

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

**Consolidated Financial Statements
For the Years Ended
December 31, 2017
and
December 31, 2016**

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, 2017 and December 31, 2016 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, 2017 and December 31, 2016 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 14, 2018

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

Consolidated Statements of Financial Position

Assets

	December 31	
	2017	2016
Current assets		
Cash and cash equivalents	\$1,377,816	\$1,276,020
Investments, at fair value	1,037,441	897,348
Government grants and other receivables	1,549,468	1,304,374
Current portion of pledges receivable	304,300	204,900
Prepaid expenses and other assets	<u>83,989</u>	<u>82,431</u>
Total current assets	4,353,014	3,765,073
Property and equipment, net	1,702,484	1,857,648
Pledges receivable, net	<u>533,363</u>	<u>317,762</u>
Total assets	<u>\$6,588,861</u>	<u>\$5,940,483</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 525,849	\$ 591,593
Unearned revenue	170,753	264,175
Current portion of long-term debt	<u>330,000</u>	<u>298,000</u>
Total current liabilities	1,026,602	1,153,768
Long-term liabilities		
Long-term debt, net	<u>2,665,981</u>	<u>2,970,437</u>
Total liabilities	<u>3,692,583</u>	<u>4,124,205</u>
Net assets		
Unrestricted	907,348	719,087
Temporarily restricted	<u>1,988,930</u>	<u>1,097,191</u>
Total net assets	<u>2,896,278</u>	<u>1,816,278</u>
Total liabilities and net assets	<u>\$6,588,861</u>	<u>\$5,940,483</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			
	2017		2016	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u> <u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u> <u>Total</u>
Public support and revenue				
Program service fees	\$ 4,193,102	\$ -	\$ 4,022,909	\$ -
Government grants	3,260,045	-	2,944,147	-
Contributions	147,928	1,223,737	125,960	610,483
Special events, net of direct benefits to donors of \$150,747 in 2017 and \$137,789 in 2016	550,941	-	510,125	-
United Way and community funds	20,500	-	22,049	-
Investment return	136,492	-	54,503	-
Other	76,617	-	64,297	-
Net assets released from restrictions	331,998	(331,998)	531,833	(531,833)
Total public support and revenue	<u>8,717,623</u>	<u>891,739</u>	<u>8,275,823</u>	<u>78,650</u>
Expenses				
Program services				
Clinical	4,627,151	-	4,327,888	-
School community collaborative	1,854,925	-	1,734,470	-
Early childhood	118,381	-	162,176	-
Outreach	197,319	-	179,464	-
Total program services	<u>6,797,776</u>	<u>-</u>	<u>6,403,998</u>	<u>-</u>
Supporting activities				
Management and general	1,230,163	-	1,274,929	-
Fundraising	501,423	-	418,718	-
Total supporting activities	<u>1,731,586</u>	<u>-</u>	<u>1,693,647</u>	<u>-</u>
Total expenses	<u>8,529,362</u>	<u>-</u>	<u>8,097,645</u>	<u>-</u>
Increase in net assets	188,261	891,739	178,178	78,650
Net assets, beginning of year	719,087	1,097,191	540,909	1,018,541
Net assets, end of year	\$ 907,348	\$ 1,988,930	\$ 719,087	\$1,097,191
				\$1,816,278

See notes to consolidated financial statements.

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

**Consolidated Statements of Functional Expenses
For the Year Ended December 31, 2017
(With Summarized Comparative Information for December 31, 2016)**

	2017					2016		
	Program Services			Supporting Activities				
	School Community Collaborative	Early Childhood	Outreach	Total	Management and General	Fund- Raising	Total	Total
Payroll and related expenses								
Payroll	\$ 2,814,391	\$ 69,494	\$ 123,883	\$ 4,321,508	\$ 704,937	\$ 240,787	\$ 5,267,232	\$ 5,123,557
Payroll taxes and fringe benefits	1,076,916	28,869	45,655	1,660,661	237,897	62,436	1,960,994	1,728,389
Total payroll and related expenses	3,891,307	98,363	169,538	5,982,169	942,834	303,223	7,228,226	6,851,946
Other expenses								
Advertising	1,094	14	16	1,214	253	1,187	2,654	1,839
Bank charges	-	-	-	-	15,378	3,619	18,997	20,476
Bond costs	-	-	-	-	827	-	827	883
Computer	51,827	22	156	58,044	8,225	5,611	13,836	73,767
Consulting	2,200	-	-	2,200	12,850	14,600	27,450	22,024
Depreciation	132,979	4,298	4,430	143,080	3,826	44,619	48,445	176,947
Dues and subscriptions	270	-	-	270	2,200	1,257	3,457	2,832
Equipment	27,527	741	776	35,840	5,122	2,809	7,931	39,986
Food and entertainment	2,641	467	2,434	5,542	155	14,010	14,165	17,388
Insurance	64,725	1,502	1,927	76,332	14,353	9,504	23,857	118,453
Interest	81,292	1,870	1,924	85,086	61,908	9,313	71,221	167,046
Professional fees	-	-	-	-	34,455	-	34,455	37,229
Office expenses and supplies	26,336	782	1,185	34,119	71,279	2,413	107,811	89,543
Postage	5,106	8	305	5,419	2,244	3,570	5,814	8,682
Printing and publications	240	-	5,107	5,814	159	42,046	48,019	48,095
Program supplies	20,914	300	387	21,601	-	1,238	22,839	18,282
Repairs and maintenance	176,487	4,310	4,879	187,300	23,464	12,863	36,327	206,738
Tax expense	896	-	-	896	665	213	1,774	1,775
Temporary help	18,521	-	-	18,521	-	-	18,521	5,892
Travel and automobile	16,595	1,407	496	19,814	497	5,035	25,346	32,541
Telephone and utilities	103,364	3,131	3,337	110,085	20,193	9,414	139,692	130,338
Other	2,830	1,166	422	4,430	9,276	14,879	28,585	24,943
Total other expenses	735,844	20,018	27,781	815,607	287,329	198,200	1,301,136	1,245,699
Total	\$ 4,627,151	\$ 118,381	\$ 197,319	\$ 6,797,776	\$ 1,230,163	\$ 501,423	\$ 8,529,362	\$ 8,097,645

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2016

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	
	2017	2016
Cash flows from operating activities		
Increase in net assets	\$ 1,080,000	\$ 256,828
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	191,525	176,947
Amortization of financing costs	25,544	25,544
Realized and unrealized (gain) on investments	(119,089)	(37,287)
Donated securities	(79,380)	(30,684)
Proceeds from sale of donated securities	79,380	-
(Increase) decrease in assets		
Government grants and other receivables	(245,094)	157,900
Pledges receivable	(315,001)	291,990
Prepaid expenses and other assets	(1,558)	(13,383)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(65,744)	(28,207)
Unearned revenue	(93,422)	74,105
Net cash provided by operating activities	<u>457,161</u>	<u>873,753</u>
Cash flows from investing activities		
Purchases of property and equipment	(36,361)	(108,793)
Purchases of investments	(581,581)	(750,452)
Proceeds from sale of investments	<u>560,577</u>	<u>763,563</u>
Net cash (used in) investing activities	<u>(57,365)</u>	<u>(95,682)</u>
Cash flows (used in) financing activities		
Repayment of long-term debt	<u>(298,000)</u>	<u>(276,000)</u>
Net increase in cash and cash equivalents	101,796	502,071
Cash and cash equivalents, beginning of year	<u>1,276,020</u>	<u>773,949</u>
Cash and cash equivalents, end of year	<u>\$ 1,377,816</u>	<u>\$ 1,276,020</u>
 Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 130,763</u>	<u>\$ 141,502</u>

See notes to consolidated financial statements.

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

**Notes to Consolidated Financial Statements
December 31, 2017 and December 31, 2016**

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. 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, 2017 and December 31, 2016**

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:

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 Agency 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, 2017 and December 31, 2016**

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 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, 2017 and December 31, 2016, 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, 2017 and December 31, 2016**

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

Origination costs for certain bonds are being amortized over the periods of the bond issuances. 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 activities.

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.

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, 2017 and December 31, 2016**

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, 2017. 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 14, 2018, which is the date the consolidated financial statements were available to be issued.

Note 2 – Investments

The following is a summary of the investments at December 31, 2017 and December 31, 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 39,311	\$ 39,311	\$ 37,362	\$ 37,362
Mutual and exchange-traded funds				
Equities	548,304	644,410	519,865	558,414
Fixed income	240,606	239,835	209,119	205,722
Hedge funds	87,916	93,104	76,367	78,011
Commodities	24,245	20,781	21,725	17,839
Total	<u>\$ 940,382</u>	<u>\$1,037,441</u>	<u>\$ 864,438</u>	<u>\$ 897,348</u>

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

**Notes to Consolidated Financial Statements (continued)
December 31, 2017 and December 31, 2016**

Note 2 – Investments (continued)

Investment return for the years ended December 31, 2017 and December 31, 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 17,403	\$ 17,216
Realized gain (loss) on the sale of investments	54,940	(32,039)
Unrealized gain on investments	<u>64,149</u>	<u>69,326</u>
Total investment return	<u>\$ 136,492</u>	<u>\$ 54,503</u>

Note 3 – Pledges receivable

As of December 31, 2017 and December 31, 2016, pledges receivable are due to be collected as follows:

	<u>2017</u>	<u>2016</u>
Due in one year	\$ 304,300	\$ 204,900
Due in one to five years	<u>550,000</u>	<u>327,100</u>
Sub-total	854,300	532,000
Less: interest discount at a rate of 1.0% for 2017 and 2016	<u>(16,637)</u>	<u>(9,338)</u>
Total	837,663	522,662
Less: current portion	<u>(304,300)</u>	<u>(204,900)</u>
Long-term portion	<u>\$ 533,363</u>	<u>\$ 317,762</u>

Note 4 – Property and equipment

Property and equipment consist of the following at December 31, 2017 and December 31, 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 259,150	\$ 259,150
Buildings and improvements	4,561,146	4,535,645
Furniture, fixtures and equipment	470,553	470,553
Construction in progress	<u>10,860</u>	<u>-</u>
Sub-total	5,301,709	5,265,348
Less accumulated depreciation	<u>3,599,225</u>	<u>3,407,700</u>
Total	<u>\$ 1,702,484</u>	<u>\$ 1,857,648</u>

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
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**Notes to Consolidated Financial Statements (continued)
December 31, 2017 and December 31, 2016**

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

The Agency received 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 derived from a formula calculated by the New York State Office of Mental Health (“OMH”). After certain thresholds were met, a COPS and CSP Medicaid liability became due. The COPS threshold ended effective June 30, 2008 and the CSP threshold ended effective October 31, 2013. The amount due OMH as of December 31, 2016 was \$101,330. The liability was 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 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 (see note 5), 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.

The following is a summary of the future minimum principal payments as of December 31, 2017:

<u>Year</u>	<u>Amount</u>
2018	\$ 330,000
2019	336,000
2020	330,000
2021	336,000
2022	337,000
2023 and thereafter	<u>1,545,000</u>
Sub-total	3,214,000
Less: current portion	330,000
Less: unamortized costs of financing	<u>218,019</u>
Net long-term portion	<u>\$2,665,981</u>

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

**Notes to Consolidated Financial Statements (continued)
December 31, 2017 and December 31, 2016**

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 \$750,000 mortgage note payable. The note requires 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. The Agency may prepay the note in whole or in part at any time without penalty or premium. The loan contains certain financial covenants in the agreement.

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, 2019. 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.

Note 7 – Temporarily restricted net assets

The following is a summary of the temporarily restricted net assets for the years ended December 31, 2017 and December 31, 2016:

<u>Program</u>	2017			
	Balance December 31, 2016	Contributions	Net assets released from Restrictions	Balance December 31, 2017
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	271,987	254,355	(193,057)	333,285
Total	<u>\$ 1,097,191</u>	<u>\$ 1,223,737</u>	<u>\$ (331,998)</u>	<u>\$ 1,988,930</u>
<u>Program</u>	2016			
	Balance December 31, 2015	Contributions	Net assets released from Restrictions	Balance December 31, 2016
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>

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
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**Notes to Consolidated Financial Statements (continued)
December 31, 2017 and December 31, 2016**

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, 2017 and December 31, 2016, 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 2017 and 2016 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>2017</u>	<u>2016</u>
1199 SEIU Healthcare Employee Pension Fund	13-3604862-001	6/30/18	Green	Green	\$246,517	\$193,099

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 2017.

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

**Notes to Consolidated Financial Statements (continued)
December 31, 2017 and December 31, 2016**

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 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, 2017 and December 31, 2016 was \$119,183 and \$161,568, respectively.

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 contracts for approximately \$512,000 for a window replacement project (the “Project”), which includes the installation of windows and certain renovations and repairs to the Agency’s property. The Agency is financing the Project through donor contributions and the proceeds from the note payable that was obtained during March 2018 (see Note 6). Work under this contract commenced during 2018 and as of the date of this report, the Agency has made payments of approximately \$40,000 for work completed under the contract. The Project is expected to be completed during 2018.

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.