

**Child and Family Agency of
Southeastern Connecticut, Inc.**

**Financial Statements
and Independent Auditor's Report**

June 30, 2020 and 2019

Child and Family Agency of Southeastern Connecticut, Inc.

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Independent Auditor's Report

To the Board of Directors
Child and Family Agency of Southeastern Connecticut, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Child and Family Agency of Southeastern Connecticut, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 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 of 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 Child and Family Agency of Southeastern Connecticut, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020, on our consideration of Child and Family Agency of Southeastern Connecticut, 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 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 Child and Family Agency of Southeastern Connecticut Inc.'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 Child and Family Agency of Southeastern Connecticut, Inc.'s internal control over financial reporting and compliance.



Hartford, Connecticut
December 18, 2020

Child and Family Agency of Southeastern Connecticut, Inc.

**Statements of Financial Position
June 30, 2020 and 2019**

Assets

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,849,237	\$ 1,564,610
United Way receivable	364,494	374,834
Accounts receivable, net of allowance of \$65,000 and \$30,000	164,255	198,424
Grants and contracts receivable	150,992	316,414
Promises to give, net	68,038	150,708
Prepaid expenses	185,325	155,547
Investments	5,718,008	5,094,793
Property and equipment, net	<u>4,290,217</u>	<u>4,503,164</u>
 Total assets	 <u>\$ 13,790,566</u>	 <u>\$ 12,358,494</u>

Liabilities and Net Assets

Liabilities		
Accounts payable	\$ 203,913	\$ 159,860
Accrued personnel costs	1,019,949	874,143
Grants payable	130,360	398,556
Refundable advance - grants	-	25,558
Refundable advance	<u>1,958,400</u>	<u>-</u>
 Total liabilities	 <u>3,312,622</u>	 <u>1,458,117</u>
 Commitments and contingencies		
Net assets		
Without donor restrictions	8,661,655	9,037,598
With donor restrictions	<u>1,816,289</u>	<u>1,862,779</u>
 Total net assets	 <u>10,477,944</u>	 <u>10,900,377</u>
 Total liabilities and net assets	 <u>\$ 13,790,566</u>	 <u>\$ 12,358,494</u>

See Notes to Financial Statements.

Child and Family Agency of Southeastern Connecticut, Inc.

**Statement of Activities
Year Ended June 30, 2020 (With Comparative Totals for 2019)**

	Total without donor restrictions	Total with donor restrictions	2020 Total	2019 Total
Public support and revenue				
Patient service revenue (net of contractual allowances)	\$ 3,424,284	\$ -	\$ 3,424,284	\$ 3,405,885
Government grants	9,058,166	-	9,058,166	8,555,474
United Way	-	366,751	366,751	374,834
Foundations and contributions	755,015	178,955	933,970	1,295,292
Special events	165,130	-	165,130	220,550
Interest and dividends, net	69,244	17,342	86,586	76,138
Workshops and contracts	162,779	-	162,779	325,971
Net realized loss on investments	(2,761)	(1,942)	(4,703)	(24,120)
Net unrealized gain on investments	33,952	9,488	43,440	329,847
Miscellaneous	53,178	-	53,178	63,641
	<u>13,718,987</u>	<u>570,594</u>	<u>14,289,581</u>	<u>14,623,512</u>
Net assets released from restrictions	<u>617,084</u>	<u>(617,084)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>14,336,071</u>	<u>(46,490)</u>	<u>14,289,581</u>	<u>14,623,512</u>
Functional expenses				
Program services				
Counseling	7,319,719	-	7,319,719	6,648,721
School based health centers	2,823,370	-	2,823,370	2,746,984
Childhood services	1,918,582	-	1,918,582	2,045,576
Community education	194,938	-	194,938	347,910
	<u>12,256,609</u>	<u>-</u>	<u>12,256,609</u>	<u>11,789,191</u>
Support services				
Management and general	2,114,567	-	2,114,567	1,905,072
Fundraising	340,838	-	340,838	370,567
	<u>2,455,405</u>	<u>-</u>	<u>2,455,405</u>	<u>2,275,639</u>
Total functional expenses	<u>14,712,014</u>	<u>-</u>	<u>14,712,014</u>	<u>14,064,830</u>
Change in net assets	(375,943)	(46,490)	(422,433)	558,682
Net assets, beginning	<u>9,037,598</u>	<u>1,862,779</u>	<u>10,900,377</u>	<u>10,341,695</u>
Net assets, ending	<u>\$ 8,661,655</u>	<u>\$ 1,816,289</u>	<u>\$ 10,477,944</u>	<u>\$ 10,900,377</u>

See Notes to Financial Statements.

Child and Family Agency of Southeastern Connecticut, Inc.

**Statement of Activities
Year Ended June 30, 2019**

	Total without donor restrictions	Total with donor restrictions	Total
Public support and revenue			
Patient service revenue (net of contractual allowances)	\$ 3,405,885	\$ -	\$ 3,405,885
Government grants	8,555,474	-	8,555,474
United Way	-	374,834	374,834
Foundations and contributions	946,313	348,979	1,295,292
Special events	220,550	-	220,550
Interest and dividends, net	57,262	18,876	76,138
Workshops and contracts	325,971	-	325,971
Medicaid EMR incentive	-	-	-
Net realized loss on investments	(17,396)	(6,724)	(24,120)
Net unrealized gain on investments	255,484	74,363	329,847
Miscellaneous	63,641	-	63,641
	<hr/>	<hr/>	<hr/>
Total	13,813,184	810,328	14,623,512
Net assets released from restrictions	845,720	(845,720)	-
	<hr/>	<hr/>	<hr/>
Total public support and revenue	14,658,904	(35,392)	14,623,512
Functional expenses			
Program services			
Counseling	6,648,721	-	6,648,721
School based health centers	2,746,984	-	2,746,984
Childhood services	2,045,576	-	2,045,576
Community education	347,910	-	347,910
	<hr/>	<hr/>	<hr/>
Total program services	11,789,191	-	11,789,191
Support services			
Management and general	1,905,072	-	1,905,072
Fundraising	370,567	-	370,567
	<hr/>	<hr/>	<hr/>
Total support services	2,275,639	-	2,275,639
	<hr/>	<hr/>	<hr/>
Total functional expenses	14,064,830	-	14,064,830
Change in net assets	594,074	(35,392)	558,682
Net assets, beginning	8,443,524	1,898,171	10,341,695
	<hr/>	<hr/>	<hr/>
Net assets, ending	\$ 9,037,598	\$ 1,862,779	\$ 10,900,377
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See Notes to Financial Statements.

Child and Family Agency of Southeastern Connecticut, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2020 (With Comparative Totals for 2019)**

	Program services				Support services		2020 Total	2019 Total
	Counseling	School based health centers	Childhood services	Community education	Management and general	Fundraising		
Salaries	\$ 4,404,294	\$ 2,006,789	\$ 1,184,957	\$ 103,497	\$ 1,162,701	\$ 146,846	\$ 9,009,084	\$ 8,618,701
Payroll taxes	338,044	148,751	109,429	7,642	97,930	15,700	717,496	640,579
Employee benefits	676,375	290,040	241,795	20,370	288,528	31,415	1,548,523	1,593,858
Total salaries and related expenses	5,418,713	2,445,580	1,536,181	131,509	1,549,159	193,961	11,275,103	10,853,138
Subcontracts	1,163,862	73,141	11,231	37,338	122,411	1,930	1,409,913	1,035,349
Conferences, meetings and training	40,626	26,212	9,146	6,472	39,396	1,342	123,194	134,322
Occupancy	206,119	31,644	165,632	3,745	88,962	8,655	504,757	544,129
Professional fees	725	559	1,749	-	81,647	-	84,680	44,049
Supplies	59,999	133,873	67,199	3,191	34,380	7,174	305,816	342,329
Travel - staff and client	99,089	2,493	1,441	4,196	3,084	649	110,952	164,862
Telephone	76,990	27,680	30,961	1,575	21,023	1,418	159,647	144,891
Insurance	5,662	-	10,360	-	95,494	1,693	113,209	111,145
Public relations and printing	4,382	3,682	2,618	2,118	2,116	6,807	21,723	29,740
Postage	1,037	404	344	16	3,927	1,855	7,583	12,163
Organization dues	1,388	2,530	4,741	-	14,697	60	23,416	25,937
Direct service costs	641	441	16,819	837	1,401	6,395	26,534	35,517
Other expenses	8,976	3,079	9,455	34	8,742	3,266	33,552	66,801
Personnel advertising	40,607	4,496	10,293	-	5,743	3,073	64,212	66,175
Resource materials	-	-	-	-	-	-	-	133
Special events expenses	-	-	-	-	-	95,728	95,728	112,453
Bad debts	44,183	10,963	1,955	-	-	-	57,101	150
Total expenses before depreciation and amortization	7,172,999	2,766,777	1,880,125	191,031	2,072,182	334,006	14,417,120	13,751,646
Depreciation and amortization	146,720	56,593	38,457	3,907	42,385	6,832	294,894	313,184
Total functional expenses	\$ 7,319,719	\$ 2,823,370	\$ 1,918,582	\$ 194,938	\$ 2,114,567	\$ 340,838	\$ 14,712,014	\$ 14,064,830

See Notes to Financial Statements.

Child and Family Agency of Southeastern Connecticut, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2019**

	Program services			Support services		Total	
	Counseling	School based health centers	Childhood services	Community education	Management and general		Fundraising
Salaries	\$ 4,078,751	\$ 1,908,613	\$ 1,283,081	\$ 200,736	\$ 992,097	\$ 155,423	\$ 8,618,701
Payroll taxes	295,275	140,085	105,765	14,432	68,330	16,692	640,579
Employee benefits	694,477	293,842	241,982	33,866	294,601	35,090	1,593,858
Total salaries and related expenses	5,068,503	2,342,540	1,630,828	249,034	1,355,028	207,205	10,853,138
Subcontracts	764,019	67,101	11,039	43,295	146,486	3,409	1,035,349
Conferences, meetings and training	47,721	36,544	9,428	4,756	34,183	1,690	134,322
Occupancy	210,214	34,386	204,887	9,619	74,307	10,716	544,129
Professional fees	1,371	185	950	-	41,543	-	44,049
Supplies	98,923	149,948	55,207	9,338	21,370	7,543	342,329
Travel - staff and client	141,176	5,079	2,398	11,672	3,553	984	164,862
Telephone	73,396	19,957	25,850	3,620	21,211	857	144,891
Insurance	5,665	-	9,379	-	94,482	1,619	111,145
Public relations and printing	2,885	4,640	2,966	824	15,731	2,694	29,740
Postage	1,064	551	188	500	3,150	6,710	12,163
Organization dues	2,491	2,493	5,184	-	15,651	118	25,937
Direct service costs	451	390	25,167	5,107	1,751	2,651	35,517
Other expenses	21,527	4,438	8,904	372	30,025	1,535	66,801
Personnel advertising	42,208	10,997	4,858	2,011	3,961	2,140	66,175
Resource materials	3	-	22	-	108	-	133
Special events expenses	-	-	-	-	-	112,453	112,453
Bad debts	19,047	6,558	2,752	-	6	150	28,513
Total expenses before depreciation and amortization	6,500,664	2,685,807	2,000,007	340,148	1,862,546	362,474	13,751,646
Depreciation and amortization	148,057	61,177	45,569	7,762	42,526	8,093	313,184
Total functional expenses	\$ 6,648,721	\$ 2,746,984	\$ 2,045,576	\$ 347,910	\$ 1,905,072	\$ 370,567	\$ 14,064,830

See Notes to Financial Statements.

Child and Family Agency of Southeastern Connecticut, Inc.

**Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (422,433)	\$ 558,682
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Provision for uncollectible accounts	57,101	28,513
Depreciation and amortization	294,894	313,184
Net realized and unrealized gains on investments	(38,737)	(305,727)
Promises to give discounts	-	(6,763)
Changes in operating assets and liabilities		
United Way receivable	10,340	(665)
Accounts receivable	(22,932)	(95,267)
Grants and contracts receivable	165,422	(80,952)
Promises to give	82,670	149,287
Prepaid expenses	(29,778)	(4,522)
Accounts payable	44,053	(197,043)
Accrued personnel costs	145,806	(54,209)
Grants payable	(268,196)	320,134
Deferred income	(25,558)	(6,893)
Refundable advance	<u>1,958,400</u>	<u>-</u>
Net cash provided by operating activities	<u>1,951,052</u>	<u>617,759</u>
Cash flows from investing activities		
Purchases of property and equipment	(81,947)	(259,088)
Proceeds from sales of investments	2,319,448	2,120,076
Purchases of investments	<u>(2,903,926)</u>	<u>(2,910,277)</u>
Net cash used in investing activities	<u>(666,425)</u>	<u>(1,049,289)</u>
Net increase (decrease) in cash and cash equivalents	1,284,627	(431,530)
Cash and cash equivalents, beginning	<u>1,564,610</u>	<u>1,996,140</u>
Cash and cash equivalents, ending	<u>\$ 2,849,237</u>	<u>\$ 1,564,610</u>

See Notes to Financial Statements.

Child and Family Agency of Southeastern Connecticut, Inc.

Notes to Financial Statements June 30, 2020 and 2019

Note 1 - Organization and summary of significant accounting policies

Purpose

The purpose of the Child and Family Agency of Southeastern Connecticut, Inc. (the "Agency") is to promote the well-being of all children and their families and, in particular, to give priority to the unmet needs of children lacking physical, emotional, and intellectual care and nurturing. The goals and objectives of the Agency are to protect the welfare and safety of children and their families, to promote policies that benefit all children and their families, and to broaden and deepen public awareness of and commitment to society's responsibility for responding to the needs of children and their families.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Agency reports information regarding its financial position and activities according to two classes of net assets: with and without donor restrictions. They are described as follows:

Without donor restrictions - Net assets that are not subject to explicit donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

With donor restrictions - Net assets whose use by the Agency is subject to either explicit donor-imposed stipulations or by the operation of law that can be fulfilled by actions of the Agency or that expire by the passage of time or net assets subject to explicit donor-imposed stipulations that they be maintained in perpetuity by the Agency and stipulate the use of income and/or appreciation as either without donor restrictions or with donor restrictions for purpose and time based on donor-imposed stipulations or by operation of law.

Income taxes

The Agency is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and, therefore, has no provision for federal or state income taxes.

The Agency has no unrecognized tax benefits at June 30, 2020 and 2019. The Agency's federal information returns prior to fiscal year 2017 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. If the Agency had unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statements of financial position.

Cash equivalents

The Agency considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

The Agency carries investments at their fair values in the statements of financial position. Realized and unrealized gains and losses and investment income are included in the change in net assets in the accompanying statements of activities as net assets without donor restrictions unless restricted by donor stipulation or by operation of law.

Child and Family Agency of Southeastern Connecticut, Inc.

**Notes to Financial Statements
June 30, 2020 and 2019**

The investment policy establishes an achievable return objective through professional management and sufficient portfolio diversification to reduce volatility and to help assure a reasonable consistency of return over time. The current long-term return objective is to maintain the purchasing power of the current assets. As such, these funds can assume a time horizon that extends well beyond a normal market cycle. To satisfy its long-term rate-of-return objectives, the Agency relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Agency targets a diversified asset allocation by setting a target of 40% in fixed income and a target of 60% in equity-based securities to achieve its long-term return objectives within prudent risk parameters.

Property and equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The Agency capitalizes all expenditures for property and equipment in excess of \$5,000. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Leasehold improvements are amortized over the shorter of the lease term or estimated useful life. The estimated useful lives are as follows:

Buildings and building improvements	5 - 39 years
Leasehold improvements	3 - 33 years
Furniture and equipment	3 - 10 years
Vehicles	5 years

Repairs and maintenance of property and equipment are charged to expenses as incurred. The Agency reviews its long-lived assets for impairment using an undiscounted cash flow method whenever events or circumstances indicate the carrying value of an asset may not be recoverable. The Agency does not believe that any material impairment currently exists related to its long-lived assets.

Promises to give

Promises to give represent unconditional promises to give that are recognized in the period in which the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are discounted to their net present value.

On a periodic basis, the Agency evaluates its contributions receivable and establishes an allowance for doubtful accounts, if necessary, based on its history of past write offs, collections and current credit conditions.

Contributions

Transactions where the resource providers often receive value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Agency has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Agency fails to overcome the barrier. The Agency recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as a refundable advance.

Child and Family Agency of Southeastern Connecticut, Inc.

Notes to Financial Statements June 30, 2020 and 2019

Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received. Unconditional contributions are recorded as either with donor restrictions or without donor restrictions. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contributions without donor restrictions.

Government grants and contract services

Revenue from grants and contracts with resource providers such as the government and its agencies, other organizations and private foundations are accounted for either as exchange transactions or as contributions. When the resource provider receives commensurate value in return for the resources transferred to the Agency, the revenue from the grant or contract is accounted for as an exchange transaction in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09. For purposes of determining whether a transfer of asset is a contribution or an exchange, the Agency deems that the resource provider is not synonymous with the general public, i.e., indirect benefit received by the public as a result of the assets transferred is not deemed equivalent to commensurate value received by the resource provider. Moreover, the execution of a resource provider's mission or the positive sentiment from acting as a donor is not deemed to constitute commensurate value received by a resource provider. Revenue from grants and contracts that are accounted for as exchange transactions is recognized when performance obligations have been satisfied. Grants and contracts awarded for the acquisition of long-lived assets are reported as nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances.

On the other hand, when the resource provider does not receive commensurate value, the transaction is accounted for as a contribution.

Patient service revenue

Patient service revenue is reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Agency bills the patients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Agency. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Agency believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving services in our facilities. The Agency measures the performance obligation from the commencement of an encounter to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the encounter.

Child and Family Agency of Southeastern Connecticut, Inc.

Notes to Financial Statements June 30, 2020 and 2019

Because all of its performance obligations relate to contracts with a duration of less than one year, the Agency has elected to apply the optional exemption provided in FASB Accounting Standards Codification ("ASC") 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The Agency's performance obligations consist primarily of outpatient services that occur within one day of a patient's visit, thus, there were no unsatisfied or partially unsatisfied performance obligations at the end of the reporting period.

The Agency determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Agency's policy, and implicit price concessions provided to uninsured patients. The Agency determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Agency determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicaid - Reimbursements for Medicaid services are generally paid at prospectively determined rates per visit.

Other - Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per visit, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Agency's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Agency. In addition, the contracts the Agency has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Agency's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant in 2020.

Child and Family Agency of Southeastern Connecticut, Inc.

Notes to Financial Statements June 30, 2020 and 2019

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Agency also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Agency estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended June 30, 2020 and 2019, there was no additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years.

Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Agency's mission, care is provided to patients regardless of their ability to pay. Therefore, the Agency has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Agency expects to collect based on its collection history with those patients.

The Agency has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, geography, service lines, method of reimbursement, and timing of when revenue is recognized.

The Agency has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Agency's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less.

The Agency has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Agency otherwise would have recognized is one year or less in duration.

Donated materials and services

Donated materials and services are reflected as contributions in the accompanying financial statements at their estimated fair market value at the date of receipt. Contributed services are recognized if the services create or enhance nonfinancial assets or required specialized skills. No amounts have been reflected in the financial statements for donated services. The Agency pays for most services requiring specific expertise. However, a substantial number of volunteers have donated significant amounts of their time in the Agency's program services and in its fundraising campaigns.

Functional expenses

The financial statements report certain categories of expenses that are attributable to one or more programs, contracts or administrative functions of the Agency. Those expenses include personnel costs (salaries, taxes and benefits) and occupancy costs and are based on FTEs, excepts for childcare related expenses which are based on slots.

Child and Family Agency of Southeastern Connecticut, Inc.

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Use of estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

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

Subsequent events

The Agency has evaluated events and transactions for potential recognition or disclosure through December 18, 2020, which is the date the financial statements were available to be issued.

Note 2 - New accounting pronouncement

The Agency adopted FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Agency adopted the provisions of ASU 2018-08 on July 1, 2019 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There is no effect on net assets in connection with the implementation of ASU 2018-08.

The Agency adopted FASB ASU 2014-09, *Revenue from Contracts with Customers*. This ASU provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which the Agency expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues. The Agency adopted ASU 2014-09 on July 1, 2019 using the modified retrospective method of transition for all contracts that were not completed as of that date.

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Note 3 - Liquidity

The Agency regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of June 30, 2020 and 2019, the Agency has financial assets available to meet annual operating needs as follows:

	2020	2019
Cash and cash equivalents	\$ 2,849,237	\$ 1,564,610
United Way receivable	364,494	374,834
Accounts receivable, net	164,255	198,424
Grants and contracts receivable	150,992	316,414
Promises to give, net	68,038	150,708
Investments	5,718,008	5,094,793
Total financial assets	9,315,024	7,699,783
Less		
Donor-imposed restrictions	(1,816,289)	(1,862,779)
Board designated endowments, net of estimated 2021 spending policy percentage	(3,932,487)	(3,279,456)
Board designated for operations	(743,278)	(735,206)
Total	\$ 2,822,970	\$ 1,822,342

The Agency supports its general operations primarily with patient service revenue and government grants along with donor contributions without donor restrictions and donor-restricted funds whose time or purpose restriction has been met. In addition, the Board may appropriate a portion of the earnings from the Agency's board-restricted endowment as described in Note 17 and spend the donor restricted funds which are restricted for purpose on expenses that meet the purpose restrictions. The Agency also has a \$1,000,000 line of credit available to support general operations (see Note 10).

Note 4 - Concentrations

Concentration of credit risk

Financial instruments, which potentially subject the Agency to concentrations of credit risk, consist primarily of cash and cash equivalents and receivables. The Agency maintains its cash and cash equivalents in bank accounts which, at times, may exceed federally insured limits. The Agency has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk for cash. As of June 30, 2020, the Agency had cash and cash equivalents in excess of federally insured limits of approximately \$2,360,000.

Concentration of market risk

The Agency invests in various debt and equity securities. These investment securities are exposed to interest rate, market, credit and other risks depending on the nature of the specific investment. Accordingly, it is at least reasonably possible that these factors will result in changes in the value of the Agency's investments, which could materially affect amounts reported in the financial statements.

Child and Family Agency of Southeastern Connecticut, Inc.

**Notes to Financial Statements
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Funding source concentrations

The Agency receives a significant amount of grants either directly or passed through from other agencies from the State of Connecticut Department of Children and Families ("DCF") and the State of Connecticut Department of Public Health ("DPH"). As with all government funding, these grants are subject to reduction or termination in future years. For the year ended June 30, 2020, grants from DCF and DPH consisted of 59% and 26% of total grant revenue, respectively. For the year ended June 30, 2019, grants from DCF and DPH consisted of 56% and 26% of total grant revenue, respectively.

Note 5 - Patient service receivable, net

The Agency grants credit without collateral to its patients. Patient service receivable, net, by major payor source is as follows as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Medicaid	45 %	55 %
Third-party payors and other	54	44
Self-pay patients	1	1
	<u>100 %</u>	<u>100 %</u>

Patient service revenue, net of contractual allowances, by major payor source is as follows for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Medicaid	67 %	67 %
Third-party payors and other	33	30
Self-pay patients	-	3
	<u>100 %</u>	<u>100 %</u>

Note 6 - Promises to give

Promises to give at June 30, 2020 and 2019 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Receivables due in less than 1 year	\$ 67,383	\$ 87,419
Receivables due in 1-5 years	3,812	66,446
	71,195	153,865
Less discount to net present value	<u>(3,157)</u>	<u>(3,157)</u>
	<u>\$ 68,038</u>	<u>\$ 150,708</u>

Child and Family Agency of Southeastern Connecticut, Inc.

**Notes to Financial Statements
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Contributions expected to be received in more than one year have been discounted using a discount rate of 5%. No allowance for uncollectible promises to give has been recorded as of June 30, 2020 and 2019.

Note 7 - Investments

Investments are stated at fair value and are comprised of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Corporate bonds	\$ 1,227,512	\$ 1,060,095
Government securities	496,037	405,314
Common stocks	3,440,356	3,541,951
Preferred stocks	2,056	-
Mutual funds	450,704	-
Money funds	<u>101,343</u>	<u>87,433</u>
	<u>\$ 5,718,008</u>	<u>\$ 5,094,793</u>

The following is a schedule of investment return for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 136,455	\$ 116,009
Less investment fees	<u>(49,869)</u>	<u>(39,871)</u>
Interest and dividend income, net	86,586	76,138
Net realized and unrealized gains	<u>38,737</u>	<u>305,727</u>
Total investment return, net	<u>\$ 125,323</u>	<u>\$ 381,865</u>

Note 8 - Fair value measurements

The Agency values its financial assets and liabilities based on 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.

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs which are used to measure fair value into three broad levels, as described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

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Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. The fair value hierarchy does not attempt to measure the quality of the investments.

Financial assets measured at fair value at June 30, 2020 have been categorized in the table below based upon the fair value hierarchy described above:

	Level 1	Level 2	Level 3	Total
Corporate bonds	\$ -	\$ 1,227,512	\$ -	\$ 1,227,512
Government securities	-	496,037	-	496,037
Common stocks				
Consumer discretionary	312,815	-	-	312,815
Consumer staples	67,762	-	-	67,762
Consumer cyclical	250,157	-	-	250,157
Energy	172,605	-	-	172,605
Financial	583,274	-	-	583,274
Healthcare	473,789	-	-	473,789
Industrial	467,080	-	-	467,080
Information technology	69,391	-	-	69,391
Materials	75,435	-	-	75,435
Real estate	105,141	-	-	105,141
Technology	427,062	-	-	427,062
Telecommunication	251,222	-	-	251,222
Utilities	184,623	-	-	184,623
Preferred stocks				
Telecommunication	2,056	-	-	2,056
Mutual fund				
US Government money fund	450,704	-	-	450,704
Money funds	101,343	-	-	101,343
Total	\$ 3,994,459	\$ 1,723,549	\$ -	\$ 5,718,008

Child and Family Agency of Southeastern Connecticut, Inc.

**Notes to Financial Statements
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Financial assets measured at fair value at June 30, 2019 have been categorized in the table below based upon the fair value hierarchy described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ -	\$ 1,060,095	\$ -	\$ 1,060,095
Government securities	-	405,314	-	405,314
Common stocks				
Consumer discretionary	412,035	-	-	412,035
Consumer staples	76,401	-	-	76,401
Consumer cyclical	253,747	-	-	253,747
Energy	255,619	-	-	255,619
Financial	646,860	-	-	646,860
Healthcare	316,656	-	-	316,656
Industrial	467,508	-	-	467,508
Information technology	108,695	-	-	108,695
Materials	92,359	-	-	92,359
Real estate	70,747	-	-	70,747
Technology	376,882	-	-	376,882
Telecommunication	225,677	-	-	225,677
Utilities	238,765	-	-	238,765
Money funds	87,433	-	-	87,433
Total	\$ 3,629,384	\$ 1,465,409	\$ -	\$ 5,094,793

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the years ended June 30, 2020 and 2019.

Investments in common stocks, preferred stocks, mutual funds and money funds are valued using market prices on active markets (Level 1). Level 1 instrument valuations are obtained from real time quotes for transactions in active exchange markets involving identical assets. The values of mutual funds and money funds represent the net asset value of shares held by the Agency at year end.

The fair value of government securities and corporate bonds is estimated using market price quotations (where observable), based on recently executed transactions or bond spreads of the issuer (Level 2). If the spread data does not reference the issuer, then data that references a comparable issuer is used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves or bond spreads.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Agency's policy is to recognize transfers in and out of various levels as of the actual date of the event or change in circumstance that caused the transfer. There were no transfers during the years ended June 30, 2020 and 2019.

Child and Family Agency of Southeastern Connecticut, Inc.

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Note 9 - Property and equipment

Property and equipment consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 490,641	\$ 490,641
Buildings and building improvements	8,663,551	8,581,604
Leasehold improvements	76,551	76,551
Furniture and equipment	748,528	748,528
Vehicles	<u>67,951</u>	<u>67,951</u>
	10,047,222	9,965,275
Less accumulated depreciation and amortization	<u>(5,757,005)</u>	<u>(5,462,111)</u>
	<u>\$ 4,290,217</u>	<u>\$ 4,503,164</u>

Depreciation and amortization expense was \$294,894 and \$313,184 for the years ended June 30, 2020 and 2019, respectively.

Note 10 - Line of credit

The Agency has available for its use a \$1,000,000 line of credit from Dime Savings Bank. Bank advances on the credit line are payable on demand and carry an interest rate at Dime Savings Bank's prime rate (3.25% at June 30, 2020). Interest is payable monthly. The credit line is secured by substantially all business assets of the Agency. The Agency is required to meet certain nonfinancial financial covenants. There were no bank advances as of June 30, 2020 and 2019. The line of credit expires on January 1, 2023.

Note 11 - Refundable advance

On April 16 2020, the Agency entered into a loan agreement in the amount of \$1,958,400 through their bank pursuant to the Paycheck Protection Program ("PPP" Loan) under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The PPP loan is evidenced by a promissory note. Subject to the terms of the Note, the PPP Loan bears interest at 1% per annum and is unsecured and guaranteed by the Small Business Administration. No payments are due for ten months from the date of disbursement of the loan and interest will accrue during the deferment period. After the deferment period, the Agency will be required to make monthly principal and interest payments. The maturity date of the loan is five years from the funding date of the loan. The Agency may apply to the lender for forgiveness of the PPP Loan, with the amount which may be forgiven equal to the sum of certain allowable expenses incurred by the Agency during the 24-week period beginning April 24, 2020 calculated in accordance with the terms of the CARES Act. Although the Agency plans on applying for forgiveness, there is no assurance that all of the criteria will be met in order to have some or all of the loan forgiven. The proceeds of the loan are recognized as a refundable advance, based on Accounting Standards Codification 958-605, and are included in current liabilities on the Agency's statements of financial position.

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Note 12 - Pension plan

The Agency has a 403(b) plan. There is a 2% employer contribution, made annually upon completing the 500 hour requirement, which begins January 1st each year. After eight years of employment, the employer contribution increases to 4%. The Agency also will match each employee's contributions to the plan at a rate of 50% of the employee's contribution. This match maxes out at a 2% contribution.

Total pension expense for the years ended June 30, 2020 and 2019 was \$282,626 and \$295,406, respectively.

Note 13 - Commitments and contingencies

The following is a summary of liens placed by the State of Connecticut to secure bond grant funding that was used to purchase and/or renovate the Agency's property. The liens will expire at a rate of 10% per year, as long as the Agency abides by licensing and operating requirements according to the bond grant:

	<u>Unamortized balance</u>	<u>Expiration date</u>
Department of Social Services Neighborhood Facilities Project	\$ 178,791	8/21/2025
Department of Education Child Care Capital Project	74,643	9/14/2025
Groton Child Care Center	40,425	1/1/2026
Department of Children and Families Emergency boiler replacement	12,587	6/30/2025

Note 14 - Professional liability

The Agency is covered by a professional liability insurance policy written on an occurrence basis. Insurance coverage under the policy has limits of \$1,000,000 per occurrence and \$3,000,000 in aggregate.

Note 15 - Net assets

Net assets with donor restrictions restricted for purpose and time are made up of contributions restricted by donors for funding a variety of programs, as well as promises to give contributions to be collected in future fiscal years and earnings on perpetual endowments funds.

Net assets restricted in perpetuity consist of the Casey Angell Fund, Phoebe Bennet Fund, Ella Brown Fund and the Thomas Gullotta Fund.

The Casey Angell Fund assets are to be held indefinitely. The Agency may make expenditures from the fund income for the professional development of its employees and volunteers. To allow for fund growth, expenditures are to be limited to an amount equal to 90% of the prior year's annual income.

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The Phoebe Bennet Fund assets are to be held indefinitely. The income from the assets can be used to support the Agency's general activities.

The Ella Brown Fund assets are to be held indefinitely. The income from the assets can be used to support the Agency's programs at the B.P. Learned Mission.

The Thomas Gullotta Fund assets are to be held indefinitely. The income and realized and unrealized gains and losses from the fund are restricted for purpose and time until appropriated for operations.

Net assets with donor restrictions as of June 30, 2020 and 2019 are available for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Net assets with donor restrictions for purpose or time		
United Way of Southeastern CT	\$ 357,438	\$ 351,468
United Way of Middlesex	11,344	24,356
B.P. Learned programs	649,669	655,814
Smith Bent programs	37,575	10,215
Groton programs	53,006	27,000
General programs	125,829	131,680
For emergency use	25,000	25,000
Restricted for time	<u>70,195</u>	<u>153,865</u>
Total net assets with donor restrictions for purpose and time	<u>1,330,056</u>	<u>1,379,398</u>
Net assets with donor restrictions in perpetuity		
Casey Angell Fund	21,176	21,135
Phoebe Bennet Fund	635	635
Ella Brown Fund	386,070	383,259
Thomas Gullotta Fund	<u>78,352</u>	<u>78,352</u>
Total net assets with donor restrictions in perpetuity	<u>486,233</u>	<u>483,381</u>
Total net assets with donor restrictions	<u>\$ 1,816,289</u>	<u>\$ 1,862,779</u>

The board has designated \$743,278 and \$735,206 for the years ending June 30, 2020 and 2019, respectively, for operating reserves.

Note 16 - Conditional promises to give

The Agency received a conditional DCF grant in 2020 to provide outpatient psychiatric services. The grant is for five years with a designated amount for each year. During the year ended June 30, 2020, \$5,131,346 of the conditional contribution was recorded as grant revenue upon meeting certain conditions of the grant requirements. The grant provides \$5,218,307 of funds each year through June 30, 2024. The remaining grant funds of \$20,873,228 will be recorded as grant revenue when the donor conditions are met.

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The Agency received a conditional DPH grant to provide school based health center services. During the year ended June 30, 2020, \$2,269,721 of the conditional contribution was recorded as grant revenue upon meeting certain conditions of the grant requirements. The grant provides \$2,279,215 of funds for each of the 2021 and 2022 fiscal years. Since this grant represents a conditional promise to give, the remaining \$4,558,430 will be recorded as grant revenue as grant revenue when the donor conditions are met.

The Agency received a conditional DMHAS grant to provide substance abuse treatment services. During the year ended June 30, 2020, \$97,977 of the conditional contribution was recorded as grant revenue upon meeting certain conditions of the grant requirements. The grant provides for \$115,429 of funds for the year ended June 30, 2021 which will be recorded as grant revenue when the donor conditions are met.

Note 17 - Endowment

The Agency's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the State of Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classifies as net assets with donor restrictions in perpetuity (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions for purpose and time until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standards of prudence prescribed by CTUPMIFA.

In accordance with CTUPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Agency and the fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Agency; and
7. The investment policies of the Agency.

The Agency has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and capital needs supported by its endowment while seeking to maintain the purchasing power of the endowment assets in perpetuity and achieve investment returns sufficient to sustain the level of spending necessary to support ongoing operations. Endowment assets include those assets of donor-restricted funds that the Agency must

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hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the Agency relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Endowment assets are invested in a diversified mix of asset classes, which produces the reasonable expected investment return within a prudent risk framework. The Agency expects its endowment funds, over time, to provide an average long-term rate of return with a range from 5% to 7% annually. Actual returns in any given year may vary from this range.

The Agency has a spending policy which governs the rate at which funds are transferred from the Endowment Fund to the operating and capital budgets. The annual allocation to the operating and capital funds is calculated as a percentage of the endowment market value.

Year-to-year fluctuations caused by changes in the endowment market value are moderated by using a moving average, computed on the last three years of endowment market values. The Agency did not make an allocation to the operating and capital funds during the years ended June 30, 2020 and 2019.

Endowment net asset composition by type of fund is as follows as of June 30, 2020:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 685,353	\$ 685,353
Board-designated endowment funds	4,150,082	-	4,150,082
Total funds	<u>\$ 4,150,082</u>	<u>\$ 685,353</u>	<u>\$ 4,835,435</u>

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ 3,433,985	\$ 671,089	\$ 4,105,074
Investment return			
Investment income, net	16,326	9,918	26,244
Net appreciation	7,434	4,346	11,780
Contributions	692,337	-	692,337
Net assets, end of year	<u>\$ 4,150,082</u>	<u>\$ 685,353</u>	<u>\$ 4,835,435</u>

Endowment net asset composition by type of fund is as follows as of June 30, 2019:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 671,089	\$ 671,089
Board-designated endowment funds	3,433,985	-	3,433,985
Total funds	<u>\$ 3,433,985</u>	<u>\$ 671,089</u>	<u>\$ 4,105,074</u>

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Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ 2,200,248	\$ 621,808	\$ 2,822,056
Investment return			
Investment income, net	17,291	10,752	28,043
Net appreciation	61,961	38,529	100,490
Contributions	1,205,485	-	1,205,485
Amounts appropriated for expenditure or satisfaction of restriction	<u>(51,000)</u>	<u> </u>	<u>(51,000)</u>
Net assets, end of year	<u>\$ 3,433,985</u>	<u>\$ 671,089</u>	<u>\$ 4,105,074</u>

Note 18 - Contingency

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of revenues and other material adverse effects to the Agency's financial position, results of activities, and cash flows. The Agency is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Agency's operations continue for an extended period of time, the Agency may have to seek alternative measures to finance its operations.



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