The Center for Family Support, Inc. and Affiliates

Consolidated Financial Statements and Supplementary Information

Year Ended June 30, 2019

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Consolidated Financial Statements and Supplementary Information

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Contents

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Independent Auditor's Report

The Board of Directors
The Center for Family Support, Inc.
and Affiliates
New York, New York

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Center for Family Support, Inc. and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2019, the related consolidated statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial position of The Center for Family Support, Inc. and Affiliates as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

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

Report on Summarized Comparative Information

We have previously audited the 2018 consolidated financial statements of The Center for Family Support, Inc. and Affiliates and our report dated November 20, 2018 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the consolidated audited financial statements from which it has been derived.

BDO USA, LLP

November 15, 2019

The Center for Family Support, Inc. and Affiliates

Consolidated Statement of Financial Position
(with comparative totals for 2018)

June 30,		**2019**		2018
Assets				
Current				
Cash and cash equivalents (Note 2)	**$**	**3,642,654**	$	3,131,277
Accounts receivable, net of allowance for uncollectible accounts of $241,159 and $259,190 in 2019 and 2018, respectively (Notes 2 and 4)		**5,210,573**		5,063,671
Prepaid expenses and other assets		**897,088**		1,074,122
Total Current Assets		**9,750,315**		9,269,070
Debt Service Reserve Funds (Note 5)		**923,334**		1,226,311
Property and Equipment, Net (Notes 2 and 6)		**12,909,751**		13,798,994
	$	**23,583,400**	$	24,294,375
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	**$**	**1,629,689**	$	2,038,181
Accrued salaries and related expenses payable		**2,137,946**		1,896,558
Accrued retirement plan payable (Note 10)		**1,269,913**		1,225,918
Advances from government agencies (Note 11)		**1,016,906**		1,377,731
Current portion of due to government agency (Note 16)		**52,500**		55,000
Current portion of capital lease obligations (Note 9)		**138,890**		122,844
Current portion of mortgages payable (Note 8)		**645,000**		700,000
Total Current Liabilities		**6,890,844**		7,416,232
Due to Government Agency, net of current portion (Note 16)		**13,125**		70,000
Capital Lease Obligations, net of current portion (Note 9)		**425,613**		461,689
Mortgages Payable, net of current portion and unamortized debt issuance costs (Note 8)		**4,074,467**		4,664,663
Total Liabilities		**11,404,049**		12,612,584
Commitments and Contingencies (Notes 2, 8, 9, 11, 12, 13, 14, 15 and 16)				
Net Assets				
Without donor restrictions (Note 2)		**9,947,576**		8,872,306
With donor restrictions (Notes 2 and 12)		**2,231,775**		2,809,485
Total Net Assets		**12,179,351**		11,681,791
	$	**23,583,400**	$	24,294,375

See accompanying notes to consolidated financial statements.

The Center for Family Support, Inc. and Affiliates

Consolidated Statement of Activities
(with comparative totals for 2018)

Year ended June 30,

	Without Donor Restrictions	With Donor Restrictions	**2019**	2018
Operating Revenues				
Government fees (Notes 2 and 17)	$ 48,472,704	$ -	**$48,472,704**	$ 46,889,593
Consumer fees	2,110,081	-	**2,110,081**	2,036,043
Net assets released from restrictions	577,710	(577,710)	**-**	-
Total Operating Revenues	51,160,495	(577,710)	**50,582,785**	48,925,636
Expenses				
Program services:				
Residential programs	28,698,919	-	**28,698,919**	27,725,789
Home-based services	15,954,830	-	**15,954,830**	15,956,397
Service coordination	1,290,610	-	**1,290,610**	1,305,450
Traumatic brain injury	188,288	-	**188,288**	172,908
Total Program Services	46,132,647	-	**46,132,647**	45,160,544
Supporting services:				
Management and general	3,955,037	-	**3,955,037**	3,754,466
Fundraising	222,482	-	**222,482**	202,106
Total Supporting Services	4,177,519	-	**4,177,519**	3,956,572
Total Expenses	50,310,166	-	**50,310,166**	49,117,116
Change in Net Assets, before nonoperating revenues	850,329	(577,710)	**272,619**	(191,480)
Nonoperating Revenues				
Contributions	33,599	-	**33,599**	32,004
Other revenues	191,342	-	**191,342**	487,239
Total Nonoperating Revenues	224,941	-	**224,941**	519,243
Increase in Net Assets	1,075,270	(577,710)	**497,560**	327,763
Net Assets, beginning of year	8,872,306	2,809,485	**11,681,791**	11,354,028
Net Assets, end of year	$ 9,947,576	$ 2,231,775	**$12,179,351**	$ 11,681,791

See accompanying notes to consolidated financial statements.

The Center for Family Support, Inc. and Affiliates

Consolidated Statement of Functional Expenses
(with comparative totals for 2018)

Year ended June 30,

	Program Services					Supporting Services		Total	
	Residential	Home-Based Services	Service Coordination	Traumatic Brain Injury	Total	Management and General	Fundraising	**2019**	2018
Salaries and Wages and Fringe Benefits									
Salaries and wages	$ 16,371,521	$ 9,345,356	$ 756,600	$ 133,571	$ 26,607,048	$ 827,761	$ 121,894	**$ 27,556,703**	$ 26,300,547
Fringe benefits	4,931,086	2,824,361	288,930	49,565	8,093,942	164,096	45,400	**8,303,438**	7,987,242
Total Salaries and Wages and Fringe Benefits	21,302,607	12,169,717	1,045,530	183,136	34,700,990	991,857	167,294	**35,860,141**	34,287,789
Other Expenses									
Food	840,726	15,881	-	-	856,607	-	-	**856,607**	839,997
Repairs and maintenance	969,476	158,263	14,197	84	1,142,020	37,107	1,399	**1,180,526**	1,203,834
Computer services	214,358	194,618	21,591	1,452	432,019	236,839	3,502	**672,360**	670,324
Utilities	369,966	108,498	9,260	15	487,739	12,831	397	**500,967**	530,876
Staff travel	28,192	78,108	19,959	265	126,524	8,078	618	**135,220**	147,622
Transportation	285,814	199,751	202	-	485,767	21,251	-	**507,018**	566,642
Participant incidentals	194,007	377,956	698	-	572,661	-	-	**572,661**	735,471
Expensed equipment	139,812	14,037	5,259	60	159,168	9,483	1,038	**169,689**	220,639
Staff development	52,267	38,653	1,396	54	92,370	69,511	714	**162,595**	189,301
Contracted services	516,621	158,791	4,041	196	679,649	1,646,481	1,811	**2,327,941**	2,029,960
Professional fees	26,188	19,669	595	84	46,536	146,361	-	**192,897**	247,803
Supplies	156,683	131,659	19,606	626	308,574	88,975	4,190	**401,739**	650,227
Household supplies	432,471	33,631	6,193	-	472,295	-	-	**472,295**	487,679
Telephone and cable	448,347	207,848	36,643	136	692,974	47,352	1,512	**741,838**	812,138
Insurance	374,976	147,691	4,514	50	527,231	80,427	662	**608,320**	604,083
Interest	206,092	3,413	-	-	209,505	27,450	-	**236,955**	261,518
Occupancy	883,101	1,274,510	79,270	340	2,237,221	181,413	8,632	**2,427,266**	2,395,327
Housing subsidy	-	214,269	-	-	214,269	-	-	**214,269**	224,537
Family support reimbursement	-	120,907	-	-	120,907	-	-	**120,907**	146,932
Leased vehicles	239,782	40,247	-	-	280,029	25,760	-	**305,789**	305,793
Leased equipment	33,101	38,193	9,028	43	80,365	33,710	1,080	**115,155**	142,618
Depreciation and amortization	851,195	153,703	8,650	1,146	1,014,694	82,877	2,527	**1,100,098**	1,077,474
Miscellaneous	133,137	54,817	3,978	601	192,533	207,274	27,106	**426,913**	338,532
Total Expenses	$ 28,698,919	$ 15,954,830	$ 1,290,610	$ 188,288	$ 46,132,647	$ 3,955,037	$ 222,482	**$ 50,310,166**	$ 49,117,116

See accompanying notes to consolidated financial statements.

The Center for Family Support, Inc. and Affiliates

Consolidated Statement of Cash Flows
(with comparative totals for 2018)

Year ended June 30,		**2019**		2018
Cash Flows from Operating Activities				
Increase in net assets	**$**	**497,560**	$	327,763
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Depreciation and amortization		**1,050,294**		1,077,474
Interest expense related to debt issuance cost		**49,804**		49,803
Change in provision for bad debts		**118,634**		12,369
Change in assets:				
Accounts receivable		**(265,536)**		(619,107)
Prepaid expenses and other assets		**177,034**		213,315
Change in liabilities:				
Accounts payable and accrued expenses		**(408,492)**		415,149
Accrued salaries and related expense payable		**241,388**		(936,734)
Accrued retirement plan payable		**43,995**		(246,315)
Advances from government agencies		**(360,825)**		16,677
Due to government agency		**(59,375)**		125,000
Net Cash Provided by Operating Activities		**1,084,481**		435,394
Cash Flows from Investing Activities				
Purchases of property and equipment		**(52,328)**		(907,410)
Cash Flows from Financing Activities				
Proceeds from line of credit		**650,000**		-
Payments of line of credit		**(650,000)**		-
Repayments of capital leases		**(128,753)**		(176,269)
Principal payments of mortgages payable		**(695,000)**		(829,000)
Decrease in debt service reserve funds		**302,977**		(97,615)
Net Cash Used in Financing Activities		**(520,776)**		(1,102,884)
Change in Cash and Cash Equivalents		**511,377**		(1,574,900)
Cash and Cash Equivalents, beginning of year		**3,131,277**		4,706,177
Cash and Cash Equivalents, end of year	**$**	**3,642,654**	$	3,131,277
Supplemental Disclosure of Cash Flow Information				
Cash paid for interest	**$**	**236,955**	$	261,518
Non-cash transaction related to capital leases		**108,723**		95,620

See accompanying notes to consolidated financial statements.

1. Nature of Organizations and Principles of Consolidation

The Center for Family Support, Inc. (CFS-NY), located in New York City, is a not-for-profit agency. CFS-NY provides support and assistance to individuals with developmental and related disabilities and their families, and to individuals with traumatic brain injury.

Center for Family Support, New Jersey, Inc. (CFS-NJ), located in New Jersey, is a not-for-profit agency that provides support, housing and assistance to individuals with developmental and related disabilities, and to their families, in the state of New Jersey. The primary sources of revenues are contract fees for services paid by the state of New Jersey.

The Center for Family Support Foundation, Inc. (the Foundation) engages in fundraising to support the programs of CFS-NY and CFS-NJ.

CFS Self Directed Supports, Inc. (CFS-SDS) was incorporated in May 2018 under the New York State nonprofit incorporation laws to provide self-direction and fiscal intermediary services for individuals with intellectual and developmental disabilities.

CFS-NY, CFS-NJ, CFS-SDS and the Foundation (collectively, the Center) are related through either identical Board membership and management or the fact that CFS-NY is the controlling member of the Foundation and CFS-SDS (as further discussed in Note 7).

All material intercompany transactions and balances have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Center's accompanying consolidated financial statements have been prepared using the accrual basis of accounting and conform to the accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to not-for-profit organizations. Assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Financial Statement Presentation

The classification of the Center's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets—without donor restrictions, and with donor restrictions—be displayed in a consolidated statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a consolidated statement of activities.

Income from investment gains and losses, including unrealized gains and losses, dividends and interest should be reported as increases (or decreases) in net assets without donor restrictions, unless the use of the income received is limited by donor-imposed restrictions.

The classes of net assets are defined as follows:

Net Assets Without Donor Restrictions - Net assets without donor restrictions represent those resources that are not subject to donor restrictions and are available for current operations.

Net Assets with Donor Restrictions - Net assets with donor restrictions represent those resources that are subject to the requirements of New Jersey's Uniform Prudent Management of Institutional Funds Act (UPMIFA), the use of which has been restricted by donors or state law for specific purposes and/or passage of time. When a donor restriction expires—that is, when a stipulated time restriction ends—a purpose restriction is accomplished, or funds are appropriated through action of the Board of Directors. Net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the accompanying consolidated statement of activities as "net assets released from restrictions." CFS-NJ entered into various agreements and mortgages with the state of New Jersey - Department of Human Services for the acquisition and renovation of 18 properties for the developmentally disabled. The sum of the mortgage notes (the Notes) is $5,051,093 and they mature in 20 years from inception of the mortgage. No payments are required during the term of the Notes provided the properties remain in use for the primary purpose of CFS-NJ. Net assets with donor restrictions consist of the $2,231,775 notes balance, net of amounts released due to satisfaction of time restrictions. The remaining balance will continue to be reported as net assets released from restrictions as the terms of the Notes expire.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and public support and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Cash and Cash Equivalents

For financial reporting purposes, the Center considers all highly liquid investments, with maturities of three months or less when purchased, to be cash and cash equivalents.

Receivables and Revenue

The Center recognizes revenue when control of the services is transferred in an amount that reflects the consideration to which the Center expects be entitled to based on established rates multiplied by the number of units of service provided. The Center receives its revenue for services provided to approved clients from third-party reimbursement agencies and government grants, primarily New York Office for People with Developmental Disabilities (OPWDD), Medicaid, and New Jersey Department of Human Services, Division of Developmental Disabilities (DDD). To the extent amounts received exceed the amounts spent, the Center establishes an advance from government funders. Laws and regulations governing Medicaid programs are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from Medicaid programs. Accounts receivable represent amounts due from the aforementioned third-party agencies, and amounts are charged to bad-debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year-end. Interest income is not accrued or recorded in accounts receivable.

Provision for Doubtful Accounts

The Center provides an allowance for doubtful accounts for accounts receivable, which are specifically identified by management as to their uncertainty in regard to collectability. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions.

Investment Valuation and Income Recognition

The Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 820, "Fair Value Measurement and Disclosure," establishes a three-level valuation hierarchy of fair value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 - Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments, at the reporting date.

Level 2 - Valuations are based on (i) quoted prices for those investments, or similar investments, in active markets, or (ii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.

Level 3 - Valuations are based on pricing inputs that are unobservable and include situations where there is little, if any, market activity for the investments, or the investments cannot be independently valued.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments are determined by comparison of the average cost of acquisition to proceeds at the time of disposition. The earnings from dividends and interest are recognized when earned.

Property and Equipment

Property and equipment are reported at their original costs on the dates of acquisition or at the fair values on the dates of donation, net of accumulated depreciation and amortization. Minor costs or repairs and maintenance are expenses as incurred. The Center capitalizes as assets those items of property and equipment that have a cost of $5,000 or more and a useful life of greater than one year. Depreciation is provided using the straight-line method over their estimated useful lives as follows: (i) buildings and building improvements are depreciated over 15 to 27½ years, (ii) computers are depreciated over three years, (iii) furniture, equipment and vehicles are depreciated over five to seven years. Amortization of leasehold improvements is provided using the straight-line method over estimated useful lives of the improvements or the remaining lives of the leases, whichever is shorter.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2019 and 2018, respectively, and in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

Accrued Vacation

Accrued vacation is a liability that represents the Center's obligation for the cost of unused employee vacation time payable in the event an employee departs; the obligation is recalculated every year. At June 30, 2019 and 2018, the accrued vacation obligation was $886,564 and $775,489, respectively, and was reported as part of accrued salaries and related payables.

Contributions and Grants

Contributions to the Center are recognized as revenue upon the receipt of cash or other assets or of unconditional pledges. Contributions are recorded as with donor restrictions if they are received with donor stipulations or time considerations as to their use. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

Measure of Operations

In its consolidated statement of activities, the Center includes in its definition of operations all income and expenditures that are an integral part of its supporting activities. Excluded from this definition are contributions and other revenues.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of activities and functional expenses. Accordingly, direct costs have been functionalized within program and supporting services based on the nature of the expense. Indirect costs related to salaries and wages and fringe benefits, contracted services, occupancy and other amounts are allocated based on management's estimate of time and effort.

Income Taxes

CFS-NY, CFS-SDS and the Foundation were incorporated in the State of New York and are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, have made no provision for income taxes in the accompanying consolidated financial statements. CFS-NJ was incorporated in the State of New Jersey and is exempt from federal and state taxes under Section 501 (c)(3) of the IRC and, therefore has made no provision for income taxes in the accompanying consolidated financial statements. Collectively, the Center has been determined by the IRS not to be a "private foundation" within the meaning of Section 509(a) of the IRC. There was no unrelated business income for the years ended June 30, 2019 and 2018.

The Center is subject to the provisions of FASB's ASC 740, "Income Taxes," as it relates to accounting and reporting for uncertainty in income taxes. For the Center, these provisions could be applicable to the incurrence of unrelated business income tax (UBIT), attributable to the disallowed transportation fringe benefits. Nonetheless because of the Center's general tax-exempt status, management believes ASC 740 has not had, and is not anticipated to have, a material impact on the Center's consolidated financial statements. For the year ended June 30, 2019, there were no interest or penalties recorded or included in the consolidated statement of activities.

Recently Adopted Accounting Pronouncements

Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities." ASU 2016-14 amends financial-statement presentations and disclosures. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations and (iv) liquidity and the availability of resources. ASU 2016-14 was effective for annual reporting periods issued for years beginning after December 15, 2017. Accordingly, the Center was required to adopt ASU 2016-14 for its fiscal year ended June 30, 2019, which under U.S. GAAP was a change in accounting principle requiring retroactive application in the consolidated financial statements of certain areas, whereas certain other areas were adopted on a prospective basis. Although the Center's adoption of ASU 2016-14 had no effect on the Center's total net assets or its changes in net assets for 2019 and 2018, certain reclassifications were required. Accordingly, the Center changed its presentation of its net asset classes and expanded certain footnote disclosures.

Revenue Recognition

During the fiscal year 2019, the Center adopted FASB ASU 2014-09, "Revenue from Contracts with Customers," which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The ASU has been applied using the retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption.

In June 2018, the FASB issued ASU No. 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The update clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred, which, depending on the outcome, determines whether the Center follows contribution guidance or exchange transactions guidance in the revenue recognition and other applicable standards. The update also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The guidance is effective for the Center's fiscal year 2019, and the adoption of this update did not have a material impact on the Center's consolidated financial statements.

Accounting Pronouncements Issued but Not Yet Adopted

Accounting for Leases

On February 25, 2016, the FASB issued ASU 2016-02, "Leases," which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which is an asset that represents the lessee's right to use or control the use of a specified asset for the lease term. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2019, and the Center is currently evaluating the impact of the pending adoption of ASU 2016-02.

CFS-NY is deemed to be a conduit debt obligor since their bond is held by the public, and therefore has an effective date for annual reporting periods beginning after December 15, 2018.

Reclassifications

Certain amounts in the prior-year's financial statements have been reclassified to conform to the current year's presentation.

3. Liquidity and Availability of Resources

The Center's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

June 30, 2019		
Cash	$	3,642,654
Accounts receivable, net		5,210,573
Total Financial Assets Available to Management for General Expenditures Within One Year	$	8,853,227

Liquidity Policy

The Center's policy is to structure its financial assets to be available for its general expenditures, liabilities and other obligations as they come due. Additionally, the Center has a line of credit of up to $2,000,000, which could be used to help manage unanticipated liquidity needs, if needed.

4. Accounts Receivable, Net

Accounts receivable, net, consist of the following:

June 30,		**2019**		2018
New York State Office for People with Developmental Disabilities	**$**	**4,725,330**	$	4,590,743
State of New Jersey Division of Developmental Disabilities		**726,402**		732,118
		5,451,732		5,322,861
Less: allowance for doubtful accounts		**(241,159)**		(259,190)
Total	**$**	**5,210,573**	$	5,063,671

5. Debt Service Reserve Funds

Under the terms of various mortgages, deposits were made with the bond trustees and such amounts are to be held in reserve to be withdrawn to satisfy the future remaining installments of the mortgages. Interest earned on this reserve fund will be used to reduce payment obligations under the mortgages. The debt service reserve amounted to $923,334 and $1,226,311 at June 30, 2019 and 2018, respectively.

CFS-NY's investments in money market funds are classified entirely within Level 1 of the fair value hierarchy.

6. Property and Equipment, Net

At each year-end, net property and equipment consisted of the following:

June 30,	**2019**	2018
Land	**$ 2,968,952**	$ 2,968,952
Buildings and building improvements	**17,821,992**	17,808,742
Leasehold improvements	**1,035,399**	1,007,599
Vehicles	**3,462,203**	2,297,884
Furniture and equipment	**2,297,884**	3,342,202
	27,586,430	27,425,379
Less: accumulated depreciation and amortization	**(14,676,679)**	(13,626,385)
	$ 12,909,751	$ 13,798,994

Depreciation and amortization expense was $1,050,294 and $1,077,474 as of June 30, 2019 and 2018, respectively.

7. Affiliate Transactions

CFS-NY is related to CFS-NJ through common Board membership, while the Foundation is a membership corporation where CFS-NY is the sole member. CFS-NY provides management services to both organizations for a fee. Management services amounted to $1,248,509 for the years ended June 30, 2019 and 2018 and are eliminated in the consolidated statement of activities. Amounts due to CFS-NY from CFS-NJ, CFS-SDS and the Foundation as of June 30, 2019 and 2018 amounted to $295,035 and $843,411, respectively, and are generally payable within one year. CFS-NJ is a guarantor for CFS-NY's line of credit amounting to $2,000,000, of which no balance was outstanding as of June 30, 2019 and 2018.

A Board member's relative is the fleet and facilities manager at the Center. The compensation paid, including benefits, for the years ended June 30, 2019 and 2018 was $152,188 and $150,362, respectively.

8. Mortgages Payable

June 30,		**2019**		2018
Dormitory Authority of the State of New York				
CFS-NY entered into loan agreements with the Dormitory Authority of the State of New York, a body corporate and politic of the State of New York, constituting a public benefit corporation, acting by and through its agent, the Commissioner of the New York State Office for People with Developmental Disabilities.				
The loan carried an interest rate of 3.28% per annum, payable in annual installments until June 2028. The properties that were collateralized are located at 540 Snediker Avenue, Brooklyn, New York and 143-73 230th Street, Rosedale, New York.	**$**	**1,170,000**	$	1,285,000
Yonkers Industrial Development Agency				
CFS-NY entered into an agreement with the Yonkers Industrial Development Agency under which CFS-NY received the proceeds of a sale of tax-exempt bonds to be repaid as follows:				
The loan carries an interest rate of 5.50% to 5.80% per annum, payable in annual installments until July 2023. The property that was collateralized is located at 58 Winans Drive, Yonkers, New York.		**395,000**		450,000
New York City Industrial Development Agency				
CFS-NY entered into agreements with the New York City Industrial Development Agency under which CFS-NY received the proceeds of a sale of tax-exempt bonds to be repaid as follows:				
The loan carries an interest rate of 4.15% to 4.75% per annum, payable in annual installments until July 2018. The property that was collateralized is located at 1104 Simpson Street, Bronx, New York.		**-**		60,000
The loan carries an interest rate of 5.50% to 5.80% per annum, payable in annual installments until July 2023. The property that was collateralized is located at 145-17 120th Ave, Jamaica, New York.		**510,000**		590,000
The loan carries an interest rate of 5.50% to 5.80% per annum, payable in annual installments until July 2023. The property that was collateralized is located at 568 Carey Avenue, Staten Island, New York		**300,000**		350,000
Build NYC Resource Corporation				
CFS-NY entered into an agreement with Build NYC Resource Corporation to secure mortgages on five of its properties. The loan bears interest at 3.10%, payable in annual installments until September 2027.		**2,571,000**		2,896,000
CFS-NY entered into an agreement with Build NYC Resource Corporation to secure mortgages on five of its properties. The loan bears interest at 4.25%, payable in annual installments until September 2027.		**109,000**		109,000
New Jersey Economic Development Authority:				
The New Jersey Economic Development Authority provided funding for the acquisition and renovation of two properties for the use of community services via the State of New Jersey Department of Human Services Pooled Financing Program Bonds, Series 2002.				
The principal amount of $120,000 carries an interest rate of 3% to 5.75% (5.75% at both June 30, 2019 and 2018) per annum and matures in July 2027. The collateralized property is located at 649 East Passaic Avenue, Bloomfield, New Jersey.		**80,000**		90,000
Total Mortgages Payable		**5,135,000**		5,830,000
Less: current portion		**(645,000)**		(700,000)
		4,490,000		5,130,000
Less: unamortized balance of debt issuance costs		**(415,533)**		(465,337)
	$	**4,074,467**	$	4,664,663

Required principal and interest payments are as follows:

		Total
2020	$	645,000
2021		655,000
2022		680,000
2023		690,000
2024		970,000
Thereafter		1,495,000
Total	$	5,135,000

Total interest expense incurred on outstanding mortgages amounted to $198,179 and $229,289 for the years ended June 30, 2019 and 2018, respectively.

CFS-NY obtained financing from the InterAgency Council pooled loan program revenue bonds through the Dormitory Authority of the State of New York (DASNY) due at various dates for the acquisition and renovation of certain residences for use in its programs. These bonds are conduit debt securities, since they are offered by a governmental entity not for its own use, but for the use of CFS-NY. As the conduit debt obligor, CFS-NY is required to make all interest and principal payments as they become due. The bonds are publicly held, and therefore have additional financial reporting requirements.

CFS-NY is required to maintain a financial covenant in accordance with the Build NYC loan agreement. CFS-NY was in compliance with this covenant for the year ended June 30, 2019.

9. Capital Lease Obligations

CFS-NY has entered into capital lease agreements for the purchase of various equipment. The leases expire during fiscal years 2023 through 2024. The original cost of the equipment was $1,130,879. The balance of the capital lease payables at June 30, 2019 and 2018 was $846,149 and $584,533, respectively. The future lease payments are as follows:

Year ending June 30,		Total
2020	$	144,899
2021		152,347
2022		160,180
2023		89,153
2024		17,924
		564,503
Less: amount representing interest		(55,663)
Present Value of Net Minimum Lease Payment	$	508,840

Interest expense on the leases for the years ended June 30, 2019 and 2018 was $27,722 and $32,229, respectively.

10. Employee Benefit Plans

The Center has a defined contribution plan, qualified under Section 401k of the IRC. The plan covers all employees who meet the Center's length of service requirements. Contributions by the Center are discretionary and can be made only with the Board of Director's approval. The Center's contribution for fiscal years 2019 and 2018 was $1,269,913 and $1,225,918, respectively. In addition, CFS-NY and CFS-NJ have a tax-sheltered annuity plan, which is funded entirely by employees through a salary-reduction election.

11. Advances from Government Agencies

Reimbursements from New York State Office for People with Developmental Disabilities, New York State Department of Health, and New York City Department of Mental Hygiene are subject to audit and final rate determination and settlement. Management is of the opinion that any adjustments resulting from audits and final rate determinations would not have a material effect on the CFS-NY's financial position or change in net assets. As of June 30, 2019 and 2018, advances from government agencies were $1,016,906 and $1,377,731, respectively.

12. Net Assets with Donor Restrictions and Net Assets Released from Restriction

Net assets with donor restrictions are available for the following purposes:

June 30,	**2019**	2018
State of New Jersey Department of Human Services properties	**$ 2,231,775**	$ 2,809,485

For the fiscal years ended June 30, 2019 and 2018, $577,710 and $578,577, respectively, were released from restriction for the State of New Jersey Department of Human Services properties.

13. Line of Credit

CFS-NY has a line of credit available totaling $2,000,000, which had no balance outstanding at June 30, 2019 and 2018. The line, secured by business assets, matures on July 23, 2021 and bears interest at the prime rate, which at June 30, 2019 was 5.50%. As noted in Note 7, CFS-NJ acts as guarantor for the line of credit.

14. Lease Commitments

CFS-NY and CFS-NJ lease office space and residential facilities under operating leases throughout the State of New York through 2024. The minimum annual rental commitments under the leases as of June 30, 2019 are as follows:

		Total
2020	$	1,232,317
2021		887,439
2022		640,084
2023		417,506
2024		427,772
Total	$	3,605,118

Rent expense amounted to $1,859,316 and $506,119 for CFS-NY and CFS-NJ, respectively, for the year ended June 30, 2019. Rent expense amount to $1,751,374 and $565,395 for CFS-NY and CFS-NJ, respectively, for the year ended June 30, 2018.

15. Concentrations and Credit Risk

CFS-NY received fees from New York State's Office for People with Developmental Disabilities in the amount of $34,716,278 and $33,603,535 for fiscal years 2019 and 2018, respectively. Such fees represented 92.35% and 92.41% of government fees revenue in fiscal years 2019 and 2018, respectively.

CFS-NJ received a contract agreement from the New Jersey Department of Human Services Division of Developmental Disabilities for $13,204,559 and $13,080,156 for fiscal years 2019 and 2018, respectively. Such contract represented approximately 99% and 98% of government grants and contracts revenue for CFS-NJ in fiscal years 2019 and 2018, respectively.

The Center maintains its cash and cash equivalents in high-credit-quality financial institutions in amounts which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts, and management believes that the Center is not exposed to any significant risk of loss due to the failure of the financial institutions.

16. Contingencies

CFS-NJ entered into seventeen 20-year agreements with the New Jersey Department of Human Services (the Department) for the acquisition of group homes and condominium units for the developmentally disabled. The agreements expire through June 2027. The cumulative amount expended under the agreements was $2,231,775 for the year ended June 30, 2019.

Upon expiration, the agreements may be renewed if such renewal is desired and the terms of such are fully agreed upon by both the Department and CFS-NJ. If the agreement is not renewed, CFSNJ may be required to satisfy the mortgage and/or transfer title to such assets to the Department or an entity designated by the Department.

During June 2018, CFS-NJ reached an agreement with New Jersey Department's Division of Developmental Disabilities (DDD) related to the contractual disputes for fiscal years ended

June 30, 2011 and 2010. Accordingly, CFS-NJ signed a two-year $125,000 promissory zero-interest-bearing note payable in monthly installments through October 2020, whereas $52,500 and $13,125 are the future principal payments for fiscal years 2020 through 2021, respectively.

The Center, from time to time, is subject to legal proceedings and claims in the normal course of its business. Management believes that resolution of these matters will not have a material adverse effect on the Center's results of operations or financial condition.

17. Revenue and Accounts Receivable

The Center adopted ASC 606 “Revenue from Contracts with Customers” in fiscal year 2019, as discussed in Note 2. This approach results in no adjustment to prior reporting periods. Government fees and consumer revenue are reported at the amount that reflects the consideration to which the Center be entitled in exchange for providing services. The transaction price amount is based upon established rates provided by the state of New York and New Jersey dependent upon type of service performed, such as Individual Residential Alternatives, Residential Habilitation, Community Habilitation, Group Day Habilitation, Waiver Respite, Medicaid Service Coordination and Self-Directed services mainly funded by OPWDD, Medicaid and DDD. Since the Center’s performance obligations are satisfied when the service has been performed, all of the Center’s revenues presented below are recognized at a point in time.

Throughout the year, rates may vary as determined by New York and New Jersey, and the Center will record additional revenue as a result of a rate increase and record a reduction of revenue with a rate decrease. These rate adjustments represent variable consideration and the Center considers these amounts in determination of the transaction price.

The following table shows the Center’s revenues disaggregated by service type:

Year ended June 30,	**2019**	2018
Government fees	**$ 48,472,704**	$ 46,889,593
Consumer fees	**2,110,081**	2,036,043
Total Revenue	**$ 50,582,785**	$ 48,925,636

The following table shows the Center’s revenue disaggregated by geography based on services provided:

Year ended June 30,	**2019**	2018
CFS-NY	**$ 37,366,954**	$ 35,845,480
CFS-NJ	**13,215,831**	13,080,156
Total Revenue	**$ 50,582,785**	$ 48,925,636

The following table shows the Center's accounts receivable disaggregated by service type:

Year ended June 30,		**2019**		2018
Government fees	**$**	**5,191,179**	$	5,029,537
Consumer fees		**19,394**		34,134
Total Accounts Receivable	**$**	**5,210,573**	$	5,063,671

The following table shows the Center's accounts receivable disaggregated by geography based on services provided:

Year ended June 30,		**2019**		2018
CFS-NY	**$**	**4,514,171**	$	4,331,553
CFS-NJ		**696,402**		732,118
Total Accounts Receivable	**$**	**5,210,573**	$	5,063,671

As substantially all of its performance obligations relate to established rate agreements with a duration of less than one year, the Center has elected, as part of their adoption of the new revenue standard, to apply the optional exemption provided in ASU 2014-09 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

18. Subsequent Events

The Center has performed subsequent event procedures through November 15, 2019, which is the date the consolidated financial statements were available to be issued. There were no subsequent events requiring adjustment to the consolidated financial statements.

Supplementary Information

The Center for Family Support, Inc. and Affiliates

Consolidating Statement of Financial Position
(with comparative totals for 2018)

June 30,

	2019						2018				
	CFS-NY	CFS-NJ	Foundation	Self-Directed Supports	Eliminations	Total	CFS-NY	CFS-NJ	Foundation	Eliminations	Total
Assets											
Current											
Cash and cash equivalents	$ 3,054,995	$ 100,125	$ 477,534	$ 10,000	$ -	$ 3,642,654	$ 2,390,580	$ 330,572	$ 410,125	$ -	$ 3,131,277
Accounts receivable, net of allowance for uncollectible accounts of $241,159 and $259,190 in 2019 and 2018, respectively	4,514,171	696,402	-	-	-	5,210,573	4,331,553	732,118	-	-	5,063,671
Due from related parties	295,035	-	-	-	(295,035)	-	843,411	-	-	(843,411)	-
Prepaid expenses, security deposits and other assets	719,638	148,995	17,655	10,800	-	897,088	873,271	194,473	6,378	-	1,074,122
Total Current Assets	8,583,839	945,522	495,189	20,800	(295,035)	9,750,315	8,438,815	1,257,163	416,503	(843,411)	9,269,070
Debt Service Reserve Funds	923,334	-	-	-	-	923,334	1,226,311	-	-	-	1,226,311
Property and Equipment, Net	8,303,720	4,606,031	-	-	-	12,909,751	8,809,830	4,989,164	-	-	13,798,994
	$ 17,810,893	$ 5,551,553	$ 495,189	$ 20,800	$ (295,035)	$ 23,583,400	$ 18,474,956	$ 6,246,327	$ 416,503	$ (843,411)	$ 24,294,375
Liabilities and Net Assets											
Current Liabilities											
Accounts payable and accrued expenses	$ 1,146,508	$ 466,956	$ 16,225	$ -	$ -	$ 1,629,689	$ 1,536,294	$ 484,880	$ 17,007	$ -	$ 2,038,181
Accrued salaries and related expenses payable	1,757,525	380,421	-	-	-	2,137,946	1,478,691	417,867	-	-	1,896,558
Accrued retirement plan payable	955,913	314,000	-	-	-	1,269,913	914,549	311,369	-		1,225,918
Due to related parties	-	267,896	4,990	22,149	(295,035)	-	-	841,307	2,104	(843,411)	-
Advances from government agencies	790,497	226,409	-	-	-	1,016,906	982,188	395,543	-	-	1,377,731
Current portion of due to government agency	-	52,500	-	-	-	52,500	-	55,000	-	-	55,000
Current portion of capital lease obligations	97,430	41,460	-	-	-	138,890	85,899	36,945	-	-	122,844
Current portion of mortgages payable	635,000	10,000	-	-	-	645,000	690,000	10,000	-	-	700,000
Total Current Liabilities	5,382,873	1,759,642	21,215	22,149	(295,035)	6,890,844	5,687,621	2,552,911	19,111	(843,411)	7,416,232
Due to Government Agency, net of current portion	-	13,125	-	-	-	13,125	-	70,000	-	-	70,000
Capital Lease Obligations, net of current portion	278,718	146,895	-	-	-	425,613	318,550	143,139	-	-	461,689
Mortgages Payable, net of current portion and unamortized deferred financing costs	4,004,467	70,000	-	-	-	4,074,467	4,584,663	80,000	-	-	4,664,663
Total Liabilities	9,666,058	1,989,662	21,215	22,149	(295,035)	11,404,049	10,590,834	2,846,050	19,111	(843,411)	12,612,584
Commitments and Contingencies											
Net Assets											
Without donor restrictions, undesignated	8,144,835	1,330,116	473,974	(1,349)	-	9,947,576	7,884,122	590,792	397,392	-	8,872,306
With donor restrictions, time-restricted for future periods	-	2,231,775	-	-	-	2,231,775	-	2,809,485	-	-	2,809,485
Total Net Assets	8,144,835	3,561,891	473,974	(1,349)	-	12,179,351	7,884,122	3,400,277	397,392	-	11,681,791
	$ 17,810,893	$ 5,551,553	$ 495,189	$ 20,800	$ (295,035)	$ 23,583,400	$ 18,474,956	$ 6,246,327	$ 416,503	$ (843,411)	$ 24,294,375

The Center for Family Support, Inc. and Affiliates

Consolidating Statement of Activities
(with comparative totals for 2018)

Year ended June 30,

		CFS-NJ							
	CFS-NY	Without Donor Restrictions	With Donor Restrictions	Total	Foundation	Self-Directed Supports	Eliminations	**2019**	2018
Operating Revenues									
Government fees	$ 35,256,873	$ 13,215,831	$ -	$ 13,215,831	$ -	$ -	$ -	**$48,472,704**	$ 46,889,593
Consumer fees	2,110,081	-	-	-	-	-	-	**2,110,081**	2,036,043
Management fees	1,215,959	-	-	-	-	-	(1,215,959)	**-**	-
Net assets released from restriction	-	577,710	(577,710)	-	-	-	-	**-**	-
Total Operating Revenues	38,582,913	13,793,541	(577,710)	13,215,831	-	-	(1,215,959)	**50,582,785**	48,925,636
Expenses									
Program services:									
Residential programs	20,371,527	8,327,392	-	8,327,392	-	-	-	**28,698,919**	27,725,789
Home-based services	12,397,212	3,557,618	-	3,557,618	-	-	-	**15,954,830**	15,956,397
Service coordination	1,256,731	33,879	-	33,879	-	-	-	**1,290,610**	1,305,450
Traumatic brain injury	188,288	-	-	-	-	-	-	**188,288**	172,908
Total Program Services	34,213,758	11,918,889	-	11,918,889	-	-	-	**46,132,647**	45,160,544
Supporting services:									
Management and general	3,949,459	1,220,188	-	1,220,188	-	1,349	(1,215,959)	**3,955,037**	3,754,466
Fundraising	196,068	-	-	-	58,964	-	(32,550)	**222,482**	202,106
Total Supporting Services	4,145,527	1,220,188	-	1,220,188	58,964	1,349	(1,248,509)	**4,177,519**	3,956,572
Total Expenses	38,359,285	13,139,077	-	13,139,077	58,964	1,349	(1,248,509)	**50,310,166**	49,117,116
Change in Net Assets Before Nonoperating Revenues	223,628	654,464	(577,710)	76,754	(58,964)	(1,349)	32,550	**272,619**	(191,480)
Nonoperating Revenues									
Contributions	-	-	-	-	33,599	-	-	**33,599**	32,004
Other revenues	37,085	84,860	-	84,860	101,947	-	(32,550)	**191,342**	487,239
Total Nonoperating Revenues	37,085	84,860	-	84,860	135,546	-	(32,550)	**224,941**	519,243
Change in Net Assets	260,713	739,324	(577,710)	161,614	76,582	(1,349)	-	**497,560**	327,763
Net Assets, beginning of year	7,884,122	590,792	2,809,485	3,400,277	397,392	-	-	**11,681,791**	11,354,028
Net Assets, end of year	$ 8,144,835	$ 1,330,116	$ 2,231,775	$ 3,561,891	$ 473,974	$ (1,349)	$ -	**$12,179,351**	$ 11,681,791