

**THE CHILD CENTER OF NEW YORK, INC.**  
**FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 2012 AND 2011**  
**TOGETHER WITH AUDITOR'S REPORT**

**THE CHILD CENTER OF NEW YORK, INC.**  
**FINANCIAL STATEMENTS AND AUDITOR'S REPORT**  
**AS OF JUNE 30, 2012 AND 2011**

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Nawrocki Smith LLP  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
The Child Center of New York, Inc.:

We have audited the accompanying statement of financial position of The Child Center of New York, Inc. (the "Organization") as of June 30, 2012, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Organization's June 30, 2011 financial statements and, in our report dated December 20, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Child Center of New York, Inc. as of June 30, 2012 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012, on our consideration of The Child Center of New York, Inc.'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

## Nawrocki Smith LLP

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule is presented for purposes of additional analysis and is 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 taken as a whole.

Melville, New York  
December 19, 2012

*Nawrocki Smith LLP*

**THE CHILD CENTER OF NEW YORK, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2012 AND 2011**

|  | 2012         | 2011         |
|--|--------------|--------------|
| ASSETS   |              |              |
| CURRENT ASSETS:  |              |              |
| Cash and cash equivalents  | \$ 862,551   | \$ 1,170,299 |
| Patient accounts receivable, net   | 2,858,442    | 2,244,394    |
| Contracts and grants receivable, net   | 3,488,776    | 2,770,329    |
| Other accounts receivable  | 427,550      | 567,354      |
| Prepaid expenses   | 88,963       | 58,791       |
| Restricted cash  | 589,557      | 589,557      |
| Total current assets   | 8,315,839    | 7,400,724    |
| PROPERTY AND EQUIPMENT, net of accumulated depreciation<br>and amortization of \$2,514,859 and \$2,303,055, respectively | 894,889      | 1,103,780    |
| SECURITY DEPOSITS  | 154,171      | 167,471      |
| Total assets   | \$ 9,364,899 | \$ 8,671,975 |
| LIABILITIES AND NET ASSETS   |              |              |
| CURRENT LIABILITIES:   |              |              |
| Promissory note payable to bank  | \$ 251,000   | \$ 250,000   |
| Accounts payable and accrued expenses  | 1,925,189    | 1,491,831    |
| Accrued compensation and benefits  | 1,078,146    | 1,281,486    |
| Due to governmental agencies   | 2,475,010    | 2,081,851    |
| Total current liabilities  | 5,729,345    | 5,105,168    |
| DUE TO GOVERNMENTAL AGENCIES - NONCURRENT  | 3,318,495    | 3,454,874    |
| Total liabilities  | 9,047,840    | 8,560,042    |
| NET ASSETS:  |              |              |
| Unrestricted   | (351,393)    | (556,519)    |
| Temporarily restricted   | 668,452      | 668,452      |
| Total net assets   | 317,059      | 111,933      |
| Total liabilities and net assets   | \$ 9,364,899 | \$ 8,671,975 |

The accompanying notes to financial statements  
are an integral part of these statements.

**THE CHILD CENTER OF NEW YORK, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(With Summarized Totals For 2011)**

|   | Unrestricted        | Temporarily<br>Restricted | Totals            |                   |
|---|---------------------|---------------------------|-------------------|-------------------|
|   |                     |                           | 2012              | 2011              |
| <b>REVENUES:</b>  |                     |                           |                   |                   |
| Contract and grant services   | \$ 19,650,747       | \$ -                      | \$ 19,650,747     | \$ 19,178,773     |
| Patient services, net   | 11,589,753          | -                         | 11,589,753        | 12,270,410        |
| Contributions   | 585,857             | -                         | 585,857           | 1,422,903         |
| Inkind contributions  | 610,641             | -                         | 610,641           | 893,793           |
| Fundraising, net of direct expenses of<br>\$263,370 and \$135,092, respectively | 732,600             | -                         | 732,600           | 658,226           |
| Other   | 2,873               | -                         | 2,873             | 24,019            |
| <b>Total revenues</b>   | <b>33,172,471</b>   | <b>-</b>                  | <b>33,172,471</b> | <b>34,448,124</b> |
| <b>EXPENSES:</b>  |                     |                           |                   |                   |
| Program services  | 29,746,168          | -                         | 29,746,168        | 30,778,470        |
| Supporting services   | 3,221,177           | -                         | 3,221,177         | 3,650,637         |
| <b>Total expenses</b>   | <b>32,967,345</b>   | <b>-</b>                  | <b>32,967,345</b> | <b>34,429,107</b> |
| Excess of revenues<br>over expenses   | 205,126             | -                         | 205,126           | 19,017            |
| <b>NET ASSETS RELEASED FROM<br/>RESTRICTIONS</b>                                | <b>-</b>            | <b>-</b>                  | <b>-</b>          | <b>-</b>          |
| Change in net assets  | 205,126             | -                         | 205,126           | 19,017            |
| <b>NET ASSETS, BEGINNING OF YEAR</b>  | <b>(556,519)</b>    | <b>668,452</b>            | <b>111,933</b>    | <b>92,916</b>     |
| <b>NET ASSETS, END OF YEAR</b>  | <b>\$ (351,393)</b> | <b>\$ 668,452</b>         | <b>\$ 317,059</b> | <b>\$ 111,933</b> |

The accompanying notes to financial statements  
are an integral part of these statements.

**THE CHILD CENTER OF NEW YORK, INC.**  
**STATEMENTS OF CASH FLOWS (INDIRECT METHOD)**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

|   | 2012              | 2011                |
|---|-------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:   |                   |                     |
| Change in net assets  | \$ 205,126        | \$ 19,017           |
| Adjustments to reconcile change in net assets<br>to net cash provided (used) by operating activities: |                   |                     |
| Depreciation and amortization   | 219,969           | 211,315             |
| (Increase) decrease in patient accounts receivable, net   | (614,048)         | 431,412             |
| (Increase) decrease in contracts and grants receivable  | (718,447)         | 734,384             |
| (Increase) decrease in other accounts receivable  | 139,804           | (262,639)           |
| (Increase) decrease in prepaid expenses   | (30,172)          | 9,903               |
| (Increase) decrease in security deposits  | 13,300            | (15,983)            |
| Increase (decrease) in accounts payable and accrued expenses  | 433,358           | (460,046)           |
| Decrease in accrued compensation and benefits   | (203,340)         | (484,054)           |
| Increase in due to governmental agencies  | 256,780           | 331,752             |
|   | <u>(297,670)</u>  | <u>515,061</u>      |
| CASH FLOWS FROM INVESTING ACTIVITIES:   |                   |                     |
| Increase in property and equipment  | (11,078)          | (26,326)            |
|   | <u>(11,078)</u>   | <u>(26,326)</u>     |
| CASH FLOWS FROM FINANCING ACTIVITIES:   |                   |                     |
| Increase in promissory note payable to bank, net  | 1,000             | 100,000             |
|   | <u>1,000</u>      | <u>100,000</u>      |
| NET INCREASE (DECREASE) IN CASH AND<br>CASH EQUIVALENTS   | (307,748)         | 588,735             |
| CASH AND CASH EQUIVALENTS,<br>BEGINNING OF YEAR   | <u>1,170,299</u>  | <u>581,564</u>      |
| CASH AND CASH EQUIVALENTS,<br>END OF YEAR   | <u>\$ 862,551</u> | <u>\$ 1,170,299</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION:   |                   |                     |
| Cash paid during the year for interest  | <u>\$ 17,299</u>  | <u>\$ 28,584</u>    |

The accompanying notes to financial statements  
are an integral part of these statements.

**THE CHILD CENTER OF NEW YORK, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(With Summarized Totals For 2011)**

|                                   | <u>Supporting Services</u>  |   |  | <u>Totals</u>        |                      |
|-----------------------------------|-----------------------------|---|--|----------------------|----------------------|
|                                   | <u>Program<br/>Services</u> | <u>Administration<br/>&amp; General</u> | <u>Fundraising &amp;<br/>Development</u> | <u>2012</u>          | <u>2011</u>          |
| Salaries and wages                | \$ 18,159,977               | \$ 1,709,908                            | \$ 145,299                               | \$ 20,015,184        | \$ 20,916,071        |
| Payroll taxes and fringe benefits | 5,943,865                   | 529,913                                 | 46,503                                   | 6,520,281            | 6,633,821            |
| Rent and utilities                | 1,909,691                   | 88,192                                  | -  | 1,997,883            | 2,009,683            |
| Repairs and maintenance           | 463,359                     | 122,467                                 | -  | 585,826              | 466,114              |
| Other                             | 454,964                     | 1,972                                   | 6,692                                    | 463,628              | 468,220              |
| Consumable supplies               | 363,305                     | 35,745                                  | 1,162                                    | 400,212              | 550,577              |
| Consultants                       | 298,733                     | 10,424                                  | 54,000                                   | 363,157              | 577,498              |
| Travel and conferences            | 342,523                     | 13,058                                  | 1,225                                    | 356,806              | 305,859              |
| Telephone                         | 249,047                     | 45,535                                  | -  | 294,582              | 280,001              |
| Other contracted services         | 236,673                     | 54,995                                  | 1,295                                    | 292,963              | 402,517              |
| Professional fees                 | 149,016                     | 102,652                                 | -  | 251,668              | 169,709              |
| Staff training                    | 125,046                     | 9,495                                   | 2,231                                    | 136,772              | 103,236              |
| Cleaning                          | 97,884                      | 10,094                                  | -  | 107,978              | 111,686              |
| Insurance                         | 81,980                      | 23,015                                  | -  | 104,995              | 102,510              |
| Community relations               | 67,897                      | 14,170                                  | 14,006                                   | 96,073               | 76,500               |
| Charges and fees                  | 3,782                       | 28,696                                  | 9,434                                    | 41,912               | 27,254               |
| Dues and subscriptions            | 2,484                       | 26,349                                  | 470                                      | 29,303               | 26,688               |
| Printing                          | 21,436                      | 52                                      | 332                                      | 21,820               | 15,972               |
| Postage                           | 10,383                      | 7,201                                   | 2,308                                    | 19,892               | 23,131               |
| Interest                          | 7,027                       | 10,272                                  | -  | 17,299               | 28,584               |
| Recruitment                       | 9,275                       | 6,871                                   | -  | 16,146               | 10,367               |
| Bad debts                         | 2,355                       | -                                       | -  | 2,355                | 18,001               |
| Subtotal                          | 29,000,702                  | 2,851,076                               | 284,957                                  | 32,136,735           | 33,323,999           |
| Inkind expenses                   | 610,641                     | -                                       | -  | 610,641              | 893,793              |
| Subtotal                          | 29,611,343                  | 2,851,076                               | 284,957                                  | 32,747,376           | 34,217,792           |
| Depreciation and amortization     | 134,825                     | 85,144                                  | -  | 219,969              | 211,315              |
| Total expenses                    | <u>\$ 29,746,168</u>        | <u>\$ 2,936,220</u>                     | <u>\$ 284,957</u>                        | <u>\$ 32,967,345</u> | <u>\$ 34,429,107</u> |

The accompanying notes to financial statements  
are an integral part of these statements.



**THE CHILD CENTER OF NEW YORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**1. Nature of activities**

The Child Center of New York, Inc. (the "Organization") is a nonprofit children's agency whose mission is to help at risk children and youth succeed in life by providing family intervention, youth development, early childhood services, counseling and home visiting services that help keep families healthy and intact. The Organization offers preventative therapy and crisis intervention to families coping with child abuse, broken home life, underachievement in school, parental drug addiction and other emotional and educational problems that destabilize families. All of the Organization's efforts are community-based and geared toward helping urban children and families empower themselves.

The Organization receives substantial support from the New York State Office of Mental Health ("NYS OMH"), the New York City Administration for Children's Services ("NYC ACS"), the New York City Department of Youth and Community Development ("NYC DYCD") and the New York City Department of Health and Mental Hygiene ("NYC DMH"). Funding agencies also include the Department of Health and Human Services - Administration for Children and Families ("DHHS ACF"), the New York City Department of Education ("NYC DOE"), the New York State Department of Health ("NYS DOH") and the New York State Office of Children and Family Services ("NYS OCFS"). The Organization is obligated under the terms of the contracts to comply with specified conditions and program requirements set forth by the respective grantor.

**2. Summary of significant accounting policies:**

The accompanying financial statements include the assets, liabilities, revenues and expenses of the Organization which are reflected under the accrual basis of accounting. The following is a summary of significant accounting policies followed by the Organization:

**Financial statement presentation** -

The Organization's financial statements distinguish between unrestricted, temporarily restricted and permanently restricted net assets and changes in net assets, depending on the existence and/or nature of any donor restrictions. The Organization's net assets consist of the following:

**Unrestricted** - net assets of the Organization which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the Organization.

**Temporarily restricted** - net assets of the Organization which have been limited by donor-imposed stipulations or by law that either expire with the passage of time or can be fulfilled and removed by the actions of the Organization pursuant to those stipulations.

All donor-restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a 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.

The Organization does not possess any permanently restricted net assets.

#### Revenue and expense recognition -

Revenue from government contracts and grants designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Contracts and grant awards for the acquisition of long-lived assets are reported as unrestricted nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired.

Patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. Self-pay revenue is recorded at published charges with charitable allowances deducted to arrive at net self-pay revenue. All other patient services revenue is recorded at published charges, with contractual allowances deducted to arrive at patient services revenue, net.

Contributions are recognized as income when received and are considered to be available for unrestricted use unless specifically restricted by the donor. Revenues under contracts for service are generally recognized as earned and expenses are recognized when incurred. Contract advances arise from payments received under agreements for service prior to revenue recognition.

#### Statement of functional expenses -

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenses are identified with specific programs or supporting services, or allocated directly according to their natural expense allocation.

The Statement of Functional Expenses includes 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

#### Donated goods and services -

A number of volunteers have donated significant amounts of their time in the Organization's program services, administration and fundraising campaigns. Similarly, tangible materials, such as books and toys are also donated to the Organization. However, since these goods and services do not meet the criteria for recognition under accounting principles generally accepted in the United States of America, they are not reflected in the accompanying financial statements.

#### Cash and cash equivalents -

All highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents for financial statement purposes.

#### Property and equipment -

Property and equipment are recorded at cost. Depreciation and amortization of furniture and equipment are recorded on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 10 years. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvement or the term of the lease, whichever is less.

#### Income taxes -

The Organization was incorporated as a not-for-profit corporation under the laws of the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes.

#### Uncertainty in income taxes -

The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2009 and subsequent remain subject to examination by the applicable taxing authorities.

#### The use of estimates in the preparation of financial statements -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

#### Reclassifications -

Certain reclassifications of prior year functional expenses have been made to conform to the current year presentation.

**3. Patient accounts receivable, net**

Patient accounts receivable, net as of June 30, 2012 and 2011 are comprised of the following:

|                                       | <u>2012</u>         | <u>2011</u>         |
|---------------------------------------|---------------------|---------------------|
| Medicaid, net of provisions           | \$ 2,569,538        | \$ 1,836,515        |
| Other third-party payors and self-pay | <u>389,587</u>      | <u>508,562</u>      |
|                                       | 2,959,125           | 2,345,077           |
| Less: allowance for doubtful accounts | <u>100,683</u>      | <u>100,683</u>      |
|                                       | <u>\$ 2,858,442</u> | <u>\$ 2,244,394</u> |

**4. Contracts and grants receivable**

Contracts and grants receivable as of June 30, 2012 and 2011 are comprised of the following:

|   | <u>2012</u>         | <u>2011</u>         |
|---|---------------------|---------------------|
| New York City Administration for Children's Services        | \$ 1,454,975        | \$ 345,471          |
| New York City Department of Youth and Community Development | 917,087             | 1,214,098           |
| New York State Office of Children and Family Services       | 232,556             | 27,842              |
| New York City Department of Health and Mental Hygiene       | 222,613             | 258,211             |
| New York State Department of Health                         | 161,713             | 84,697              |
| New York City Department of Education                       | 120,217             | 179,288             |
| U.S. Department of Health and Human Services                | -                   | 12,778              |
| Other grants  | 196,881             | 266,176             |
| Unbilled receivables  | <u>287,734</u>      | <u>486,768</u>      |
|   | 3,593,776           | 2,875,329           |
| Less: allowance for doubtful accounts                       | <u>105,000</u>      | <u>105,000</u>      |
|   | <u>\$ 3,488,776</u> | <u>\$ 2,770,329</u> |

**5. Property and equipment**

Property and equipment as of June 30, 2012 and 2011 are comprised of the following:

|   | <u>2012</u>       | <u>2011</u>         |
|---|-------------------|---------------------|
| Furniture and equipment                         | \$ 1,262,707      | \$ 1,269,003        |
| Leasehold improvements                          | <u>2,147,041</u>  | <u>2,137,832</u>    |
|   | 3,409,748         | 3,406,835           |
| Less: accumulated depreciation and amortization | <u>2,514,859</u>  | <u>2,303,055</u>    |
|   | <u>\$ 894,889</u> | <u>\$ 1,103,780</u> |

**6. Promissory note**

The Organization is obligated to a bank under a line of credit. Borrowings accrue interest at 1% above the prime rate (3.25% as of June 30, 2012). As of June 30, 2012 and 2011, the unpaid principal balance was \$251,000 and \$250,000, respectively.

**7. Temporarily restricted net assets**

Temporarily restricted net assets are available for or relate to the following purposes:

|                                  | <u>2012</u>       | <u>2011</u>       |
|----------------------------------|-------------------|-------------------|
| Auffarth Fund                    | \$ 589,557        | \$ 589,557        |
| Capital Campaign - Corona clinic | <u>78,895</u>     | <u>78,895</u>     |
|                                  | <u>\$ 668,452</u> | <u>\$ 668,452</u> |

Donations related to the Auffarth Fund are maintained in a separate bank account and are reflected as restricted cash in the accompanying financial statements.

**8. Patient services revenue, net and due to governmental agencies**

Patient services revenue, net as of June 30, 2012 and 2011 is comprised of the following:

|                                       | <u>2012</u>          | <u>2011</u>          |
|---------------------------------------|----------------------|----------------------|
| Medicaid                              | \$ 10,199,623        | \$ 10,707,017        |
| Other third-party payors and self-pay | <u>1,390,130</u>     | <u>1,563,393</u>     |
|                                       | <u>\$ 11,589,753</u> | <u>\$ 12,270,410</u> |

Patient services revenue, net is accounted for at established billing rates multiplied by the number of visits rendered. Such reimbursement rates are subject to change and retroactive adjustment on the basis of review by the governmental agencies responsible for such funding. Provisions for settlements are accrued on an estimated basis in the period in which the related services are rendered, and are included in due to governmental agencies. The current liability is determined by the governmental agencies on an annual basis. Final determination of reimbursement rates is subject to audit and review by governmental payors and any overpayments are reflected as amounts due to governmental agencies.

**9. Contract and grant services revenue**

Contract and grant services revenue as of June 30, 2012 and 2011 is comprised of the following:

|   | <u>2012</u>          | <u>2011</u>          |
|---|----------------------|----------------------|
| New York City Administration for Children's Services        | \$ 8,591,237         | \$ 7,310,183         |
| New York City Department of Youth and Community Development | 4,919,296            | 4,942,454            |
| New York City Department of Health and Mental Hygiene       | 1,925,249            | 1,881,798            |
| New York City Department of Education                       | 1,591,350            | 1,601,408            |
| U.S. Department of Health and Human Services                | 1,055,337            | 1,199,608            |
| New York State Department of Health                         | 626,117              | 562,472              |
| New York State Office of Mental Health                      | 315,655              | 521,000              |
| New York State Office of Children and Family Services       | 283,283              | 453,986              |
| Other grants  | <u>343,223</u>       | <u>705,864</u>       |
|   | <u>\$ 19,650,747</u> | <u>\$ 19,178,773</u> |

**10. Pension plan**

The Organization has a defined contribution money purchase pension plan covering substantially all nonunion employees meeting certain eligibility requirements. Contributions to the plan are based on a fixed percentage of salaries. Pension expense amounted to \$651,300 and \$651,543 for the years ended June 30, 2012 and 2011, respectively.

For union employees, pension contributions are paid directly to the union and any amount unpaid at June 30 is accrued. Pension expense amounted to \$678,458 and \$640,688 for the years ended June 30, 2012 and 2011, respectively.

**11. Concentrations of credit risk**

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**12. Commitments and contingencies:**

Future minimum lease commitments -

The Organization leases 13 facilities with leases expiring through 2018. Several of the leases contain escalations for real estate taxes. Rent expense for the years ended June 30, 2012 and 2011 amounted to \$1,869,284 and \$1,854,464, respectively. All facilities are operated under noncancelable operating leases requiring future minimum payments as follows:

| Year Ending         |                     |
|---------------------|---------------------|
| <u>June 30:</u>     |                     |
| 2013                | \$ 1,686,038        |
| 2014                | 1,633,661           |
| 2015                | 1,557,654           |
| 2016                | 1,045,174           |
| 2017                | 446,892             |
| 2018 - 2022         | 639,840             |
| 2023 and thereafter | <u>410,688</u>      |
|                     | <u>\$ 7,419,947</u> |

Audits of reimbursement arrangements -

The Organization has contracted with various funding agencies to perform certain counseling services and receives Medicaid revenue from the state and federal governments. Reimbursements received under these contracts and payments from Medicaid are subject to audit by federal and state governments and other agencies. Upon audit, if discrepancies are discovered, the Organization could be held responsible for refunding the amounts in question.

Litigation -

In the normal course of business, the Organization is a party to various claims and/or litigation. Management believes that the settlement of all such claims and/or litigation, considered in the aggregate, will not have a material adverse effect on the Organization's financial position and results of operations.

**13. Subsequent events**

The Organization has evaluated subsequent events through December 19, 2012, which is the date these financial statements were available to be issued noting the following:

As of September 21, 2012, the Organization repaid the promissory note payable to bank in full.



**THE CHILD CENTER OF NEW YORK, INC.**  
**SUPPLEMENTAL SCHEDULE OF PROGRAM SERVICES EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

|                                   | NYC ACS      | NYC DOE      | NYC DMH      | NYC DYCD     | NYC OCFS   | NYC OMH       | NYC DOH    | FEDERAL GRANTS | Other      | Administrative | Total 2012    |
|-----------------------------------|--------------|--------------|--------------|--------------|------------|---------------|------------|----------------|------------|----------------|---------------|
| Salaries and wages                | \$ 5,041,384 | \$ 1,149,011 | \$ 1,761,070 | \$ 3,139,597 | \$ 217,844 | \$ 5,533,122  | \$ 323,503 | \$ 608,123     | \$ 386,323 | \$ -           | \$ 18,159,977 |
| Payroll taxes and fringe benefits | 1,849,040    | 313,607      | 718,988      | 723,237      | 66,439     | 2,030,937     | 58,914     | 195,578        | 188,215    | -              | 5,943,865     |
| Rent and utilities                | 626,772      | -            | 299,648      | -            | -          | 767,474       | -          | 102,666        | 113,231    | -              | 1,909,691     |
| Repairs and maintenance           | 143,971      | 11,055       | 56,037       | 107,201      | -          | 107,209       | 10,767     | 21,043         | 6,076      | -              | 463,359       |
| Other                             | 6,158        | 11,549       | 87,395       | 100,135      | -          | 69,308        | 126,973    | 5,845          | 47,601     | -              | 454,964       |
| Consumable supplies               | 87,415       | 14,156       | 31,584       | 141,982      | -          | 32,068        | 18,588     | 28,479         | 9,033      | -              | 363,305       |
| Travel and conferences            | 62,913       | 7,002        | 22,213       | 75,070       | -          | 96,808        | 9,073      | 64,348         | 5,096      | -              | 342,523       |
| Consultants                       | 55,185       | 9,765        | 69,494       | 41,162       | -          | 107,518       | 11,263     | 2,231          | 2,115      | -              | 298,733       |
| Telephone                         | 65,205       | 1,894        | 51,791       | 45,203       | -          | 72,658        | 4,088      | 6,618          | 1,590      | -              | 249,047       |
| Other contracted services         | 19,759       | 7,200        | 20,471       | 16,140       | -          | 171,903       | -          | 1,200          | -          | -              | 236,673       |
| Professional fees                 | 32,731       | -            | 9,625        | 252          | -          | 102,833       | -          | 3,275          | 300        | -              | 149,016       |
| Staff training                    | 57,576       | -            | 13,424       | 30,714       | -          | 1,723         | 299        | 20,599         | 110        | -              | 125,046       |
| Cleaning                          | 24,054       | 601          | 27,712       | -            | -          | 46,107        | -          | 11             | -          | -              | 97,884        |
| Insurance                         | 12,153       | 2,020        | 10,704       | 15,187       | -          | 34,707        | 2,565      | 2,235          | 2,409      | -              | 81,980        |
| Community relations               | 12,146       | 624          | 1,267        | 43,835       | -          | 3,187         | 315        | 3,460          | 3,063      | -              | 67,897        |
| Printing                          | 17           | 223          | 185          | 13,107       | -          | 675           | 3,760      | 2,675          | 794        | -              | 21,436        |
| Postage                           | 3,450        | 568          | 1,482        | 1,304        | -          | 2,872         | 249        | 91             | 367        | -              | 10,383        |
| Recruitment                       | 432          | 228          | 1,223        | -            | -          | 7,308         | -          | 42             | -          | -              | 9,275         |
| Interest                          | -            | -            | -            | -            | -          | 7,027         | -          | -              | -          | -              | 7,027         |
| Charges and fees                  | -            | -            | 139          | -            | -          | 3,643         | -          | -              | -          | -              | 3,782         |
| Dues and subscriptions            | 1,530        | -            | -            | 545          | -          | 300           | -          | 100            | 9          | -              | 2,484         |
| Bad debts                         | -            | -            | -            | 2,355        | -          | -             | -          | -              | -          | -              | 2,355         |
| Subtotal                          | 7,901,891    | 1,529,503    | 3,184,262    | 4,497,026    | 283,283    | 9,199,387     | 570,357    | 1,068,619      | 766,374    | -              | 29,000,702    |
| Administrative overhead           | 737,719      | 152,881      | 326,804      | 503,322      | -          | 1,034,045     | 57,970     | 31,766         | 91,713     | (2,936,220)    | -             |
| Inkind OTPS                       | 376,638      | -            | -            | -            | -          | -             | -          | 234,003        | -          | -              | 610,641       |
| Subtotal                          | 9,016,248    | 1,682,384    | 3,511,066    | 5,000,348    | 283,283    | 10,233,432    | 628,327    | 1,334,388      | 858,087    | (2,936,220)    | 29,611,343    |
| Depreciation and amortization     | 395          | -            | -            | -            | -          | 125,513       | -          | 8,917          | -          | -              | 134,825       |
| Total expenses                    | \$ 9,016,643 | \$ 1,682,384 | \$ 3,511,066 | \$ 5,000,348 | \$ 283,283 | \$ 10,358,945 | \$ 628,327 | \$ 1,343,305   | \$ 858,087 | \$ (2,936,220) | \$ 29,746,168 |

The accompanying notes to financial statements should be read in conjunction with this schedule.