

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

**Consolidated Financial Statements
For the Years Ended
December 31, 2019
and
December 31, 2018**

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, 2019 and December 31, 2018 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, 2019 and December 31, 2018 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

September 3, 2020

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

Consolidated Statements of Financial Position

Assets

	December 31	
	2019	2018
Current assets		
Cash and cash equivalents	\$1,571,542	\$1,864,507
Investments, at fair value	1,161,112	957,088
Government grants and other receivables	965,681	1,602,705
Current portion of pledges receivable	335,000	175,000
Prepaid expenses and other assets	64,777	56,247
Total current assets	4,098,112	4,655,547
Pledges receivable	965,610	365,430
Property and equipment, net	2,468,270	2,123,509
Total assets	<u>\$7,531,992</u>	<u>\$7,144,486</u>

Liabilities and Net Assets

Current liabilities		
Contract payable	\$ 111,335	\$ 214,119
Accounts payable and accrued expenses	530,744	592,280
Unearned revenue	45,886	59,205
Current portion of long-term debt	358,944	363,552
Total current liabilities	1,046,909	1,229,156
Long-term liabilities		
Long-term debt, net	2,455,991	2,786,667
Total liabilities	3,502,900	4,015,823
Net assets		
Without donor restrictions	2,593,622	1,866,797
With donor restrictions	1,435,470	1,261,866
Total net assets	4,029,092	3,128,663
Total liabilities and net assets	<u>\$7,531,992</u>	<u>\$7,144,486</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			
	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
	Total	Total	Total	Total
Public support and revenue				
Program service fees	\$ 4,720,462	\$ -	\$ 4,420,718	\$ -
Government grants	2,655,906	-	3,065,132	-
Contributions	113,980	1,551,791	334,578	533,572
Special events, net of direct benefits to donors of \$117,835 in 2019 and \$140,608 in 2018	604,380	-	788,200	-
United Way and community funds	20,370	-	18,876	-
Investment return (loss)	210,093	-	(79,200)	-
Other	16,400	-	3,423	-
Net assets released from restrictions	<u>1,378,187</u>	<u>(1,378,187)</u>	<u>1,260,636</u>	<u>(1,260,636)</u>
Total public support and revenue	<u>9,719,778</u>	<u>173,604</u>	<u>9,812,363</u>	<u>(727,064)</u>
Expenses				
Program services				
Clinical	4,858,195	-	4,826,298	-
School community collaborative	2,041,967	-	1,927,503	-
Early childhood	83,035	-	121,465	-
Outreach	191,660	-	199,622	-
Total program services	<u>7,174,857</u>	<u>-</u>	<u>7,074,888</u>	<u>-</u>
Supporting activities				
Management and general	1,273,884	-	1,267,601	-
Fundraising	544,212	-	510,425	-
Total supporting activities	<u>1,818,096</u>	<u>-</u>	<u>1,778,026</u>	<u>-</u>
Total expenses	<u>8,992,953</u>	<u>-</u>	<u>8,852,914</u>	<u>-</u>
Increase (decrease) in net assets	726,825	173,604	959,449	(727,064)
Net assets, beginning of year	<u>1,866,797</u>	<u>1,261,866</u>	<u>907,348</u>	<u>1,988,930</u>
Net assets, end of year	<u>\$ 2,593,622</u>	<u>\$ 1,435,470</u>	<u>\$ 1,866,797</u>	<u>\$ 1,261,866</u>

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, 2019
(With Summarized Comparative Information for December 31, 2018)**

	2019				2018			
	Program Services				Supporting Activities			
	School Community Collaborative	Early Childhood	Outreach	Total	Management and General	Fund- Raising	Total	Total
Payroll and related expenses								
Payroll	\$ 2,874,325	\$ 46,222	\$ 111,562	\$ 4,460,186	\$ 729,343	\$ 274,728	\$ 1,004,071	\$ 5,376,783
Payroll taxes and fringe benefits	1,200,420	20,390	44,631	1,847,962	263,962	77,826	341,788	2,162,669
Total payroll and related expenses	4,074,745	66,612	156,193	6,308,148	993,305	352,554	1,345,859	7,539,452
Other expenses								
Advertising	4,092	18	20	5,139	-	324	324	3,815
Bank charges	-	-	-	-	16,782	-	16,782	19,323
Bond costs	-	-	-	-	445	421	866	970
Computer	54,965	12	1,258	60,862	13,652	5,473	19,125	76,635
Consulting	6,000	-	-	6,000	1,763	5,000	6,763	16,088
Depreciation	157,544	4,348	4,372	166,264	10,213	27,050	37,263	191,665
Dues and subscriptions	-	-	-	-	1,755	2,204	3,959	4,442
Equipment	30,396	747	767	36,094	5,417	3,143	8,560	43,221
Food and entertainment	3,090	549	3,559	7,198	195	11,699	11,894	10,975
Insurance	76,379	1,444	2,071	92,392	15,679	10,236	25,915	107,797
Interest	89,741	1,418	1,422	92,581	57,135	12,788	69,923	171,741
Professional fees	-	-	-	-	42,991	2,500	45,491	36,605
Office expenses and supplies	16,103	363	547	21,526	64,036	1,193	65,229	89,040
Postage	5,186	15	-	5,476	2,088	7,212	9,300	11,294
Printing and publications	920	353	55	1,712	122	51,077	51,199	43,094
Program supplies	30,002	57	155	30,504	-	828	828	21,082
Repairs and maintenance	145,542	3,442	3,497	154,370	22,446	11,639	34,085	205,145
Tax expense	921	-	-	921	641	213	854	1,776
Temporary help	45,520	-	13,747	59,267	-	-	-	58,974
Travel and automobile	24,196	1,166	997	27,735	794	6,370	7,164	31,204
Telephone and utilities	88,237	2,398	2,466	93,353	15,743	7,448	23,191	135,533
Other	4,616	93	534	5,315	8,682	24,840	33,522	33,043
Total other expenses	783,450	16,423	35,467	866,709	280,579	191,658	472,237	1,313,462
Total	\$ 4,858,195	\$ 83,035	\$ 191,660	\$ 7,174,857	\$ 1,273,884	\$ 544,212	\$ 1,818,096	\$ 8,852,914
								\$ 8,992,953

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, 2018**

	Program Services			Supporting Activities		
	School Community Collaborative	Early Childhood	Outreach	Management and General	Fund- Raising	Total
Payroll and related expenses	Clinical					Total
Payroll	\$ 2,854,027	\$ 1,343,211	\$ 71,505	\$ 117,234	\$ 4,385,977	\$ 990,806
Payroll taxes and fringe benefits	1,189,712	557,654	32,708	52,257	1,832,331	330,338
Total payroll and related expenses	4,043,739	1,900,865	104,213	169,491	6,218,308	1,321,144
Other expenses						
Advertising	2,348	350	71	82	2,851	964
Bank charges	-	-	-	-	-	4,044
Bond costs	-	-	-	-	-	970
Computer	55,846	3,152	33	183	59,214	6,092
Consulting	7,100	-	-	-	7,100	3,988
Depreciation	143,369	-	4,269	4,314	151,952	5,085
Dues and subscriptions	-	-	-	-	-	2,255
Equipment	28,449	5,127	705	721	35,002	5,298
Food and entertainment	4,015	20	789	2,044	6,868	310
Insurance	69,452	9,727	1,527	1,917	82,623	14,879
Interest	92,431	-	1,582	1,586	95,599	63,393
Professional fees	-	-	-	-	-	34,605
Office expenses and supplies	18,781	4,213	659	855	24,508	61,285
Postage	5,007	250	5	4	5,266	2,119
Printing and publications	180	188	2	-	370	162
Program supplies	19,362	72	39	122	19,595	-
Repairs and maintenance	159,363	1,869	3,543	3,501	168,276	23,783
Tax expense	902	-	-	-	902	661
Temporary help	48,697	-	-	10,277	58,974	-
Travel and automobile	22,082	1,387	1,199	1,148	25,816	194
Telephone and utilities	101,581	253	2,763	2,850	107,447	19,087
Other	3,594	30	66	527	4,217	9,930
Total other expenses	782,559	26,638	17,252	30,131	856,580	182,270
Total	\$ 4,826,298	\$ 1,927,503	\$ 121,465	\$ 199,622	\$ 7,074,888	\$ 1,778,026
					\$ 510,425	\$ 8,852,914

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	
	2019	2018
Cash flows from operating activities		
Increase in net assets	\$ 900,429	\$ 232,385
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	203,527	191,665
Amortization of financing costs	28,269	26,906
Realized and unrealized (gain) loss on investments	(189,637)	98,553
Donated securities	(9,823)	(50,213)
Proceeds from sale of donated securities	9,823	50,213
Contributions earmarked for capital	(170,249)	(180,500)
(Increase) decrease in assets		
Government grants and other receivables	637,024	(53,237)
Pledges receivable	(760,180)	297,233
Prepaid expenses and other assets	(8,530)	17,742
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(61,536)	66,431
Unearned revenue	(13,319)	(111,548)
Net cash provided by operating activities	<u>565,798</u>	<u>585,630</u>
Cash flows from investing activities		
Purchases of property and equipment, net of contract payable	(651,072)	(398,571)
Purchases of investments	(338,484)	(475,548)
Proceeds from sale of investments	<u>324,097</u>	<u>457,348</u>
Net cash (used in) investing activities	<u>(665,459)</u>	<u>(416,771)</u>
Cash flows from financing activities		
Proceeds from long-term debt	-	750,000
Repayment of long-term debt	(363,553)	(554,543)
Long-term debt issuance costs	-	(58,125)
Contributions earmarked for capital	<u>170,249</u>	<u>180,500</u>
Net cash provided by (used in) investing activities	<u>(193,304)</u>	<u>317,832</u>
Net increase (decrease) in cash and cash equivalents	(292,965)	486,691
Cash and cash equivalents, beginning of year	<u>1,864,507</u>	<u>1,377,816</u>
Cash and cash equivalents, end of year	<u>\$ 1,571,542</u>	<u>\$ 1,864,507</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 134,235</u>	<u>\$ 144,835</u>

See notes to consolidated financial statements.

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

**Notes to Consolidated Financial Statements
December 31, 2019 and December 31, 2018**

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, 2019 and December 31, 2018**

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 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, 2019 and December 31, 2018**

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 2019 and 2018.

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 which is based on publicly traded quotes. 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, 2019 and December 31, 2018, 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, 2019 and December 31, 2018**

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.

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.

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.

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

**Notes to Consolidated Financial Statements (continued)
December 31, 2019 and December 31, 2018**

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, 2019. 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 any other disclosure through September 3, 2020, which is the date the consolidated financial statements were available to be issued.

On March 13, 2020, President Trump declared a national emergency under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, due to extraordinary circumstances resulting from the coronavirus. The economic impact of the coronavirus on the Agency's future financial operations is not readily determinable.

During 2020, the Agency applied for and received a loan under the Paycheck Protection Program ("PPP") which is a business loan program established by the Coronavirus Aid, Relief, and Economic Security Act. The total amount received under this program was approximately \$1,400,000. Subject to the terms of the PPP loan, the Agency is eligible for forgiveness of the loan proceeds in an amount equal to the total spent on qualifying expenditures as outlined in the agreement. As of the date of these financial statements, the amount that will be forgiven cannot be determined.

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

**Notes to Consolidated Financial Statements (continued)
December 31, 2019 and December 31, 2018**

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, 2019 and December 31, 2018 that are available for general use within one year of the statement of financial position date:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,571,542	\$ 1,864,507
Investments, at fair value	1,161,112	957,088
Government grants and other receivables	965,681	1,602,705
Current portion of pledges receivable	<u>335,000</u>	<u>175,000</u>
Total	<u>\$ 4,033,335</u>	<u>\$ 4,599,300</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, at fair value

The following is a summary of the investments at December 31, 2019 and December 31, 2018:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 86,022	\$ 86,022	\$ 47,061	\$ 47,061
Mutual and exchange-traded funds				
Equities	580,352	696,970	571,895	533,034
Fixed income	187,642	193,086	213,762	207,881
Hedge funds	140,345	141,533	137,627	131,517
Commodities	<u>51,138</u>	<u>43,501</u>	<u>47,432</u>	<u>37,595</u>
Total	<u>\$1,045,499</u>	<u>\$1,161,112</u>	<u>\$1,017,777</u>	<u>\$ 957,088</u>

Investment return (loss) for the years ended December 31, 2019 and December 31, 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 20,456	\$ 19,353
Realized gain on the sale of investments	13,335	59,195
Unrealized gain (loss) on investments	<u>176,302</u>	<u>(157,748)</u>
Total investment return (loss)	<u>\$ 210,093</u>	<u>\$ (79,200)</u>

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

**Notes to Consolidated Financial Statements (continued)
December 31, 2019 and December 31, 2018**

Note 4 – Pledges receivable

As of December 31, 2019 and December 31, 2018, pledges receivable are due to be collected as follows:

	<u>2019</u>	<u>2018</u>
Due in one year	\$ 335,000	\$ 175,000
Due in one to five years	<u>1,000,000</u>	<u>375,000</u>
Sub-total	1,335,000	550,000
Less: interest discount at a rate of 1.0% for 2019 and 2018	<u>(34,390)</u>	<u>(9,570)</u>
Total	1,300,610	540,430
Less: current portion	<u>(335,000)</u>	<u>(175,000)</u>
Long-term portion	<u>\$ 965,610</u>	<u>\$ 365,430</u>

Note 5 – Property and equipment, net

Property and equipment consist of the following at December 31, 2019 and December 31, 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 259,150	\$ 259,150
Buildings and improvements	5,536,307	4,624,867
Furniture, fixtures and equipment	611,802	544,563
Construction in progress	<u>55,428</u>	<u>485,819</u>
Sub-total	6,462,687	5,914,399
Less: accumulated depreciation	<u>3,994,417</u>	<u>3,790,890</u>
Total	<u>\$ 2,468,270</u>	<u>\$ 2,123,509</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 2015C-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 Series 2015C-1 and 2015C-2 bonds mature on June 1, 2024 and June 1, 2038, respectively. The 2015C-3 bonds matured on June 1, 2020.

**NORTH SHORE CHILD AND FAMILY GUIDANCE ASSOCIATION, INC.
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**Notes to Consolidated Financial Statements (continued)
December 31, 2019 and December 31, 2018**

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

During March 2018, in connection with the Agency's window replacement project 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, 2019:

<u>Year</u>	<u>Mortgage Note Payable</u>	<u>Bonds</u>	<u>Total</u>
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	35,639	264,000	299,639
2025 and thereafter	<u>336,693</u>	<u>925,000</u>	<u>1,261,693</u>
Sub-total	<u>\$ 497,904</u>	<u>\$2,548,000</u>	3,045,904
Less: current portion			358,944
Less: unamortized costs of financing			<u>230,969</u>
Net long-term portion			<u>\$2,455,991</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 31, 2021. 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.

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**Notes to Consolidated Financial Statements (continued)
December 31, 2019 and December 31, 2018**

Note 7 – Net assets with donor restrictions

The following is a summary of the net assets with donor restrictions for the years ended December 31, 2019 and December 31, 2018:

<u>Description</u>	2019			
	Balance December 31, 2018	Contributions	Net assets released from Restrictions	Balance December 31, 2019
Capital improvements	\$ 450,834	\$ 170,249	\$ (537,312)	\$ 83,771
Emergency services	-	450,000	(85,726)	364,274
Time restricted	447,544	475,180	(191,584)	731,140
Right from the start	194,285	350,360	(412,404)	132,241
Other family life programs	169,203	106,002	(151,161)	124,044
Total	<u>\$ 1,261,866</u>	<u>\$ 1,551,791</u>	<u>\$ (1,378,187)</u>	<u>\$ 1,435,470</u>

<u>Description</u>	2018			
	Balance December 31, 2017	Contributions	Net assets released from Restrictions	Balance December 31, 2018
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	333,285	146,005	(310,087)	169,203
Total	<u>\$ 1,988,930</u>	<u>\$ 533,572</u>	<u>\$ (1,260,636)</u>	<u>\$ 1,261,866</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.

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**Notes to Consolidated Financial Statements (continued)
December 31, 2019 and December 31, 2018**

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, 2019 and December 31, 2018, 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 2019 and 2018 is for the Plan's years ended December 31, 2018 and December 31, 2017, 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
1199 SEIU Healthcare Employee Pension Fund	13-3604862-001	6/30/20	Green	Green	\$ 285,984	\$256,412

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. Pension expense under this plan, net of forfeitures, for the years ended December 31, 2019 and December 31, 2018 was \$181,195 and \$188,298, respectively.

Money purchase retirement plan

The Agency also maintained a money purchase retirement plan, which covered substantially all non-union employees following the completion of two months of service. The Agency contributed 6.75% of compensation for eligible participants. The plan was terminated effective April 2019. The Agency did not contribute to the plan during 2019 or 2018.

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**Notes to Consolidated Financial Statements (continued)
December 31, 2019 and December 31, 2018**

Note 9 – Commitment

Employee agreement

The Agency has an employment agreement with a key employee which expires in January 2023, subject to certain termination provisions.

Note 10 – Litigation

The Agency is currently the co-defendant in litigation arising in the ordinary course of business. The Agency is being defended by legal counsel pursuant to its insurance coverage and is vigorously defending the action. In the opinion of management, after consultation with legal counsel, the final disposition of this matter will not 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 under the meaning of Section 509(a)(1) of the Code, and not a private foundation.

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.