Series 2015C-3 (the “Bonds”), in the aggregate principal amount of \$3,855,000, for the purposes of refinancing its previous bonds payable, funding of the repayment of a major portion of the liability due to OMH, and to repay the previous mortgage note. The Bonds were issued pursuant to a Bond Purchase Agreement and Loan Agreement dated June 19, 2015, between the Nassau County Local Economic Assistance Corporation (LEAC) and a bank. The Bonds require monthly payments of principal plus interest at the annual rates of 2.87%, 4.51% and 3.65%, respectively. The Bonds contain a restrictive borrowing covenant and certain financial covenants as outlined in the agreement. The Bonds are secured by a mortgage on the premises. In connection with the Bond Purchase and Loan Agreement, the LEAC assigned the mortgage to a bank. The Bonds mature on June 1, 2024; June 1, 2038; and June 1, 2020, respectively.

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)
December 31, 2018 and December 31, 2017**

Note 6 – Long-term debt and line of credit (continued)

During March 2018, in connection with the Agency's window replacement project (see Note 9) and other capital projects, the Agency obtained a ten-year \$750,000 mortgage note payable. The note required monthly interest only payments through September 1, 2018 at the rate of 5.12% per annum. Commencing October 1, 2018, the note requires monthly payments of \$4,515, based on a 25-year amortization, applicable first to interest at the aforementioned rate with the balance to the reduction of principal. At maturity on April 1, 2028, the note will require a balloon payment of \$207,058. The Agency may prepay the note in whole or in part at any time without penalty or premium. The Agency made a principal prepayment of approximately \$220,000 in November 2018. The loan contains certain financial covenants as outlined in the agreement.

The following is a summary of the future minimum principal payments as of December 31, 2018:

<u>Year</u>	<u>Mortgage Note Payable</u>	<u>Bonds</u>	<u>Total</u>
2019	\$ 27,552	\$ 336,000	\$ 363,552
2020	28,944	330,000	358,944
2021	30,556	336,000	366,556
2022	32,181	337,000	369,181
2023	33,891	356,000	389,891
2024 and thereafter	<u>372,333</u>	<u>1,189,000</u>	<u>1,561,333</u>
Sub-total	<u>\$ 525,457</u>	<u>\$2,884,000</u>	<u>3,409,457</u>
Less: current portion			363,552
Less: unamortized costs of financing			<u>259,238</u>
Net long-term portion			<u>\$2,786,667</u>

Line of credit

The Agency has available a \$500,000 revolving line of credit. Borrowings under the line bear interest at LIBOR plus 2.75%. The Agency is required to pay down the principal balance to zero for a period of thirty consecutive days each twelve-month period. The revolving line of credit expires on March 21, 2020. As of the date of this report, the Agency had no outstanding borrowings under the line.

The note and line of credit are secured by a second mortgage on the Agency's real property and the Agency's personal property.

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)
December 31, 2018 and December 31, 2017**

Note 7 – Net assets with temporary donor restrictions

The following is a summary of the net assets with temporary donor restrictions for the years ended December 31, 2018 and December 31, 2017:

<u>Description</u>	<u>2018</u>			<u>Balance December 31, 2018</u>
	<u>Balance December 31, 2017</u>	<u>Contributions</u>	<u>Net assets released from Restrictions</u>	
Capital improvements	\$ 272,380	\$ 180,500	\$ (2,046)	\$ 450,834
Emergency services	122,512	-	(122,512)	-
Time restricted	821,693	7,067	(381,216)	447,544
Right from the start	439,060	200,000	(444,775)	194,285
Other family life programs	<u>333,285</u>	<u>146,005</u>	<u>(310,087)</u>	<u>169,203</u>
Total	<u>\$ 1,988,930</u>	<u>\$ 533,572</u>	<u>\$ (1,260,636)</u>	<u>\$ 1,261,866</u>

<u>Description</u>	<u>2017</u>			<u>Balance December 31, 2017</u>
	<u>Balance December 31, 2016</u>	<u>Contributions</u>	<u>Net assets released from Restrictions</u>	
Capital improvements	\$ -	\$ 274,680	\$ (2,300)	\$ 272,380
Emergency services	197,512	-	(75,000)	122,512
Time restricted	361,039	492,702	(32,048)	821,693
Right from the start	266,653	202,000	(29,593)	439,060
Other family life programs	<u>271,987</u>	<u>254,355</u>	<u>(193,057)</u>	<u>333,285</u>
Total	<u>\$ 1,097,191</u>	<u>\$ 1,223,737</u>	<u>\$ (331,998)</u>	<u>\$ 1,988,930</u>

Note 8 – Pension and retirement plans

Multiemployer defined benefit pension and welfare plan

The Agency makes contributions to a multiemployer defined benefit pension and welfare plan (the “Plan”) under the terms of a collective-bargaining agreement that covers its union-represented employees. The risks of participating in a multiemployer plan are different from a single-employer plan in the following aspects:

- Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Agency chooses to stop participating in the multiemployer plan, the Agency may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)
December 31, 2018 and December 31, 2017**

Note 8 – Pension and retirement plans (continued)

Multiemployer defined benefit pension and welfare plan (continued)

The Agency's participation in this Plan for the years ended December 31, 2018 and December 31, 2017, is outlined in the table on the following page. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three-digit plan number. The third column lists the expiration date of the collective-bargaining agreement to which the Plan is subject. The Pension Protection Act zone status available in 2018 and 2017 is for the Plan's years ended December 31, 2017 and December 31, 2016, respectively. The zone status is based on information that the Agency received from the Plan and is certified by the Plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are at least 65 percent funded and less than 80 percent funded, and plans in the green zone are at least 80 percent funded.

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Expiration Date of Collective Bargaining Agreement</u>	<u>Pension Protection Act Zone Status</u>		<u>Contributions to the Plan</u>	
			<u>2017</u>	<u>2016</u>	<u>2018</u>	<u>2017</u>
1199 SEIU Healthcare Employee Pension Fund	13-3604862-001	6/30/18	Green	Green	\$ 256,412	\$246,517

403(b) plans

The Agency also maintains two 403(b) plans for union and non-union employees, whereby eligible participating employees may voluntarily authorize the Agency, under a salary reduction agreement, to deduct from their salaries certain amounts as contributions to the 403(b) plans. Employees' salary reductions are excluded from the employees' income for federal income tax purposes as provided by the Internal Revenue Code. The Agency can make non-elective contributions for eligible non-union participants. The Agency cannot contribute to the plan for union employees. The Agency did not contribute to the non-union plan during 2018 and 2017.

Money purchase retirement plan

The Agency also maintains a money purchase retirement plan, which covers substantially all non-union employees following the completion of two months of service. The Agency contributes 6.75% of compensation for eligible participants. Pension expense under this plan, net of forfeitures, for the years ended December 31, 2018 and December 31, 2017 was \$188,298 and \$119,183, respectively.

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
AND SUBSIDIARY**

**Notes to Consolidated Financial Statements (continued)
December 31, 2018 and December 31, 2017**

Note 9 – Commitments

Employee agreement

The Agency has an employment agreement with a key employee which expires in January 2020, subject to certain termination provisions.

Window replacement project

During 2017, the Agency entered into a contract for a window replacement project (the “Project”), which included the installation of windows and certain renovations and repairs to the Agency’s property. The Agency financed the Project through donor contributions and the proceeds from the mortgage note payable that was obtained during March 2018 (see Note 6). As of December 31, 2018 in connection with the Project, the contract totaled approximately \$430,000, including change orders, of which approximately \$355,000 has been completed through December 31, 2018. Of this amount, \$214,119 was unpaid and is reflected as a contract payable on the consolidated statements of financial position. The Project was completed during 2019.

Note 10 – Legal matter

The Agency is currently involved in a pre-suit matter along with other parties. The Agency believes it has defenses for this matter should formal litigation commence. The Agency is being defended by legal counsel pursuant to its insurance coverage. In the opinion of management after consultation with legal counsel, the final disposition of this matter is not expected to have a material effect on the Agency’s financial statements.

Note 11 – Tax status

North Shore Child and Family Guidance Association, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, North Shore Child and Family Guidance Association, Inc. has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation under the meaning of Section 509(a)(1) of the Code.

North Shore Child and Family Guidance Association Holding Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.