

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

**Consolidated Financial Statements
For the Years Ended
December 31, 2016
and
December 31, 2015**

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, 2016 and December 31, 2015 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, 2016 and December 31, 2015 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 15, 2017

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

Consolidated Statements of Financial Position

Assets

	December 31	
	<u>2016</u>	<u>2015</u>
Current assets		
Cash and cash equivalents	\$ 1,276,020	\$ 773,949
Investments, at fair value	897,348	842,488
Government grants and other receivables	1,304,374	1,462,274
Current portion of pledges receivable	204,900	273,200
Prepaid expenses and other assets	<u>82,431</u>	<u>69,048</u>
Total current assets	3,765,073	3,420,959
Property and equipment, net	1,857,648	1,925,802
Pledges receivable, net of current portion	<u>317,762</u>	<u>541,452</u>
Total assets	<u>\$5,940,483</u>	<u>\$5,888,213</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 591,593	\$ 619,800
Unearned revenue	264,175	190,070
Current portion of long-term debt	<u>298,000</u>	<u>276,000</u>
Total current liabilities	1,153,768	1,085,870
Long-term liabilities		
Long-term debt, net	<u>2,970,437</u>	<u>3,242,893</u>
Total liabilities	<u>4,124,205</u>	<u>4,328,763</u>
Net assets		
Unrestricted	719,087	540,909
Temporarily restricted	<u>1,097,191</u>	<u>1,018,541</u>
Total net assets	<u>1,816,278</u>	<u>1,559,450</u>
Total liabilities and net assets	<u>\$ 5,940,483</u>	<u>\$ 5,888,213</u>

See notes to consolidated financial statements.

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

Consolidated Statements of Activities

	For the Year Ended December 31		
	2016		2015
	Unrestricted	Temporarily Restricted	Total
Public support and revenue			
Program service fees	\$ 4,022,909	\$ -	\$ 4,022,909
Government grants	2,944,147	-	2,944,147
Contributions	125,960	610,483	736,443
Special events, net of direct benefits to donors of \$137,789 in 2016 and \$167,405 in 2015	510,125	-	510,125
United Way and community funds	22,049	-	22,049
Investment return (loss)	54,503	-	54,503
Other	64,297	-	64,297
Net assets released from restrictions	531,833	(531,833)	-
Total public support and revenue	8,275,823	78,650	8,354,473
Expenses			
Program services			
Clinical	4,327,888	-	4,327,888
School community collaborative	1,734,470	-	1,734,470
Early childhood	162,176	-	162,176
Outreach	179,464	-	179,464
Total program services	6,403,998	-	6,403,998
Supporting services			
Management and general	1,274,929	-	1,274,929
Fundraising	418,718	-	418,718
Total supporting services	1,693,647	-	1,693,647
Total expenses	8,097,645	-	8,097,645
Increase (decrease) in net assets	178,178	78,650	256,828
Net assets, beginning of year	540,909	1,018,541	1,559,450
Net assets, end of year	\$ 719,087	\$1,097,191	\$1,816,278
			\$ 540,909
			\$1,018,541
			\$1,559,450

See notes to consolidated financial statements.

Consolidated Statements of Functional Expenses
For the Year Ended December 31, 2016
(With Summarized Comparative Information for December 31, 2015)

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, 2015

	Program Services			Supporting Services		
	School			Management and General	Fund-Raising	Total
	Clinical	Community Collaborative	Early Childhood	Outreach	Total	
Payroll and related expenses						
Payroll	\$ 2,546,305	\$ 1,258,156	\$ 108,311	\$ 111,846	\$ 4,024,618	\$ 965,077
Payroll taxes and fringe benefits	956,126	506,104	51,927	44,804	1,558,961	298,503
Total payroll and related expenses	<u>3,502,431</u>	<u>1,764,260</u>	<u>160,238</u>	<u>156,650</u>	<u>5,583,579</u>	<u>1,263,580</u>
Other expenses						
Advertising	-	-	-	-	-	2,415
Bank charges	-	-	-	-	-	25,299
Bond costs	4,499	-	261	74	4,834	3,149
Computer	36,113	301	323	71	36,808	13,907
Consulting	28,577	-	-	-	28,577	11,115
Depreciation and write-off	162,543	2,746	8,121	2,299	175,709	49,485
Dues and subscriptions	-	-	-	-	-	3,043
Equipment	24,557	5,245	237	45	30,084	14,895
Food and entertainment	2,185	-	940	1,504	4,629	8,170
Insurance	93,509	9,972	3,598	3,130	110,209	28,835
Interest	116,790	-	4,728	1,342	122,860	115,651
Professional fees	-	-	-	-	-	45,936
Office expenses and supplies	36,990	5,784	1,131	615	44,520	47,655
Postage	3,563	245	3	10	3,821	5,606
Printing and publications	45	388	-	-	433	48,420
Program supplies	19,013	70	312	327	19,722	1,114
Repairs and maintenance	119,400	-	5,022	1,431	125,853	24,408
Tax expense	874	-	1	-	875	900
Temporary help	42,263	-	-	-	42,263	-
Travel and automobile	22,193	667	4,082	260	27,202	8,638
Telephone and utilities	105,562	2,651	4,977	1,259	114,449	30,023
Other	2,503	-	877	174	3,554	26,182
Total other expenses	<u>821,179</u>	<u>28,069</u>	<u>34,613</u>	<u>12,541</u>	<u>896,402</u>	<u>514,846</u>
Total expenses	<u>\$ 4,323,610</u>	<u>\$ 1,792,329</u>	<u>\$ 194,851</u>	<u>\$ 169,191</u>	<u>\$ 6,479,981</u>	<u>\$ 1,778,426</u>
						<u>\$ 8,258,407</u>

See notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

	For the Year Ended December 31	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Increase in net assets	\$ 256,828	\$ 130,679
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation, amortization and write-off	176,947	225,194
Amortization of financing costs	25,544	19,704
Realized and unrealized (gain) loss on investments	(37,287)	24,592
Donated securities	(30,684)	-
(Increase) decrease in current assets		
Government grants and other receivables	157,900	(271,457)
Pledges receivable	291,990	36,881
Prepaid expenses and other assets	(13,383)	(7,728)
Increase (decrease) in current liabilities		
Accounts payable and accrued expenses	(28,207)	(765,402)
Unearned revenue	<u>74,105</u>	<u>99,716</u>
Net cash provided by (used in) operating activities	<u>873,753</u>	<u>(507,821)</u>
Cash flows from investing activities		
Purchases of property and equipment	(108,793)	(484,057)
Purchases of investments	(750,452)	(506,881)
Sales of investments	<u>763,563</u>	<u>734,514</u>
Net cash (used in) investing activities	<u>(95,682)</u>	<u>(256,424)</u>
Cash flows from financing activities		
Proceeds from long-term debt	-	3,855,000
Repayment of long-term debt	(276,000)	(2,966,579)
Repayment of line of credit	-	(255,992)
Costs of financing	<u>-</u>	<u>(281,878)</u>
Net cash (used in) provided by financing activities	<u>(276,000)</u>	<u>350,551</u>
Net increase (decrease) in cash and cash equivalents	502,071	(413,694)
Cash and cash equivalents, beginning of year	<u>773,949</u>	<u>1,187,643</u>
Cash and cash equivalents, end of year	<u>\$ 1,276,020</u>	<u>\$ 773,949</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 141,502</u>	<u>\$ 239,171</u>

See notes to consolidated financial statements.

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

**Notes to Consolidated Financial Statements
December 31, 2016 and December 31, 2015**

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. The Agency 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.

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. Included are school-based mental health collaborations with Nassau BOCES, covering all Nassau County School Districts and a special project with the Westbury School District.

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.
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**Notes to Consolidated Financial Statements (continued)
December 31, 2016 and December 31, 2015**

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, and survivors of natural disasters including Hurricane Sandy.

Net assets

The Agency's net assets consist of the following:

Unrestricted – net assets of the Agency which have not been restricted by an outside donor and are therefore available for use in carrying out the operations of the Agency.

Temporarily restricted – net assets of the Agency which 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.

Permanently restricted – net assets of the Agency, which a donor stipulates must be maintained by the organization in perpetuity. The Agency does not have any permanently restricted net assets.

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, 2016 and December 31, 2015**

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

Grants and pledges

Grants and pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Grants and 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 government grants and contributions revenue.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. The Agency reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulation expires, temporarily restricted net assets are reclassified to unrestricted net assets 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.

Cash and 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's mutual 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, 2016 and December 31, 2015, 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, 2016 and December 31, 2015**

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	5 years

Unamortized costs of financing

Certain costs related to the mortgage note have been capitalized and are amortized using the straight-line method over the mortgage note repayment period. Loan origination costs for certain bonds were amortized over the periods of the bond issuances. In connection with the bonds that were repaid during 2015, unamortized costs of financing of \$77,073 were written off from the accounts and records.

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 programs and supporting services benefited.

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 in 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, 2016 and December 31, 2015**

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. 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, 2016. 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.

Subsequent events

The Agency has evaluated events and transactions for potential recognition or disclosure through May 15, 2017, which is the date the consolidated financial statements were available to be issued.

Reclassifications

In accordance with Financial Accounting Standards Update No. 2015-03, the Agency has netted its unamortized costs of financing with its long-term debt on the consolidated statements of financial position and included the amortization of the costs of financing with interest expense on the consolidated statements of activities in the 2016 financial statements. The Agency has also reclassified its 2015 information to conform to the 2016 presentation.

Note 2 – Investments

The following is a summary of the investments at December 31, 2016 and December 31, 2015:

	2016		2015	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 37,362	\$ 37,362	\$ 33,743	\$ 33,743
Mutual funds				
Equities	477,030	515,383	504,883	487,096
Fixed income	209,119	205,722	182,585	178,458
Hedge funds	76,367	78,011	95,159	88,831
Real estate	42,835	43,031	41,670	41,669
Commodities	21,725	17,839	20,864	12,691
Total	<u>\$ 864,438</u>	<u>\$ 897,348</u>	<u>\$ 878,904</u>	<u>\$ 842,488</u>

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

**Notes to Consolidated Financial Statements (continued)
December 31, 2016 and December 31, 2015**

Note 2 – Investments (continued)

Investment return (loss) for the years ended December 31, 2016 and December 31, 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 17,216	\$ 15,433
Realized (loss) on the sale of investments	(32,039)	(3,444)
Unrealized gain (loss) on investments	<u>69,326</u>	<u>(21,148)</u>
Total investment return (loss)	<u>\$ 54,503</u>	<u>\$ (9,159)</u>

Note 3 – Pledges receivable

As of December 31, 2016 and December 31, 2015, pledges receivable are due to be collected as follows:

	<u>2016</u>	<u>2015</u>
Due in one year	\$ 204,900	\$ 273,200
Due in one to five years	<u>327,100</u>	<u>549,100</u>
Sub-total	532,000	822,300
Less: interest discount at a rate of 1.0% for 2016 and 2015	<u>(9,338)</u>	<u>(7,648)</u>
Total	522,662	814,652
Less: current portion	<u>(204,900)</u>	<u>(273,200)</u>
Long-term portion	<u>\$ 317,762</u>	<u>\$ 541,452</u>

Note 4 – Property and equipment

Property and equipment consist of the following at December 31, 2016 and December 31, 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 259,150	\$ 259,150
Buildings and improvements	4,535,645	4,496,429
Furniture, fixtures and equipment	<u>470,553</u>	<u>400,976</u>
Sub-total	5,265,348	5,156,555
Less accumulated depreciation	<u>3,407,700</u>	<u>3,230,753</u>
Total	<u>\$ 1,857,648</u>	<u>\$ 1,925,802</u>

During 2015, the Agency wrote off fully depreciated equipment no longer in use with a cost basis of \$258,237 from the books and records.

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
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**Notes to Consolidated Financial Statements (continued)
December 31, 2016 and December 31, 2015**

Note 5 – Due to New York State Office of Mental Health

The Agency has received additional Medicaid funding for its clinic services in the form of a Comprehensive Outpatient Programs (“COPS”) add-on and for its high end services in the form of a Community Support Programs (“CSP”) add-on. The COPS and CSP add-ons are derived from a formula calculated by the New York State Office of Mental Health (“OMH”). After certain thresholds are met, a COPS and CSP Medicaid liability becomes due. The COPS threshold ended effective June 30, 2008 and the CSP threshold ended effective October 31, 2013. The amounts due OMH as of December 31, 2016 and December 31, 2015 are \$101,330 and \$135,766, respectively. The liability is included in accounts payable and accrued expenses on the consolidated statements of financial position. The Agency paid off the liability in full in 2017.

Note 6 – Long-term debt

Mortgage note

In March 2013, the Agency entered into a five-year mortgage in the amount of \$1,250,000, secured by the Agency’s real and personal property. The proceeds from this loan were used to pay off the balance of a former loan. The loan required monthly installments of \$6,948 based on a twenty-five year amortization, applicable first to interest at the rate of 4.5% per annum and the balance to the reduction of principal. The loan was subject to certain financial covenants, as outlined in the agreement. The Agency could not create, assume or permit any mortgages or liens on its property or assets owned, other than those incurred in the ordinary course of business and in favor of the bank. The loan was due to mature on April 1, 2018 at which time a balloon payment of approximately \$1,105,000 was due and payable. The Agency was permitted to prepay the principal on the loan subject to a prepayment premium as outlined in the agreement. During June 2015, the loan was paid in full with the proceeds from the bond refinance (see following page).

Bonds payable

To finance the acquisition and related improvements of certain properties, in 1999, the Agency issued tax-exempt 1999 Series Bonds (the “Bonds”), in the aggregate principal amount of \$2,865,000. The Bonds were issued pursuant to a Trust Indenture (the “Indenture”) dated May 18, 1999, between the Nassau County Industrial Development Agency (IDA) and the Trustee.

The Agency leased the acquired facilities to the IDA under a lease agreement dated May 18, 1999, pursuant to which the IDA used the proceeds of the Bonds to complete improvements. The Agency simultaneously subleased the facility from the IDA for the term of the Bonds under which the Agency was required to make quarterly payments to the Trustee, sufficient to pay principal and interest on the Bonds and to provide for fund deposits required under the Indenture and the lease agreement.

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
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**Notes to Consolidated Financial Statements (continued)
December 31, 2016 and December 31, 2015**

Note 6 – Long-term debt (continued)

Bonds payable (continued)

The 1999 Series Bonds were issued in two groups bearing interest at annual rates of 5.75% and 6.75%. Interest payments were made quarterly. Bonds matured annually in accordance with the Indenture Agreement. The acquired facilities, premises and gross receipts of the Agency serve as security for the Bonds.

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 the aforementioned 1999 Series Bonds, funding of the repayment of a major portion of the liability due to OMH (see note 5), and to repay the existing mortgage note (see previous page). 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 Agency may prepay the Bonds in whole or in part, subject to a prepayment fee through June 1, 2017, 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.

The following is a summary of the future minimum principal payments as of December 31, 2016:

<u>Year</u>	<u>Amount</u>
2017	\$ 298,000
2018	330,000
2019	336,000
2020	330,000
2021	336,000
2022 and thereafter	<u>1,882,000</u>
Sub-total	3,512,000
Less: current portion	<u>298,000</u>
Long-term portion	3,214,000
Less: unamortized costs of financing	<u>243,563</u>
Net long-term portion	<u>\$2,970,437</u>

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
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**Notes to Consolidated Financial Statements (continued)
December 31, 2016 and December 31, 2015**

Note 7 – Temporarily restricted net assets

The following is a summary of the temporarily restricted net assets for the years ended December 31, 2016 and December 31, 2015:

<u>Program</u>	2016			Balance December 31, 2016
	Balance December 31, 2015	Contributions	Net assets released from Restrictions	
Emergency services	\$ 225,000	\$ -	\$ (27,488)	\$ 197,512
Time restricted	552,082	94,503	(285,546)	361,039
Right from the start	84,151	223,266	(40,764)	266,653
Other family life programs	157,308	292,714	(178,035)	271,987
Total	<u>\$1,018,541</u>	<u>\$ 610,483</u>	<u>\$ (531,833)</u>	<u>\$1,097,191</u>

<u>Program</u>	2015			Balance December 31, 2015
	Balance December 31, 2014	Contributions	Net assets released from Restrictions	
Emergency services	\$ 300,000	\$ -	\$ (75,000)	\$ 225,000
Time restricted	448,015	378,920	(274,853)	552,082
Right from the start	100,000	205,000	(220,849)	84,151
Capital improvements	173,479	-	(173,479)	-
Other family life programs	123,014	236,961	(202,667)	157,308
Adolescent services	10,298	-	(10,298)	-
Total	<u>\$1,154,806</u>	<u>\$ 820,881</u>	<u>\$ (957,146)</u>	<u>\$1,018,541</u>

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

**Notes to Consolidated Financial Statements (continued)
December 31, 2016 and December 31, 2015**

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.

The Agency’s participation in this Plan for the years ended December 31, 2016 and December 31, 2015, is outlined in the table below. 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 2016 and 2015 is for the Plan’s years ended December 31, 2016 and December 31, 2015, 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
1199 SEIU Healthcare Employee Pension Fund	13-3604862-001	6/30/18	Green	Green	\$193,099	\$200,196

Tax deferred plan

The Agency also maintains a tax deferred plan, 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 tax deferred plan. Employees’ salary reductions are excluded from the employees’ income for federal income tax purposes as provided by the Internal Revenue Code. The Agency does not contribute to this plan.

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
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**Notes to Consolidated Financial Statements (continued)
December 31, 2016 and December 31, 2015**

Note 8 – Pension and retirement plans (continued)

Money purchase retirement plan

The Agency also maintains a money purchase retirement plan, which covers substantially all non-union employees following 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, 2016 and December 31, 2015 was \$161,568 and \$168,438, respectively.

Note 9 – Employment agreement

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

Note 10 – 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.