PARSONS CHILD AND FAMILY CENTER

Financial Statements as of
June 30, 2018
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

October 25, 2018

To the Board of Directors of
Parsons Child and Family Center:

Report on the Financial Statements
We have audited the accompanying financial statements of Parsons Child and Family Center (the Center) (a New York not-for-profit corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Parsons Child and Family Center as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

6 Wembley Court
Albany, New York 12205
p (518) 464-4080
f (518) 464-4087

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Prior Period Financial Statements
The financial statements of Parsons Child and Family Center as of June 30, 2017, were audited by other auditors whose report dated October 31, 2017, expressed an unmodified opinion on those statements.

Report on Supplemental Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and* Schedule I are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and 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 financial statements as a whole.

The 2017 supplementary information presented in Schedule I was subjected to the auditing procedures applied in the 2017 audit of the financial statements by the other auditors, whose report on such information stated that it was fairly stated in all material respects.

Other Reporting Required by *Government Auditing Standards*
In accordance with Government Auditing Standards, we have also issued our report dated October XX, 2018, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Bonadio & Co., LLP

PARSONS CHILD AND FAMILY CENTER

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(With Comparative Totals for 2017)

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash	$ 444,166	$ 158,421
Accounts receivable, net	8,923,642	8,491,512
Due from affiliates	94,438	57,098
Prepaid expenses	25,463	42,476
Investments	5,529,464	5,445,939
Total current assets	15,017,173	14,195,446
INVESTMENTS, restricted	3,881,757	2,874,956
PROPERTY AND EQUIPMENT, net	5,859,823	5,417,025
OTHER ASSETS - escrow account	17,615	17,615
Total other assets	17,615	17,615
TOTAL ASSETS	$ 24,776,368	$ 22,505,042
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	$ -	$ 101,405
Accounts payable	617,062	434,128
Accrued salaries and expenses	2,471,541	2,439,524
Due to affiliates	87,768	194,603
Notes payable, current portion	300,000	300,000
Mortgages payable, current portion	118,063	110,549
Capital lease payable, current	2,775	76,551
Refundable advances	3,537,016	1,372,828
Total current liabilities	7,134,225	5,029,588
LONG-TERM LIABILITIES		
Notes payable	900,000	1,200,000
Mortgages payable	806,528	924,590
Capital lease payable	-	2,776
Accrued post-retirement benefits	980,687	986,871
Liability for pension benefits	6,444,866	9,067,704
Total long-term liabilities	9,132,081	12,181,941
TOTAL LIABILITIES	16,266,306	17,211,529
NET ASSETS		
Unrestricted	4,532,027	2,169,480
Temporarily restricted	2,905,862	2,322,234
Permanently restricted	1,072,173	801,799
TOTAL NET ASSETS	8,510,062	5,293,513
	$ 24,776,368	$ 22,505,042

The accompanying notes are an integral part of these statements.

PARSONS CHILD AND FAMILY CENTER

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)

	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE AND SUPPORT:					
Program service fees	$ 42,407,221	$ -	$ -	$ 42,407,221	$ 42,199,500
Fundraising	279,370	386,324	270,374	936,068	339,295
Net gain on sale of assets	-	-	-	-	7,882
Rent	26,224	-	-	26,224	26,449
Net assets released from restrictions	7,942	(7,942)	-	-	-
Total Revenue and Support	42,720,757	378,382	270,374	43,369,513	42,573,126
EXPENSES:					
Program	38,930,702	-	-	38,930,702	38,239,819
Management and general	4,250,807	-	-	4,250,807	4,403,080
Fundraising and non-operating	79,598	-	-	79,598	77,928
Total Expenses	43,261,107	-	-	43,261,107	42,720,827
OPERATING GAIN (LOSS)	(540,350)	378,382	270,374	108,406	(147,701)
NON-OPERATING GAIN:					
Investment income	98,977	46,467	-	145,444	126,448
Investment gains	290,736	158,779	-	449,515	587,245
Actuarial gain arising during period	2,513,184	-	-	2,513,184	2,410,495
Total non-operating gain	2,902,897	205,246	-	3,108,143	3,124,188
CHANGE IN NET ASSETS	2,362,547	583,628	270,374	3,216,549	2,976,487
NET ASSETS - beginning of year	2,169,480	2,322,234	801,799	5,293,513	2,317,026
NET ASSETS - end of year	$ 4,532,027	$ 2,905,862	$ 1,072,173	$ 8,510,062	$ 5,293,513

The accompanying notes are an integral part of these statements.

PARSONS CHILD AND FAMILY CENTER

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 3,216,549	$ 2,976,487
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Actuarial gains arising during period	(2,513,184)	(2,410,495)
Depreciation	818,298	867,722
Net gain on sale of property and equipment	-	(7,882)
Gain on investments	(449,515)	(587,245)
Bad debt expense	-	28
Changes in:		
Accounts receivable	(432,130)	(301,281)
Prepaid expenses	17,013	(19,872)
Due to affiliate	(37,340)	-
Accounts payable	76,099	(210,334)
Accrued salaries and expenses	32,017	(951,654)
Refundable advances	2,164,188	(753,854)
Liability for pension and post retirement benefits	(115,838)	161,789
Net cash flow from operating activities	2,776,157	(1,236,591)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases for property and equipment	(1,261,096)	(339,765)
Proceeds from sale of fixed assets	-	102,205
Proceeds from sale of investments	490,265	3,616,322
Purchase of investments	(1,131,076)	(3,741,019)
Net cash flow from investing activities	(1,901,907)	(362,257)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net proceeds (repayment) of line of credit	(101,405)	101,405
Net proceeds (repayment) of notes payable	(300,000)	1,468,874
Repayment of mortgages payable	(110,549)	(142,338)
Payments on capital leases	(76,551)	(116,804)
Net cash flow from financing activities	(588,505)	1,311,137
CHANGE IN CASH	285,745	(287,711)
CASH - beginning of year	158,421	446,132
CASH - end of year	$ 444,166	$ 158,421
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest Paid	$ 137,538	$ 90,303
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
Donated land	$ -	$ 21,500

The accompanying notes are an integral part of these statements.

1. NATURE OF OPERATIONS

Parsons Child and Family Center (the Center) is a not-for-profit corporation. The Center has maintained its mission to serve the special needs of children in the Capital Region of New York State since its establishment as an orphanage in 1829. The Center promotes healthy families by providing necessary support through a wide range of educational, residential, and clinical services. The Center receives significant support for program operations from New York State directly and indirectly through local municipalities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Center’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

Cash and equivalents include investments in highly liquid debt instruments with an initial maturity of three months or less. The Center has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

Accounts Receivable

Accounts receivable include uncollateralized obligations from numerous sources including Medicaid; local, New York State, and federal grants; contracts; and third-party reimbursement programs. Substantially all programs are billed on a monthly basis under customary payment terms associated with Medicaid programs and state and federal grants. Payment is normally received within thirty to sixty days. Accounts for which no payment has been received for several months are considered delinquent and customary collection efforts are begun. After all collection efforts are exhausted, the account is written off.

The carrying amount of accounts receivable is reduced by a valuation that reflects management’s best estimate of amounts that will not be collected. Management reviews receivable balances and estimates the portion of the balance that will not be collected based on historical collection percentages and review of open accounts. Accounts receivable are stated net of an allowance for doubtful accounts in the amount of $100,000 as of June 30, 2018 and 2017.

Investments

The Center records investments in equities, mutual funds and debt securities at their fair value. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities will occur in the near term and those changes could materially affect the amounts reported in the accompanying financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

All expenditures for land, buildings and equipment in excess of $5,000 with a useful life of two years or more are capitalized and recorded at cost. Property and equipment that is donated is recorded at its fair value at the time of the donation. The estimated lives used in determining depreciation are as follows:

Land improvements	20 years
Buildings	20 - 40 years
Leasehold improvements	3 - 10 years
Equipment	3 - 10 years
Automobiles	3 - 10 years

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Long-Lived Assets

The Center assesses its long-lived assets for impairment when events or circumstances indicate their carrying amounts may not be recoverable. This is accomplished by comparing the expected undiscounted future cash flows of the long-lived assets with the respective carrying amount as of the date of assessment. If the expected undiscounted future cash flows exceed the respective carrying amount as of the date of assessment, the long-lived assets are considered not to be impaired. If the expected undiscounted future cash flows are less than the carrying value and the fair value of the long-lived assets. No impairment of long-lived assets was recognized in 2018 and 2017.

Refundable Advances

The Center receives advances from New York State funding agencies. If the amounts received are not spent or are in excess of maximum funding limits during the period they are received, they are reported as refundable advances in the accompanying financial statements. At the funding agencies' discretion, the amounts will be used to offset future amounts receivable or recouped against future payments. Accordingly, these amounts have been reflected as a liability in the accompanying financial statements.

Financial Reporting

The Center reports its activities and the related net assets using three net asset categories: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets include resources which are available for the support of the Center's operating activities and are not subject to donor-imposed stipulations.

Temporarily restricted net assets represent donor-imposed restrictions that permit the Center to use up or expend the donated assets as specified. This temporary restriction is satisfied by the passage of time or by actions of the Center. See information about these restrictions in Note 10.

Permanently restricted net assets include resources that have donor-imposed restrictions that stipulate that resources be maintained intact permanently, but which permit the Center to use up or expend the income derived from the donated assets for operating purposes. These restrictions are described in Note 10.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If temporarily restricted support is received and earned in the same year, it is reported as unrestricted.

The Center is named beneficiary in a revocable trust whereby at the death of the last surviving child the trust will terminate and the balance, if any, of the trust funds at that future date shall be paid to Parsons. Under U.S. GAAP, revocable trusts are considered conditional promises-to-give and are not recorded in the beneficiary's financial statements; therefore, no amounts relating to the revocable trust have been reflected in the Center's financial statements.

Donated Materials and Services

Donated materials and supplies are recorded as contributions at estimated fair value at the date of gift. The Center receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. The value of the services have not been reflected in these financial statements because the criteria under ASC 958-605 has not been satisfied.

Fair Value Measurement – Definition and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and GAAP provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methodology used for the Center's assets measured at fair value is to value the investments at quoted market prices on the last business day of the fiscal year.

The Center has financial instruments in the accompanying financial statements, including cash and equivalents and investments including debt securities, equities, mutual funds, and beneficial interest in perpetual trusts. The carrying value of cash and equivalents, and investments in equities, and mutual funds notes are a reasonable approximation of fair value due to the short-term nature of the instruments and are considered to be a level 1 measurement. The fair value of the corporate debt securities, and beneficial interest in perpetual trusts are determined to be a level 2 measurement using the market approach as the carrying amount of these investments approximates fair value based on the value of similar assets at which the Center could invest.

Functional Allocation of Expenses

The Center's directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to programs and supporting services using specific allocation methods. Accordingly, certain costs have been allocated based upon management's estimates of time and resources devoted to each function.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes
The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Center qualifies for charitable contribution deductions and has been classified as an Organization other than a private foundation.

Reclassification
Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Comparative Financial Information
The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

3. INVESTMENTS

A summary of investments measured at fair value at June 30 is as follows:

	2018	2017
Cash equivalents	$ 193,154	$ 171,518
Debt securities	1,782,012	3,975,138
Equities	4,052,566	3,450,606
Mutual funds	3,383,489	723,633
Total	$ 9,411,221	$ 8,320,895

For the year ended June 30, investment income consists of the following:

	2018	2017
Realized gain	$ 379,559	$ 312,984
Unrealized gain (loss)	69,956	274,261
Interest and dividends	145,444	126,448
Total	$ 594,959	$ 713,693

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2018	2017
Land	$ 41,500	$ 41,500
Buildings and improvements	16,933,921	16,652,643
Furniture, vehicles and equipment	2,269,379	2,228,102
Less: accumulated depreciation	(14,323,517)	(13,505,220)
Construction in process	938,540	-
	$ 5,859,823	$ 5,417,025

Depreciation expense was $818,298 and $867,722 for the years ended June 30, 2018 and 2017, respectively.

5. LINE OF CREDIT

The Center has a revolving line-of-credit with KeyBank, totaling $3,500,000, which expires on February 26, 2019. The line bears interest at prime (5.00% at June 30, 2018). There was no outstanding balance as of June 30, 2018. The Center had a line-of-credit with NBT Bank for $3,000,000, which expired on December 31, 2017, the outstanding balance at June 30, 2017 was $101,405.

6. LONG-TERM DEBT

Notes Payable	2018	2017
Term loan with NBT, interest at one-month LIBOR plus 1.50%. Annual principal payments of $300,000 through maturity, March 3, 2022. Secured by approximately $2,200,000 of investment securities held at Charles Schwab. The Center must maintain a debt service coverage ratio of not less than 1.20:1.00. The covenant was met as of June 30, 2018.	$ 1,200,000	$ 1,500,000
Mortgage Notes Payable		
Mortgage payable with NBT Bank, due in monthly installments of $4,489, including interest at 4.74%, secured by real property at 125 Bigelow Ave., Schenectady, N.Y. Final payment due February 2024.	448,815	480,289
Mortgage payable - Healy House, New York State Dormitory Authority, due in annual installments on December 1 of $39,200 including interest at 7.79%, secured by real property at 62 Academy Road, Albany, N.Y. Final payment due June 2018	18,473	54,137

6. LONG-TERM DEBT (Continued)

Mortgage payable - Miriam House, New York State Dormitory Authority, due in annual installments on December 1 of $69,160 including interest at 5.28%, secured by real property at 64 Academy Road, Albany, N.Y. Final payment due June 2026.	$ 457,303	$ 500,713
Capital Leases		
Capital lease obligations with First Niagara, secured by equipment, due in monthly installments of $2,784, including interest at 3.96%. Final payment October 2018.	2,775	35,375
Capital lease obligation with First Niagara, secured by equipment, due in monthly installments of $7,406, including interest at 3.76%. Final payment December 2017.	-	43,952
Total	2,127,366	2,614,466
Less: current portion	420,838	487,100
	$ 1,706,528	$ 2,127,366

Future minimum payments are due as follows for the years ending June 30:

2019	$ 420,838
2020	402,024
2021	404,588
2022	407,288
2023	110,132
Thereafter	382,496
Total	$ 2,127,366

Interest expense was $137,538 and $90,303for the years ended June 30, 2018 and 2017, respectively.

7. PENSION PLANS

Defined Contribution Plan

The Center participates in the Northern Rivers Family Service's 401(K) Plan, a related party (see Note 11). The plan covers substantially all full-time employees of the Center that are 18 years of age and older with no years of service requirement. Employees who contribute to the plan and have met eligibility requirements are eligible for the Center's matching contribution that is discretionary up to 2% of an employee's compensation. The Center may also provide a discretionary contribution on behalf of employees meeting eligibility requirements after fiscal year-end. Contributions to the plan for the year ended June 30, 2018 and 2017, were $290,049 and $553,616, respectively.

7. PENSION PLANS (Continued)

Defined Benefit Plan

The Center also has a defined benefit pension plan covering substantially all employees hired before July 1, 2012. The benefits are based on years of service and employees' compensation. Contributions to the Plan are intended to provide for benefits attributed to service to date and those expected to be earned in the future. The Plan was amended to close the Plan to new entrants and to discontinue benefit accruals effective June 30, 2013. The Plan's measurement date is June 30. Amounts are estimated based on actuarial assumptions. It is at least reasonably possible that these estimates could change in the near term. The following sets forth the funded status of the Plan:

	2018	2017
Change in benefit obligations:		
Benefit obligation at beginning of year	$ 37,630,043	$ 38,413,063
Service cost	329,035	359,115
Interest cost	1,425,076	1,428,377
Actuarial gains	(1,714,615)	(238,503)
Benefits paid	(1,565,019)	(2,332,009)
Benefit obligation at end of year	$ 36,104,520	$ 37,630,043
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 28,562,339	$ 27,104,657
Actual return on plan assets	2,018,305	2,876,253
Employer contributions	703,695	889,422
Benefits paid	(1,624,685)	(2,307,993)
Fair value of plan assets at end of year	$ 29,659,654	$ 28,562,339
Funded status:		
(Under) funded status of the plan	$ 6,444,866	$ 9,067,704

Financial Statement Recognition

As of June 30, 2018 and 2017, the following amounts were recognized in the statement of financial position:

	2018	2017
As a non-current liability	$ 6,444,866	$ 9,067,704

For the years ended June 30, 2018 and 2017, the following amounts were recognized in the statement of activities:

	2018	2017
Net periodic pension costs	$ 587,855	$ 1,051,211
Gains other than net periodic pension costs	$ 2,513,184	$ 2,410,495

7. PENSION PLANS (Continued)

Unamortized Items

As of June 30, 2018 and 2017, the following items included in net assets had not yet been recognized as a component of benefit expense:

	2018	2017
Transition obligation/(asset)	$ -	$ -
Prior service cost	-	-
Gains/(Losses)	(6,445,197)	(8,952,195)
Total unamortized items	$ (6,445,197)	$ (8,952,195)

The expected effect of unamortized items on unrestricted net assets in the next fiscal year is as follows:

Transition obligation/(asset)	$ -
Prior service cost	-
(Gains)/Losses	379,840
Total unamortized items	$ 379,840

Assumptions
The following table summarizes the assumptions used by the consulting actuaries and the related benefit cost information. The weighted – average assumptions used as of June 30:

	2018	2017
Discount rate	4.40%	3.98%
Expected long-term return on plan assets	6.50%	6.50%
Rate of compensation increase	N/A	N/A

Determination of Investment Policy

The Plan's investment policy is designed for a moderate risk tolerance with a long-term investment horizon. The allowable investments are considered to be cash and equivalents, mutual funds, commingled funds, collective trusts and exchange traded funds. The asset mix will be actively managed and, therefore, will vary from time to time depending primarily on investment conditions and outlook. The Plan will diversify its investment portfolio to avoid incurring unreasonable risks. Investment maturities should be scheduled to coincide with projected cash flow requirements.

The Plan uses a benchmark comprised of a weighted average of several publicly published indexes with performance criteria that the total portfolio's investment returns are expected to outperform the Plan's benchmark over a complete market cycle (generally considered three to five years).

7. PENSION PLANS (Continued)

Plan Assets

The pension plan's weighted-average asset allocations as of June 30, 2018 and 2017, by asset category are as follows:

	2018		2017	
Money market funds	$ 1,310,230	4.42%	$ 1,480,499	5.18%
Bond funds	896,219	3.02%	10,008,211	35.04%
Equity funds	4,348,635	14.66%	16,224,158	56.80%
Exchange traded funds	23,104,570	77.90%	849,471	2.97%
Total	$ 29,659,654	100%	$ 28,562,339	100%

The fair value of the Plan's assets at June 30, 2018 and 2017 was as follows:

June 30, 2018	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Money markets	$ 1,310,230	$ -	$ -	$ 1,310,230
Equity funds	4,348,635	-	-	4,348,635
Bond funds	-	896,219	-	896,219
Exchange traded funds	-	23,104,570	-	23,104,570
Total Investements	$ 5,658,865	$ 24,000,789	$ -	$ 29,659,654

June 30, 2017	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Money markets	$ 1,480,499	$ -	$ -	$ 1,480,499
Equity funds	16,224,158	-	-	16,224,158
Bond funds	-	10,008,211	-	10,008,211
Exchange traded funds	-	849,471	-	849,471
Total Investements	$ 17,704,657	$ 10,857,682	$ -	$ 28,562,339

Contributions

The Center contributed $703,695 and $889,422 during the years ending June 30, 2018 and 2017, respectively.

7. PENSION PLANS (Continued)

Expected Future Benefit Payments

The following are the expected future benefit payments for the years ending June 30:

2019	$ 1,577,416
2020	1,763,584
2021	1,744,291
2022	3,621,159
2023	2,535,319
2024-2028	10,289,716
	$ 21,531,485

Expected Long-Term Rate of Return on Plan Assets Assumption

The expected long-term rate of return on plan assets assumption of 6.50% was selected using the “building block” approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 – Selection of Economic Assumptions for Measuring Pension Obligations. Based on the Center’s investment policy for the pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30-year period rolling averages.

8. POST-RETIREMENT BENEFIT

The Center provides a post-retirement benefit to all retirees hired before April 1, 1995 who reach retirement with unused sick leave. The Center converts the amount of the employee’s sick bank at the time of retirement multiplied by their rate of pay to determine the amount of the benefit the employee is eligible for. Eligible retirees are provided with health insurance through Center sponsored group plans equivalent to the amount of unused sick time. The employee has the option to take the benefit in the form of a cash payment. The benefit cannot be paid to spouses or beneficiaries. The plan is unfunded. The Plan’s measurement date is June 30. Amounts are estimated based on actuarial assumptions. It is at least reasonably possible that these estimates could change in the near term.

The following table sets forth the change in accumulated postretirement benefit obligation recorded in the Center’s statement of financial position at June 30:

	2018	2017
Accumulated postretirement benefit obligation at beginning of year	$ 986,871	$ 994,875
Service cost	9,096	12,040
Interest cost	36,511	36,597
Benefits paid / employer contributions	(52,158)	(49,704)
Recognition of actuarial gain	367	(6,937)
Accumulated postretirement benefit obligation at end of year	$ 980,687	$ 986,871

8. POST-RETIREMENT BENEFIT (Continued)

The net period postretirement health care benefit cost for the years ended June 30 consists of the following components:

	2018	2017
Service cost	$ 20,870	$ 12,040
Interest cost	47,296	36,597
Amortization of transition obligation	34,282	34,282
Amortization of net gain	(56,683)	(68,034)
	$ 45,765	$ 14,885

The weighted average discount rate used in determining the accumulated postretirement benefit obligation for the years ended June 30, 2018 and 2017 was 4.44%.

For measurement purposes, initial per capital claim costs are estimated to be an average of approximately $14,012 for participants less than age 65, and an average of approximately $2,670 for participants 65 and older. These costs are based on premium rates charged by the HMO under which retired employees currently participate. Eligible retirees are provided with health insurance through the Center sponsored group plans equivalent to the amount of unused sick time. It is expected that health care trends are expected to increase in accordance with the trend rates as follows:

	Pre-65	Post-65
2019-2026	5.80%	5.80%
2027-2034	5.70%	5.70%
2035	5.60%	5.60%
2036	5.50%	5.50%
2037-2039	5.40%	5.40%

Assumed health care cost trend rates have a significant effect on the amount reported for health care plans. A 1% point change in the health care trend rates would have the following effects:

	1% Trend Increase	Current Trend	1% Trend Decrease
Effect on total of service and interest cost component	$ 46,466	$ 45,667	$ 41,295
Effect on postretirement benefit obligation	$ 1,037,476	$ 980,687	$ 928,474

Projected claim costs over the next ten years are estimated as follows:

2019	$ 31,876
2020	32,780
2021	42,760
2022	53,423
2023	58,815
Years 2024 - 2028	367,255
	$ 586,909

9. ENDOWMENT

The Center has received both temporarily restricted and permanently restricted funds consisting of various funds set up to meet the Center's long-term strategic needs. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The following is an abstract of the Center's Board of Directors' Endowment Fiscal Policies:

Interpretation of Relevant Law
Management of Parsons Child and Family Center has interpreted the applicable provisions of the New York Prudent Management of Institutional Funds Act (NYPMIFA) to mean that the classification of appreciation of permanently and temporarily restricted endowment gifts beyond the original gift amount follows the donor's restrictions regarding the use of the related income; i.e. interest and dividends.

Return Objectives and Risk Parameters
The primary purpose of endowment investment and spending policies at Parsons Child and Family Center is to preserve the real (inflation adjusted) purchasing power of endowment assets while providing a prudent, predictable, stable and constant (in real terms) stream of spendable revenues for current use. The policies, if successfully implemented, should result in endowment growth and enhancement of financial resources. The goal of the investment program is to obtain a long-term average annual total return equal to or greater than the sum of the long-term rate of inflation as measured by the Consumer Price Index plus the long-term average annual endowment spending rate. Total return is defined as the sum of dividends, interest, realized and unrealized gains or losses less investment management fees and expenses. The investment policies assume endowment gifts will be used to increase rather than maintain the real purchasing power of endowment assets.

Strategies Employed for Achieving Objectives
The investment policies aimed to generate maximum total return from endowment assets should be balanced against acceptable levels of risk to avoid significant short-term losses. Funds invested in individual fixed income securities shall be rated no less than investment grade, "BBB" by Moody's and/or Standard and Poor's. Split ratings shall be considered the lower of the two ratings. Funds in below investment grade issues must be held in mutual funds with an average rating of no less than "BB" and shall not exceed more than 10% of the portfolio. Individual equity investments shall be limited to no more than 5% in any one name and be limited to generally large cap names. Up to 15% of the portfolio may be invested in international mutual funds.

The long-term asset mix goal of the endowment fund can range from 50% to 70% in equity investments and 50% to 30% in fixed income and/or cash equivalent investments. This range should provide certain flexibility to over or underweight investment categories while still maintaining quantifiable guidelines. The asset mix will be actively managed and, therefore, will vary from time to time depending primarily on investment conditions and outlook.

The investment goals require discipline and prudent management and can be accomplished effectively utilizing independent professionals selected and monitored by the Finance Committee in conjunction with the Board of Directors.

The Investment Manager sends quarterly reports to the Treasurer. The Treasurer reviews the quarterly reports and presents a summary to the Finance Committee. An in-depth presentation by the Investment Manager is conducted annually.

9. ENDOWMENT (Continued)

Allocation of Investment Returns

For those endowment funds which are invested in their own individually identified cash, securities, or other assets, changes in the current value of the cash, securities or other assets, are applied directly to the identified endowment fund. For those endowment funds which are pooled together and invested in identified pools of cash, securities, or other assets, changes in the current value of the cash, securities or other assets, are allocated proportionately amongst the identified endowment funds, based on the current value of each endowment fund as a percentage of the total of all of the funds invested in the pool.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Beginning with each fiscal year, the annual endowment income to be budgeted for current operations should not exceed 5% of the weighted average market value of the unrestricted endowment assets at the end of each of the three preceding calendar years. The most recent year should be weighted three times; the second year, two times; and third year, once.
Endowment income used to meet the requirements of the spending plan can come from any combination of income generated and capital gains realized. Income earned beyond the spending plan and not utilized for current operations will become a part of the corpus of the endowment. In periods where total yield is less than the 5% necessary to meet a spending plan, it may be necessary to liquidate investments to meet the 5% requirement. Disbursements of the spending plan should be made in monthly installments.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or law requires the fund to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2018.

For fiscal year ended June 30, 2018, the Center had the following endowment-related activities:

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of year	$ 2,322,234	$ 801,799	$ 3,124,033
Interest and dividend income	46,467	-	46,467
Net realized and unrealized gains			-
on investments	158,779	-	158,779
Contributions, legacies, and bequests	386,324	270,374	656,698
Amounts appropriated for expenditure	(7,942)	-	(7,942)
Endowment Net Assets, End of Year	$ 2,905,862	$ 1,072,173	$ 3,978,035

For fiscal year ended June 30, 2017, the Center had the following endowment-related activities:

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of year	$ 2,151,573	$ 901,467	$ 3,053,040
Interest and dividend income	22,714	-	22,714
Net realized and unrealized gains			
on investments	158,476	-	158,476
Contributions, legacies, and bequests	-	(99,668)	(99,668)
Amounts appropriated for expenditure	(10,529)	-	(10,529)
Endowment Net Assets, End of Year	$ 2,322,234	$ 801,799	$ 3,124,033

10. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of various purpose restrictions. At June 30, 2018 and 2017, the purpose restrictions are primarily for building or the maintenance of various buildings and programs as described by the investment fund titles noted below. Temporarily restricted net assets will be released from restriction when the funds have been spent in accordance with donor restrictions. The following summarizes restricted net assets at June 30:

	2018	2017
Temporarily Restricted:		
Greenhouse Fund	$ 424,765	$ 40,789
Jacob Fund	16,392	22,869
Bryant Fund	75,230	71,555
Lathrop Fund	1,196,114	1,114,874
Stein Library Fund	30,365	27,485
J.K. Miller Fund	290,883	266,873
Sidney Albert Institute	443,587	404,215
Joanne Malick Fund	81,036	73,038
Charbonneau Fund	2,940	2,387
Puels Fund	312,572	293,495
Margaret D. Griffel Trust (see Note 8)	27,324	-
Other Miscellaneous donor imposed restrictions	4,654	4,654
Total	$ 2,905,862	$ 2,322,234
Permanently Restricted Corpus:		
Parsons Fund	$ 139,826	$ 139,826
Lathrop Fund	135,000	135,000
Stein Library Fund	16,831	16,831
J.K. Miller Fund	102,515	102,515
Sidney Albert Institute	201,520	201,520
Joanne Malick Fund	50,000	50,000
Charbonneau Fund	6,107	6,107
Margaret D. Griffel Trust (see Note 8)	420,374	150,000
Total	$ 1,072,173	$ 801,799

11. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at June 30, 2018:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Money Markets	$ 193,154	$ -	$ -	$ 193,154
Equities	4,052,566	-	-	4,052,566
Mutual Funds	3,383,489	-	-	3,383,489
Corporate Debt Securities	-	65,035	-	65,035
Government Debt Securities	-	1,716,977	-	1,716,977
Total Investments	$ 7,629,209	$ 1,782,012	$ -	$ 9,411,221

11. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at June 30, 2017:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Money Markets	$ 171,518	$ -	$ -	$ 171,518
Equities	3,450,606	-	-	3,450,606
Mutual Funds	723,633	-	-	723,633
Corporate Debt Securities	-	2,453,943	-	2,453,943
Government Debt Securities	-	1,521,195	-	1,521,195
Total Investments	$ 4,345,757	$ 3,975,138	$ -	$ 8,320,895

There were no changes in valuation techniques during 2018 or 2017. The Center recognized transfers between levels in the fair value hierarchy at the end of the reporting period.

12. RELATED PARTY TRANSACTIONS

Northern Rivers Family Services, Inc.
Northern Rivers Family Services, Inc. (the Organization) is the sole corporate member of the Center. The Organization provides Executive, Finance, HR, Communications, Quality Management, IT, Strategic Planning, and Development.

Generally, all intercompany loans are non-interest bearing and payment is expected within 12-36 months, unless otherwise arranged.

The Center paid $4,250,807 and $4,403,081 in fees to Northern Rivers Family Services during the years ended June 30, 2018 and 2017, respectively. Northern Rivers Family Services also pays rent to the Center for occupancy, equipment, telecommunications, and maintenance related services. The Center charged rent in the amount $319,967 and $353,035 for the years ended June 30, 2018 and 2017, respectively.

Northeast Parent and Child Society, Inc.
The Center is related through common control to Northeast Parent and Child Society, Inc. (Society).

Generally, all intercompany loans are non-interest bearing and payment is expected within 12-36 months, unless otherwise arranged. Intercompany loans are typically paid back within 30 days.

The Center recorded expenses of approximately $125,000 for training services provided by Northeast Parent and Child Society during both the years ended June 30, 2018 and 2017. The Center also incurred rent expense for the use of space at Northeast Parent and Child Society, Inc. in the amount of $192,585 and $181,604 for the years ended June 30, 2018 and 2017, respectively. Northeast contracts with the Center to provide waiver services. The Center received $213,978 and $206,954 from Northeast for these services for the years ended June 30, 2018 and 2017, respectively.

12. RELATED PARTY TRANSACTIONS (Continued)

The balances due to and from related parties consisted of the following at June 30:

	2018	2017
Due From Related Party:		
Northern Rivers Family Services, Inc.	$ 68,431	$ 47,292
Northeast Parent and Child Society, Inc.	26,007	9,806
Total	$ 94,438	$ 57,098
Due To Related Party:		
Northern Rivers Family Services, Inc.	$ 15,318	$ 144,593
Northeast Parent and Child Society, Inc.	72,450	50,010
Total	$ 87,768	$ 194,603

13. COMMITMENTS AND CONTINGENCIES

Self-Funded Unemployment Insurance

The Center's Unemployment Compensation Insurance program is self-funded. Unemployment benefits that separated employees receive are determined by New York State statute and are administered by New York State Department of Labor (NYSDOL). The Center is billed quarterly by NYSDOL for benefits paid to former employees. Unemployment is budgeted annually based on prior year results. The Center incurred costs of $38,493 and $35,212 for the years ended June 30, 2018 and 2017, respectively.

Reimbursement Rates

The Center files financial reports annually with various New York State departments to report operating revenues, costs, statistical and other operating data. This information is utilized by the rate setting units to evaluate and adjust historical rates and to set future reimbursement rates. In addition, reimbursement rates are subject to audit by the New York State departments which provide funding. The potential financial impact of this process cannot be readily determined, therefore, no further obligation has been recognized in these financial statements.

Construction Commitment

The Center has received approvals to build a multi-million dollar behavioral health center. The Center has entered into a contract with a construction manager to execute the building phase of the project. As of June 30, 2018 the Center had incurred costs of approximately $930,000 in relation to this contract. These costs are included in construction in process in the accompanying statement of financial position.

Operating Leases

The Center leases equipment, facilities and vehicles pursuant to non-cancelable operating lease agreements expiring in various years through 2023.

13. COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases

Future minimum rental payments for the years ending June 30 for the operating leases are:

2019		$ 634,233
2020		550,338
2021		257,504
2022		164,102
2023		116,957
	Total	$ 1,723,134

Rental expense for the years ending June 30, 2018 and 2017, was $632,190 and $531,313, respectively and is included in occupancy.

14. SUBSEQUENT EVENTS

During July 2018, the Center received a 25-year loan from SEFCU for $5,721,000 to fund the construction of the Behavioral Health Care Center.

Subsequent events have been evaluated through October 25, 2018, which is the date the financial statements were available to be issued.

PARSONS CHILD AND FAMILY CENTER Schedule I

SCHEDULE OF REVENUE FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	2018											
	Residential Care	Behavioral Health Services	Case Management Services	Early Childhood Services	Family Foster Care	Training and Research	Prevention Services	Education Services	Management and General	Fundraising and Non-operating	Total	2017
REVENUE	$ 11,271,159	$ 4,890,829	$ 8,734,925	$ 3,525,054	$ 2,113,302	$ 1,069,056	$ 2,470,467	$ 8,622,444	$ 2,507,578	$ 1,256,669	$ 46,461,483	$ 45,697,314
FUNCTIONAL EXPENSES:												
Salaries	$ 6,073,347	$ 3,157,699	$ 4,188,696	$ 2,193,924	$ 722,636	$ 629,344	$ 1,443,880	$ 4,922,904	$ 26,932	$ 4,506	$ 23,363,868	$ 22,625,132
Employee Health and Retirement Benefits	852,778	443,940	558,724	304,684	100,494	95,365	204,578	717,880	33,256	687	3,312,386	4,196,946
Payroll Taxes	602,718	284,893	408,548	201,962	61,989	58,227	130,288	475,016	3,753	628	2,228,022	2,287,382
Total compensation and benefits	7,528,843	3,886,532	5,155,968	2,700,570	885,119	782,936	1,778,746	6,115,800	63,941	5,821	28,904,276	29,109,460
Allowances - children	11,849	-	-	-	-	-	4,160	-	-	-	16,009	18,664
Allowances - parents	155	-	-	-	-	-	499	-	-	-	654	752
Allowances - uncollectible receivables	28,317	373,540	20,353	182,145	2,180	51	53,659	2,168	-	-	662,413	28
Auto and transportation	51,023	43,665	374,978	36,474	37,220	45,982	54,422	12,318	601	101	656,783	676,129
Bedding	3,475	-	-	-		40	-	-	-	-	3,515	2,475
Boarding home	153	-	-	-	694,772	-	42,844		-	-	737,769	763,915
Camp fees	-	-	-	-		15,840	-	-	-	-	15,840	11,550
Charges from Parent Organization	-	-	-	-		-	-	-	3,956,389	-	3,956,389	4,076,000
Clothing	41,835	-	120	-		-	25	-	-	-	41,980	54,590
Conferences and Administrative Expense	4,500	2,699	46,749	428	9,398	8,587	2,997	3,658	17,147	8	96,171	56,463
Discretionary Funds	10,042	-	133,840	1,790		-	8,090	-	-	-	153,762	224,701
Dues, licenses and permits	3,079	2,111	3,191	7,770	301	5,318	200	2,524	300	4	24,798	40,923
Food	227,562	-	-	105,960	6,050	212	1,909	56,154	-	-	397,847	415,934
In-Kind expense	-	-	-	207,135		-	-	-	-	-	207,135	167,362
Insurance	162,527	35,389	44,806	21,653	12,342	14,797	40,179	115,724	6,155	989	454,561	425,218
Interest	61,893	3,164	11,699	40,766	3,305	42	7,762	8,890	18	-	137,538	90,303
Legal, professional and investment fees	-	506	3,077	-	-	3,647	3,444	556	-	32,350	43,580	25,822
Office supplies and expense	17,638	9,897	10,504	7,302	1,989	2,541	6,766	9,859	1,965	16	68,477	80,027
Postage and shipping	3,753	2,001	3,533	2,220	627	570	1,220	2,839	-	-	16,764	19,172
Publicity	3,000	20	86	993	11,210	12,316	-	250	-	-	27,875	38,281
Purchase of health services	334,740	24,019	617,487	125	1,105	-	-	136,747	-	-	1,114,223	1,170,561
Purchase of services - other	511,108	203,392	271,860	142,608	94,815	48,447	103,496	538,028	47,278	29,146	1,990,177	2,014,833
Recreation	59,430	1,503	728	4,207	13,493	5,894	8,699	25,701	-	-	119,655	96,563
Rent	-	210,125	396,248	13,031	4,515	946	65,637	-	-	-	690,502	654,843
Rent - furnishings and equipment	11,158	14,437	13,487	1,046	3,634	6,071	5,845	18,595	12,265	6	86,544	61,499
Rent - vehicles	29,316	3,537	17	405	4,198	6,542	339	2,916	392	66	47,728	43,791
Repair and Maintenance	18,016	9,937	5,901	4,932	4,960	8,151	5,542	14,998	11,924	4	84,364	78,923
Repair and Maintenance - vehicles	29,460	256	31	298	461	159	2,684	12,055	352	45	45,799	50,560
School expense	3,405	-	124	-	-	-	168	-	-	-	3,697	1,444
Staff development	255	14,745	12,836	24,297	4,002	21,046	2,403	15,280	-	4,500	99,364	137,074
Subscription and publications	2,259	-	246	4,390		219	161	6,692	178		14,145	21,461
Supplies and equipment	164,628	48,030	19,568	53,063	14,955	18,410	13,881	96,613	15,221	1,024	445,392	321,665
Supplies and equipment - medical	26	-	-	57,139	-	-	611	20,454	-	-	78,230	64,954
Telecommunications	366,575	63	-	-	-	-	105	-	-	-	366,743	316,639
Tuition	53,542	105,935	82,590	14,012	12,377	2,511	31,516	20,785	665	28	323,961	225,124
Utilities	84,303	2,009	6,593	41,409	11,245	8,933	17,564	94,663	37,077	4,353	308,150	295,402
Depreciation	224,122	16,251	17,737	146,936	29,838	45,699	33,881	223,755	78,939	1,138	818,296	867,722
Total operating expenses	$ 10,051,987	$ 5,013,762	$ 7,254,357	$ 3,823,102	$ 1,864,110	$ 1,065,907	$ 2,299,454	$ 7,558,022	$ 4,250,807	$ 79,598	$ 43,261,107	$ 42,720,827

The accompanying notes are an integral part of these schedules.

PARSONS CHILD AND FAMILY CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Grantor's Number	Federal CFDA Number	Passed to Sub recipients	Expenditures
Passed-through New York State Education Department:				
School Breakfast Program *	NA	10.553	$ -	$ 54,929
National School Lunch Program *	NA	10.555	-	81,471
Total Child Nutrition Cluster			-	136,400
Child and Adult Care Food Program	N/A	10.558	-	103,863
Total U.S. Department of Agriculture			-	240,263
U.S. Department of Health and Human Services				
Head Start	N/A	93.600	-	1,507,939
Passed-through New York State Office of Children and Family Services				
Temporary Assistance for Needy Families #	C026180	93.558	-	23,625
Total U.S. Department of Health and Human Services			-	1,531,564
U.S. Department of Education				
Passed-through Albany City School District				
Title I Grants to Local Educational Agencies 2015 ^	NA	84.010	-	91,300
Passed-through New York State Education Department				
Special Education - Grant to State	0427-16-0051	84.027	-	227,547
Special Education - Preschool Grants	0427-16-0112	84.173	-	15,929
Total Special Education Grants			-	243,476
Total U.S. Department of Education			-	334,776
Total Expenditures of Federal Awards			$ -	$ 2,106,603

* Child Nutrition Cluster
^ Title I, Part A Cluster
\# TANF Cluster
NA Not available

See Schedule of Findings and Questioned Costs for major programs tested.

The accompanying notes are an integral part of these schedules.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs of Parsons Child and Family Center (the Center) for the year ended June 30, 2018. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the schedule.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Center.

The schedule is presented using the accrual basis of accounting used by the Center to report to the federal government. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. INDIRECT COST RATES

The Center has elected not to use the 10% de minimis cost rate, because the major program is exempt from the provisions of the OMB cost principal. However, the Center has negotiated an indirect cost rate of 10.80% for their major program.

3. FEDERAL LOANS AND LOAN GUARANTEES

The Center had no federal loans or loan guarantees outstanding as of June 30, 2018.

4. INSURANCE

The Center did not participate in any federal insurance programs for the year ended June 30, 2018.

5. SUBRECIPIENTS

The Center does not have any subrecipients of funds.

6. NON-CASH ASSISTANCE

The Center did not receive any non-cash assistance that should be reported in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2018.

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

October 25, 2018

To the Board of Directors of
Parsons Child and Family Center:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Parsons Child and Family Center (the Center), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, related notes to the financial statements, and have issued our report thereon dated October 25, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

6 Wembley Court
Albany, New York 12205
p (518) 464-4080
f (518) 464-4087

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bonadio & Co., LLP

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 25, 2018

To the Board of Directors of
Parsons Child and Family Center:

Report on Compliance for Each Major Federal Program
We have audited Parsons Child and Family Center's (Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2018. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Each Major Federal Program
In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

6 Wembley Court
Albany, New York 12205
p (518) 464-4080
f (518) 464-4087

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Internal Control over Compliance
Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bonadio & Co., LLP

PARSONS CHILD AND FAMILY CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018

SECTION 1 – SUMMARY OF AUDITOR'S RESULTS

Financial statements:

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	______ Yes ___x__ No
Significant deficiencies identified that are not considered to be material weaknesses?	______ Yes ___x__ None noted
Noncompliance material to financial statements noted?	______ Yes ___x__ No

Federal Awards:

Internal control over the major programs:	
Material weakness(es) identified?	______ Yes___x___ No
Significant deficiencies identified that are not considered to be material weaknesses?	______ Yes ___x___ None noted
Type of auditor's report issued on compliance for the major programs:	Unmodified
Any audit findings that are required to be reported in accordance with the Uniform Guidance	______ Yes ___x__ No

Identification of the major program:

CFDA Number	*Name of Federal Program or Cluster*
93.600	Head Start

Dollar threshold used to distinguish between type A and type B programs?	$750,000
Auditee qualified as low-risk auditee:	__x___Yes _____ No

(Continued)

SECTION 2 – FINANCIAL STATEMENT FINDINGS

None

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None