

**CHILDREN'S AID AND FAMILY SERVICES, INC.**

FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016 AND 2015



**SOBEL & CO. LLC**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

**CHILDREN’S AID AND FAMILY SERVICES, INC.**

DECEMBER 31, 2016 AND 2015

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Children's Aid and Family Services, Inc.  
Paramus, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Children's Aid and Family Services, Inc. ("Organization"), a New Jersey nonprofit organization, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, cash flows, and functional expenses, for the year then ended and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' 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 auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Children's Aid and Family Services, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal and state awards on pages 32 and 33, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey Office of Management and Budget Circular Letter 15-08, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2017, on our consideration of the Organization'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

## ***Report on Summarized, Comparative Information***

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report, dated April 26, 2016. In our opinion, the summarized, comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

  
Certified Public Accountants

Livingston, New Jersey  
May 3, 2017

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,108,731	\$ 874,003
Grants and contracts receivable	1,100,936	1,235,567
Contributions receivable	179,400	328,327
Fees receivable, net	41,900	30,901
Investments	2,912,145	2,713,994
Prepaid expenses and other assets	292,668	358,246
Fixed assets, net	9,351,666	9,172,685
	<b>\$ 14,987,446</b>	<b>\$ 14,713,723</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 410,874	\$ 362,368
Accrued expenses	387,393	334,396
Due to government agencies	134,167	3,642
Deferred income	167,538	252,166
Deferred rent	60,651	27,966
Lease obligation	55,935	70,118
Mortgage payable, net	3,964,115	4,146,543
Notes payable, Ways to Work Family Loan Program	35,154	35,154
Notes payable, Zoe's Place	125,000	125,000
Line of credit	1,827,245	1,354,762
Total Liabilities	7,168,072	6,712,115
OBLIGATIONS UNDER INTEREST-RATE SWAP	90,032	125,303
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS:</b>		
Unrestricted	3,611,457	4,036,036
Temporarily restricted	2,314,662	2,067,792
Permanently restricted	1,803,223	1,772,477
Total Net Assets	7,729,342	7,876,305
	<b>\$ 14,987,446</b>	<b>\$ 14,713,723</b>

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2016**  
**(With Summarized Comparative Totals for the Year Ended December 31, 2015)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Support:					
Private Support:					
Contributions	\$ 2,078,511	\$ 206,922	\$ 30,746	\$ 2,316,179	\$ 2,768,700
Fundraising, net	116,955	431,200	-	548,155	531,184
Total Private Support	<u>2,195,466</u>	<u>638,122</u>	<u>30,746</u>	<u>2,864,334</u>	<u>3,299,884</u>
Government Support:					
Federal and state	14,614,939	-	-	14,614,939	14,779,976
Revenue and Gains:					
Program fees and dues	1,255,197	-	-	1,255,197	1,505,499
Interest and dividend income	19,334	50,974	-	70,308	102,162
Net unrealized gain (loss) on investments	21,652	215,210	-	236,862	(228,794)
Net realized (loss) gain on investments	(9,689)	(25,543)	-	(35,232)	85,016
Gain on disposal of asset	1,500	-	-	1,500	-
Miscellaneous revenue	-	-	-	-	1,159
Total Revenue and Gains	<u>1,287,994</u>	<u>240,641</u>	<u>-</u>	<u>1,528,635</u>	<u>1,465,042</u>
Net assets released from restriction	631,893	(631,893)	-	-	-
Total Support, Revenue and Gains	<u>18,730,292</u>	<u>246,870</u>	<u>30,746</u>	<u>19,007,908</u>	<u>19,544,902</u>
Expenses:					
Program Services:					
Adoption services	471,012	-	-	471,012	1,182,482
Counseling services	1,735,705	-	-	1,735,705	1,705,615
Day care	1,977,936	-	-	1,977,936	2,049,795
Residential treatment	7,139,482	-	-	7,139,482	7,712,628
Services for developmentally disabled	3,193,225	-	-	3,193,225	2,205,106
Community services	119,091	-	-	119,091	153,830
Addiction prevention	1,337,235	-	-	1,337,235	1,282,569
Total Program Services	<u>15,973,686</u>	<u>-</u>	<u>-</u>	<u>15,973,686</u>	<u>16,292,025</u>
Supporting Services:					
Management and general	2,481,685	-	-	2,481,685	2,594,997
Fundraising	734,771	-	-	734,771	688,458
Total Supporting Services	<u>3,216,456</u>	<u>-</u>	<u>-</u>	<u>3,216,456</u>	<u>3,283,455</u>
Total Expenses	<u>19,190,142</u>	<u>-</u>	<u>-</u>	<u>19,190,142</u>	<u>19,575,480</u>
Changes in Net Assets	(459,850)	246,870	30,746	(182,234)	(30,578)
Unrealized gain on interest-rate swap	35,271	-	-	35,271	12,472
Total Changes in Net Assets	(424,579)	246,870	30,746	(146,963)	(18,106)
Net Assets, Beginning of year	<u>4,036,036</u>	<u>2,067,792</u>	<u>1,772,477</u>	<u>7,876,305</u>	<u>7,894,411</u>
Net Assets, End of year	<u>\$ 3,611,457</u>	<u>\$ 2,314,662</u>	<u>\$ 1,803,223</u>	<u>\$ 7,729,342</u>	<u>\$ 7,876,305</u>

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

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**STATEMENTS OF CASH FLOWS**

	<b>Year Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS PROVIDED BY (USED FOR):</b>		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ (146,963)	\$ (18,106)
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Depreciation	551,203	491,459
Bad debt expense	1,788	12,119
Net unrealized (gain) loss on investments	(236,862)	228,794
Net realized loss (gain) on investments	35,232	(85,016)
Net unrealized gain on interest-rate swap	(35,271)	(12,472)
Net realized gain on sale of fixed assets	(1,500)	-
Noncash securities donation	(8,048)	(111,641)
Noncash interest expense (amortization)	12,899	12,899
Changes in operating assets and liabilities:		
Grants and contracts receivable	134,631	(220,530)
Contributions receivable	148,927	(65,327)
Fees receivable	(12,787)	12,799
Prepaid expenses and other assets	65,578	36,996
Accounts payable	48,506	102,098
Accrued expenses	52,997	(121,521)
Due to government agencies	130,525	(136,299)
Deferred rent	32,685	27,966
Deferred income	(84,628)	22,055
Net Cash Provided by Operating Activities	<u>688,912</u>	<u>176,273</u>
<u>INVESTING ACTIVITIES:</u>		
Purchases of fixed assets	(730,184)	(1,293,269)
Proceeds from sale of fixed assets	1,500	-
Proceeds from sale of investments	274,913	850,417
Purchases of investments	(263,386)	(730,035)
Net Cash Used for Investing Activities	<u>(717,157)</u>	<u>(1,172,887)</u>
<u>FINANCING ACTIVITIES:</u>		
Repayment of mortgages payable	(200,662)	(193,460)
Proceeds from mortgages	5,335	1,331,313
Proceeds from lease obligation	-	78,988
Repayment of lease obligation	(14,183)	(8,870)
Borrowings from line of credit	6,060,000	6,728,797
Repayment of line of credit	(5,587,517)	(7,068,956)
Net Cash Provided by Financing Activities	<u>262,973</u>	<u>867,812</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>234,728</b>	<b>(128,802)</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	<u>874,003</u>	<u>1,002,805</u>
End of year	<u>\$ 1,108,731</u>	<u>\$ 874,003</u>

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

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**STATEMENTS OF CASH FLOWS**

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	<b>Year Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>SUPPLEMENTAL DATA:</b>		
Interest paid	<u>\$ 182,023</u>	<u>\$ 173,993</u>
<b>NONCASH INVESTING ACTIVITIES:</b>		
Securities donation	<u>\$ 8,048</u>	<u>\$ 111,641</u>

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2016**

	Program Services								Supporting Services			Total Program and Supporting Services
	Adoption Services	Counseling Services	Day Care	Residential Treatment	Developmentally Disabled	Community Services	Addiction Prevention	Total	Management and General	Fundraising	Total	
Salaries	\$ 237,241	\$ 1,114,391	\$ 1,076,642	\$ 4,156,255	\$ 1,930,461	\$ 60,247	\$ 649,054	\$ 9,224,291	\$ 1,478,292	\$ 393,970	\$ 1,872,262	\$ 11,096,553
Payroll taxes and employee benefits	55,902	249,226	243,219	925,833	430,531	13,378	145,267	2,063,356	353,834	88,766	442,600	2,505,956
Total Salaries and Related Expenses	293,143	1,363,617	1,319,861	5,082,088	2,360,992	73,625	794,321	11,287,647	1,832,126	482,736	2,314,862	13,602,509
Professional fees	4,374	28,307	3,020	162,135	107,913	3,675	29,552	338,976	132,166	1,172	133,338	472,314
Supplies	2,915	19,450	19,445	49,457	21,784	436	13,749	127,236	22,633	18,439	41,072	168,308
Telephone	9,496	30,169	14,213	91,757	56,996	412	14,770	217,813	32,098	10,773	42,871	260,684
Postage and shipping	562	5,312	5,582	4,440	644	-	1,376	17,916	3,080	4,768	7,848	25,764
Occupancy	34,895	154,652	69,525	266,688	122,417	-	112,401	760,578	42,234	17,232	59,466	820,044
Outside printing and promotion	76,709	8,880	20,212	4,220	6,430	-	890	117,341	89,897	13,759	103,656	220,997
Local travel and related expenses	23,082	18,312	1,992	171,510	50,756	1,240	9,698	276,590	4,209	1,754	5,963	282,553
Conferences and conventions	2,618	1,721	2,069	16,609	3,717	-	39,330	66,064	4,965	3,525	8,490	74,554
Specific assistance to/for individuals	11,858	29,877	17,679	659,900	52,467	210	293,482	1,065,473	48,863	63,567	112,430	1,177,903
Repairs	1,090	18,083	68,181	137,075	77,696	-	1,069	303,194	26,557	35,586	62,143	365,337
Insurance	7,207	33,557	29,920	137,368	71,723	1,628	19,063	300,466	4,735	23,725	28,460	328,926
Membership dues	-	-	1,520	6,059	-	-	679	8,258	12,278	16,900	29,178	37,436
Food	1,011	4,943	161,227	183,692	100,957	37,865	3,763	493,458	4,973	6,981	11,954	505,412
Depreciation	1,108	9,933	183,068	161,629	102,828	-	3,092	461,658	83,624	5,921	89,545	551,203
Interest, credit card fees and other	-	277	58,634	4,855	10,611	-	-	74,377	136,285	22,222	158,507	232,884
Miscellaneous	944	8,615	-	-	45,294	-	-	54,853	962	5,711	6,673	61,526
Bad debts	-	-	1,788	-	-	-	-	1,788	-	-	-	1,788
	\$ 471,012	\$ 1,735,705	\$ 1,977,936	\$ 7,139,482	\$ 3,193,225	\$ 119,091	\$ 1,337,235	\$ 15,973,686	\$ 2,481,685	\$ 734,771	\$ 3,216,456	\$ 19,190,142

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

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2015**

	Program Services								Supporting Services			Total Program and Supporting Services
	Adoption Services	Counseling Services	Day Care	Residential Treatment	Developmentally Disabled	Community Services	Addiction Prevention	Total	Management and General Fundraising	Total		
Salaries	\$ 419,592	\$1,098,324	\$1,143,385	\$ 4,172,709	\$ 1,436,060	\$ 77,228	\$ 593,993	\$ 8,941,291	\$ 1,351,079	\$ 392,217	\$1,743,296	\$ 10,684,587
Payroll taxes and employee benefits	99,178	258,288	269,423	984,931	338,622	18,138	139,736	2,108,316	109,188	92,427	201,615	2,309,931
Total Salaries and Related Expenses	518,770	1,356,612	1,412,808	5,157,640	1,774,682	95,366	733,729	11,049,607	1,460,267	484,644	1,944,911	12,994,518
Professional fees	14,611	32,823	200	335,397	62,497	4,518	29,263	479,309	114,063	2,538	116,601	595,910
Supplies	10,191	11,641	14,113	46,633	13,595	123	20,710	117,006	495,453	21,665	517,118	634,124
Telephone	15,143	31,835	13,464	89,249	27,928	92	12,844	190,555	30,625	9,367	39,992	230,547
Postage and shipping	719	3,093	4,643	1,558	145	5	294	10,457	7,701	2,939	10,640	21,097
Occupancy	77,943	131,217	79,639	330,824	75,088	396	125,013	820,120	46,082	18,069	64,151	884,271
Outside printing and promotion	156,538	5,648	13,958	4,419	631	-	16,734	197,928	111,819	23,301	135,120	333,048
Local travel and related expenses	36,842	22,828	1,246	160,914	27,333	1,501	10,501	261,165	3,450	1,178	4,628	265,793
Conferences and conventions	24,220	3,674	1,433	6,259	1,182	174	34,767	71,709	4,747	1,156	5,903	77,612
Specific assistance to/for individuals	303,324	35,337	27,767	914,294	34,710	117	276,841	1,592,390	42,183	27,100	69,283	1,661,673
Repairs	2,249	24,187	68,059	137,231	40,396	239	3,537	275,898	26,971	26,823	53,794	329,692
Insurance	15,747	28,423	22,418	134,353	40,209	3,869	12,849	257,868	2,231	23,033	25,264	283,132
Membership dues	764	368	6	6,600	-	-	309	8,047	14,335	17,061	31,396	39,443
Food	2,749	3,854	158,272	198,556	53,502	47,430	4,618	468,981	3,593	1,933	5,526	474,507
Depreciation	670	8,069	168,025	184,659	34,051	-	560	396,034	94,882	543	95,425	491,459
Interest, credit card fees and other	-	-	63,744	3,892	10,175	-	-	77,811	124,476	21,642	146,118	223,929
Miscellaneous	2,002	6,006	-	150	8,982	-	-	17,140	-	5,466	5,466	22,606
Bad debts	-	-	-	-	-	-	-	-	12,119	-	12,119	12,119
	<u>\$ 1,182,482</u>	<u>\$1,705,615</u>	<u>\$2,049,795</u>	<u>\$ 7,712,628</u>	<u>\$ 2,205,106</u>	<u>\$ 153,830</u>	<u>\$1,282,569</u>	<u>\$16,292,025</u>	<u>\$ 2,594,997</u>	<u>\$ 688,458</u>	<u>\$3,283,455</u>	<u>\$ 19,575,480</u>

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

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 1 - NATURE OF ORGANIZATION:**

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Children's Aid and Family Services, Inc. ("Organization"), a New Jersey nonprofit corporation, was founded in 1899 as a child protection and adoption agency. The Organization is one of northern New Jersey's leading nonprofit providers of human and child service programs.

The Organization's mission is to preserve, protect, and, when needed, provide families. Motivated by compassion for vulnerable children, young adults, frail elderly and their families, the Organization provides high-quality and innovative services that meet their social, educational and emotional needs. It provides a continuum of services to more than three million people living in northern New Jersey, working towards establishing permanent stable relationships for children and assisting individuals of all ages and their families with preventive, therapeutic and counseling programs.

The Organization provides:

Community services - helping children, families and senior citizens develop stronger ties to one another, thereby promoting the well-being of the community;

Early intervention services - providing professional services for children, families and individuals of all ages with assistance, with respect to emotional and/or social adjustment problems;

Permanency services for children - providing care for at-risk children until they are permanently placed with their forever families;

Addiction prevention services - promoting the awareness of alcoholism, drug abuse and other addictive behavior; and

Developmental disabilities services - providing in-home support services and community residences for children and young adults with intellectual and developmental disabilities.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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***Basis of Accounting:***

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.

***Financial Statement Presentation:***

Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Financial Statement Presentation: (Continued)***

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

***Cash and Cash Equivalents:***

Cash consists of funds maintained in bank accounts. Cash equivalents consist of highly liquid money market investments with an original maturity of three months or less.

***Fees Receivable:***

Fees receivable are stated at the amount management expects to collect from outstanding balances. The Organization charges uncollectible fees receivable to operations when determined to be uncollectible based on historical trends. At December 31, 2016 and 2015, the allowance for uncollectible fees receivable was \$2,719 and \$5,777, respectively.

***Fair Value:***

Fair value measurements are defined as the amount 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. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value.

The fair value hierarchy defines the three levels as follows:

**Level 1:** Valuations based on quoted prices (unadjusted) in an active market 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:** Valuations based on 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 by, observable market data.

**Level 3:** Valuations based on unobservable inputs when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Fair Value: (Continued)***

Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities and changes in net assets as increases or decreases in unrestricted net assets unless the use was restricted by explicit donor stipulations or by law.

The fair values of investments are as follows:

Certificates of deposit - Fair value of fixed-maturity certificates of deposit are estimated using rates currently offered for deposits of similar remaining maturities.

Mutual funds - Valued at the net asset value of shares held by the Organization at year-end.

Equity securities - Shares in companies traded on national securities exchanges are valued at the closing price reported in the active market in which the individual securities are traded.

Fixed income - Valued at quoted market prices of valuations provided by commercial pricing services or the mean of bid and ask prices provided by investment brokers.

***Fixed Assets:***

Fixed assets are recorded at cost on the date of acquisition, or at the fair market value of the asset, at the date of the gift, for donated assets. Depreciation of buildings, equipment and leasehold improvements is recorded using the straight-line method based on the estimated useful lives of the assets which range from 5 to 25 years.

When assets are retired, or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Significant additions, renewals, and betterments greater than \$1,000 that extend the useful lives of the assets are capitalized while replacements, maintenance, and repairs which do not improve or extend the life of an asset, are expensed.

***Donated Goods and Services:***

Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. Donated goods and services are recorded as contributions at their estimated fair value at the date of donation.

The amount of donated goods and services for the years ended December 31, 2016 and 2015, was \$405,917 and \$894,211, respectively, and is included in contributions on the statements of activities and changes in net assets.

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Donated Goods and Services: (Continued)***

The Organization also regularly receives services from volunteers who are not acting in a professional capacity; such volunteer services do not meet the criteria for financial statement recognition and are not included in the financial statements.

***Deferred Income:***

The Organization records amounts received from funding sources in advance of performing the required services as deferred income.

***Derivative Financial Instruments:***

The Organization makes limited use of derivative instruments for the purpose of managing interest-rate risks. An interest-rate swap agreement was used to convert the Organization's floating-rate, long-term debt to a fixed rate. Gains and losses realized upon settlement of the agreement are deferred until the underlying hedged instrument is settled and are recognized as unrealized gains/losses in the current year.

***Contributions and Contributions Receivable:***

Contributions are recognized as revenue when contributions are received or unconditionally pledged to the Organization. All contributions are available for unrestricted use unless specifically restricted by the donor. Pledges are recognized when the conditions on which they depend are substantially met. Bequests are recognized when the Organization receives notification that the probate court has declared the will valid. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, dependent on the nature of the restrictions.

Contributions receivable are stated at the amount management expects to collect from outstanding balances. The Organization charges uncollectible contributions receivable to operations when determined to be uncollectible based on historical trends. At December 31, 2016 and 2015, an allowance was not deemed necessary.

***Revenue Recognition:***

Funds received from various state and local agencies represent grants awarded to the Organization to provide program services. Revenue with respect to these awards is recognized to the extent of expenses incurred under the award terms.

The Organization is reimbursed by Medicaid for services provided to consumers, subject to the rules and regulations of the program. Medicaid revenue is recognized when the services have been provided and billed to the Medicaid program.

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Functional Allocation of Expenses:***

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. The Organization's management allocated management and general expenses based upon management's best estimates.

***Income Taxes:***

The Organization is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during the years 2016 and 2015. At December 31, 2016 and 2015, there are no significant income tax uncertainties.

***Recently Issued Accounting Pronouncements:***

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2015-03, *Interest – Imputation of Interest, Subtopic 835-30, Simplifying the Presentation of Debt Issuance Costs*, which simplifies the presentation of debt issuance costs and requires that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability. Amortization is required to be included with interest expense in the statement of activities and changes in net assets. The amendments in ASU No. 2015-03 are effective for financial statements issued for fiscal years beginning after December 15, 2015. The amendment is required to be applied retrospectively. The Organization has elected to adopt ASU No. 2015-03 for the year ended December 31, 2016.

Previously, the Organization reflected unamortized debt issuance costs as deferred financing costs in the statements of financial position, and has retrospectively reclassified 2015 amounts in accordance with the new debt deduction presentation. The reclassifications reduced total assets and debt at December 31, 2015, by approximately \$149,329 with no effect on net assets.

Similarly, interest expense for 2015 has been increased (and amortization expense decreased) by \$12,899 in accordance with the new presentation as interest expense, with no effect on previously reported changes in net assets.

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Use of Estimates:***

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Comparative Financial Information:***

The financial statements include certain prior-year, summarized, comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Children's Aid and Family Services, Inc.'s financial statements for the year ended December 31, 2015, from which the summarized information was derived.

***Reclassifications:***

Certain reclassifications have been made to the 2015 financial statements in order for them to conform to the 2016 financial statement presentation.

***Subsequent Events:***

The Organization has evaluated events subsequent to the statement of financial position date as of December 31, 2016 through May 3, 2017, the date that the financial statements were available to be issued.

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**NOTE 3 - CONCENTRATIONS OF CREDIT RISK:**

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Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments and grants, contracts and counseling fees receivables. The Organization maintains its cash in bank deposit accounts, the balances of which, at times, may exceed federally insured limits. Cash equivalents and investments are maintained with investment firms. Exposure to credit risk is reduced by placing such deposits and investments in high-quality financial institutions. Concentration of credit risk with respect to grants and contracts receivable is limited due to the fact that the receivables are mainly from government agencies. Concentration of credit risk with respect to counseling fees is limited due to the large number of patients.

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 4 - GRANTS AND CONTRACTS RECEIVABLE:**

Grants and contracts receivable are as follows:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
State of New Jersey Department of Children and Families	\$ 248,682	\$ 224,764
State of New Jersey Department of Agriculture, Child Care Food Program	4,043	11,179
State of New Jersey Division of Developmental Disabilities	353,993	526,506
State of New Jersey Division of Family Development	39,894	33,159
County Contributions and Grants	137,923	67,927
Medicaid	279,833	303,097
U.S. Department of Health and Human Services	10,942	41,046
Other	25,626	27,889
Total Grants and Contracts Receivable	<u>\$ 1,100,936</u>	<u>\$ 1,235,567</u>

**NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS:**

Assets and liabilities at fair value:

**FAIR VALUE MEASUREMENTS**  
**AS OF DECEMBER 31, 2016**

	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
Assets at fair value:				
Equity securities	\$ 4,232	\$ -	\$ -	\$ 4,232
Mutual funds	2,249,945	-	-	2,249,945
Fixed income – bonds	-	524,440	-	524,440
Certificates of deposit	-	133,528	-	133,528
Total assets at fair value	<u>2,254,177</u>	<u>657,968</u>	<u>-</u>	<u>2,912,145</u>
Liabilities at fair value:				
Interest-rate swap	-	(90,032)	-	(90,032)
Total Assets and Liabilities at Fair Value	<u>\$ 2,254,177</u>	<u>\$ 567,936</u>	<u>\$ -</u>	<u>\$ 2,822,113</u>

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS: (Continued)**

**FAIR VALUE MEASUREMENTS**  
**AS OF DECEMBER 31, 2015**

	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
Assets at fair value:				
Equity securities	\$ 2,872	\$ -	\$ -	\$ 2,872
Mutual funds	2,063,765	-	-	2,063,765
Fixed income – bonds	-	514,446	-	514,446
Certificates of deposit	-	132,911	-	132,911
Total assets at fair value	2,066,637	647,357	-	2,713,994
Liabilities at fair value:				
Interest-rate swap	-	(125,303)	-	(125,303)
Total Assets and Liabilities at Fair Value	\$ 2,066,637	\$ 522,054	\$ -	\$ 2,588,691

The following summarizes the investment portfolio by strategy, category, or industry as of December 31, 2016:

	<b>Equities</b>	<b>Mutual Funds</b>	<b>Fixed Income</b>
Financial	100%	-	-
Small growth	-	18%	-
Large growth	-	12%	-
Europe stock	-	5%	-
Mid-cap blend	-	15%	-
Large blend	-	40%	-
Foreign large blend	-	7%	-
Diversified emerging markets	-	3%	-
Intermediate-term bond	-	-	32%
Short-term bond	-	-	34%
High-yield bond	-	-	34%
Total	100%	100%	100%

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS: (Continued)**

The following summarizes the investment portfolio by strategy, category, or industry as of December 31, 2015:

	<b>Equities</b>	<b>Mutual Funds</b>	<b>Fixed Income</b>
Financial	100%	-	-
Small growth	-	10%	-
Large growth	-	13%	-
Bank loan	-	6%	-
Europe stock	-	5%	-
Mid-cap blend	-	13%	-
Large blend	-	41%	-
Foreign large blend	-	8%	-
Diversified emerging markets	-	4%	-
Intermediate-term bond	-	-	33%
Short-term bond	-	-	34%
High-yield bond	-	-	33%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The following schedules summarize the investment return and its classification in the statements of activities and changes in net assets as of December 31:

	<b>2016</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Interest and dividend income	\$ 19,334	\$ 50,974	\$ 70,308
Net unrealized gain on investments	21,652	215,210	236,862
Net realized loss on investments	(9,689)	(25,543)	(35,232)
	<b>\$ 31,297</b>	<b>\$ 240,641</b>	<b>\$ 271,938</b>

	<b>2015</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Interest and dividend income	\$ 12,773	\$ 89,389	\$ 102,162
Net unrealized loss on investments	(14,481)	(214,313)	(228,794)
Net realized gain on investments	10,630	74,386	85,016
	<b>\$ 8,922</b>	<b>\$ (50,538)</b>	<b>\$ (41,616)</b>

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 6 - FIXED ASSETS:**

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Fixed assets consist of the following:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Land	\$ 2,533,256	\$ 2,533,256
Buildings and improvements	13,179,469	12,624,458
Furniture and equipment	895,711	862,474
Leasehold improvements	30,829	30,829
Autos	346,718	231,805
Software	170,164	170,164
Total Fixed Assets	17,156,147	16,452,986
Less: Accumulated depreciation	7,804,481	7,280,301
Fixed Assets, Net	<u>\$ 9,351,666</u>	<u>\$ 9,172,685</u>

**NOTE 7 - DUE TO GOVERNMENT AGENCIES:**

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Due to government agencies represents excess contract revenue received over allowable expenses earned as follows:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
New Jersey Division of Developmental Disabilities	\$ 116,392	\$ -
New Jersey Division of Addiction Services	17,775	-
New Jersey Division of Child Protection and Permanency	-	3,642
	<u>\$ 134,167</u>	<u>\$ 3,642</u>

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 8 - DEFERRED INCOME:**

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Deferred income is as follows:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Contributions and Advance Payments for Use in Future Periods:		
Medical services	\$ -	\$ 45,000
Education	20,600	20,327
Child care	18,263	43,583
Retention/Recruitment	-	3,125
The Center for Alcohol and Drug Resources	4,199	26,907
IT development	50,000	50,000
Miscellaneous	74,476	63,224
Total Deferred Income	<u>\$ 167,538</u>	<u>\$ 252,166</u>

**NOTE 9 - LINE OF CREDIT:**

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The Organization has a \$2,500,000 line of credit with a bank with interest at 4%, which expires on August 31, 2017. The interest changed from 5% to 4% effective August 1, 2015. The line is secured by the assets of the Organization. Borrowings outstanding against the line at December 31, 2016 and 2015, amounted to \$1,827,245 and \$1,354,762, respectively.

**NOTE 10 - MORTGAGES PAYABLE:**

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The following is a schedule of mortgages payable:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Mortgage payable to NJEDA reported net of unamortized debt issuance costs of \$82,208 and \$87,878, respectively, at December 31, 2016 and 2015. The mortgage is for 20 years, maturing on August 1, 2031. Monthly payments fluctuate based on the underlying bonds issued by NJEDA. The interest rate at December 31, 2016, is 1.7%. The mortgage is secured by the land and building located at 200 Robin Road, Paramus, New Jersey, with a net book value approximating \$1,817,000.	\$ 1,445,564	\$ 1,515,872

**CHILDREN’S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 10 - MORTGAGES PAYABLE: (Continued)**

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	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
<p>Mortgage payable to NJEDA reported net of unamortized debt issuance costs of \$54,222 and \$61,451, respectively, at December 31, 2016 and 2015. The mortgage is for 13 years, maturing on August 1, 2024. Monthly payments fluctuate based on the underlying bonds issued by NJEDA. The interest rate at December 31, 2016, is 1.7%. The mortgage is secured by the land and building located at 200 Robin Road, Paramus, New Jersey, with a net book value approximating \$1,817,000.</p>	964,937	1,070,602
<p>Mortgage payable to Boiling Springs Savings Bank. The original amount of the mortgage is \$240,000. The mortgage is for 15 years, maturing on December 15, 2029. Commencing on January 1, 2015, consecutive monthly payments of principal and interest in the amount of \$1,867 will be made at a fixed rate of 4.75%. The mortgage is secured by the land and building located at 159 Forest Avenue, Hawthorne, New Jersey, with a net book value approximating \$349,000.</p>	216,965	228,756
<p>Mortgage payable to NJHMFA. The original amount of the mortgage is \$468,881. The mortgage is for 30 years, maturing on April 7, 2045. Payments will be determined based upon 25% of the project’s available cash flow after payment of operating expenses and funding of all escrows. If the project does not show positive cash flow, the payment of principle and interest will be deferred until maturity. The interest rate is 0%. The mortgage is secured by the land and building located at 42 Middletown Road, Montvale, New Jersey, with a net book value approximating \$828,000, as well as all other assets of the Middletown Road Supportive Housing Project.</p>	468,881	468,881

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 10 - MORTGAGES PAYABLE: (Continued)**

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	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Mortgage payable to NJHMFA. The original amount of the mortgage is \$388,833; however, only \$383,497 has been disbursed and received as of December 31, 2016. The mortgage is for 30 years, maturing on April 6, 2045. Payments will be determined based upon 25% of the project's available cash flow after payment of operating expenses and funding of all escrows. If the project does not show positive cash flow, the payment of principle and interest will be deferred until maturity. The interest rate is 0%. The mortgage is secured by the land and building located at 4 Park Avenue, Haskell, New Jersey, with a net book value approximating \$609,000, as well as all other assets of the Park Avenue Supportive Housing Project.	388,833	383,497
Mortgage payable to the state of New Jersey, Department of Human Services, Division of Developmental Disabilities. The original amount of the mortgage is \$250,000. The mortgage is for 20 years, maturing on May 19, 2034. The Organization must maintain this facility as an approved facility for Department clients for a period of 20 years. The mortgage shall be reduced by 5% for each full year credited towards satisfaction of this obligation to the Department. As of December 31, 2016, the home had not been in service for a full year; therefore, the Organization has not begun to amortize this mortgage. The mortgage is secured by the land and building located at 42 Middletown Road, Montvale, New Jersey, with a net book value approximating \$828,000.	250,000	250,000

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 - MORTGAGES PAYABLE: (Continued)**

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Mortgage payable to the state of New Jersey, Department of Human Services, Division of Developmental Disabilities. The original amount of the mortgage is \$228,935. The mortgage is for 20 years, maturing on April 7, 2035. The Organization must maintain this facility as an approved facility for Department clients for a period of 20 years. The mortgage shall be reduced by 5% for each full year credited towards satisfaction of this obligation to the Department. As of December 31, 2016, the home had not been in service for a full year; therefore, the Organization has not begun to amortize this mortgage. The mortgage is secured by the land and building located at 4 Park Avenue, Haskell, New Jersey, with a net book value approximating \$609,000.	228,935	228,935
Mortgages payable, net of unamortized debt issuance costs	<u>\$ 3,964,115</u>	<u>\$ 4,146,543</u>

Amortization of debt issuance costs of \$12,899 for each of the two years ended December 31, 2016 and 2015, is reported in interest, credit card fees and other expenses on the statements of functional expenses.

In addition, the mortgage notes contain certain financial requirements. For 2016 and 2015, the Organization is in compliance.

Future principal payments are as follows:

<b><u>Year Ending</u></b> <b><u>December 31,</u></b>	
2017	\$ 208,717
2018	216,354
2019	225,443
2020	233,918
2021	1,730,588
Thereafter	1,006,590
Forgivable mortgages	478,935
Total mortgages payable	<u>4,100,545</u>
Less: Unamortized debt issuance costs	<u>136,430</u>
Mortgages Payable, Net unamortized debt issuance costs	<u><u>\$ 3,964,115</u></u>

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 11 - DERIVATIVE TRANSACTIONS:**

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The Organization entered into an interest-rate swap agreement to hedge the impact of changes in interest rates on its floating-rate, long-term debt. At December 31, 2016 and 2015, the Organization had an outstanding interest-rate swap agreement with a commercial bank. During December 31, 2016 and 2015, this agreement effectively changed the Organization's interest-rate exposure on its \$2,546,931 and \$2,735,803 floating-rate notes, respectively, due in August 2024 and 2031 to a fixed percentage. The interest-rate swap agreement matures on July 26, 2021. The Organization is exposed to credit losses in the event of nonperformance by the other parties to the interest-rate swap agreement. However, the Organization does not anticipate nonperformance by the counterparties.

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**NOTE 12 - NOTES PAYABLE, WAYS TO WORK LOAN PROGRAM:**

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During 2001, the Organization entered into an agreement with Ways to Work, Inc., to become a member of the Ways to Work Family Loan Program. The Organization entered into agreements with five local banks and received \$135,000 in interest-free loans to make loans to single parents who need to purchase used automobiles for transportation to their place of employment and/or a childcare facility. The funds are required to be placed into separate bank accounts. As of December 31, 2016, the Organization had repaid \$110,000 of these loans.

The Organization also received an additional \$60,000 from Bergen County Community Development to be set aside in separate bank accounts (Loan Loss Reserves) to protect the bank's interest against the risk of potential losses on loan defaults. Under the terms of the agreement, the Organization was required to transfer an amount equal to one-half of the loan amount into the loan reserve account. If any loans fall into default, the bank reserves the right to offset the loan against the funds in the separate account. Upon offset, the bank shall assign the defaulted loan to the Organization including all collateral securing the loan.

The contract with Ways to Work, Inc. expired June 30, 2001. Per the agreement with Bergen County Community Development, any funds not used against the defaulted loans would be refunded by the Organization. As of December 31, 2016, funds of \$10,154 are due on demand and have been included in Notes Payable, Ways to Work, Inc. Family Loan Program.

Notes payable as of December 31, 2016 and 2015, are as follows:

Notes payable to banks	\$ 25,000
Loan reserve	<u>10,154</u>
	<u>\$ 35,154</u>

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 13 - NOTES PAYABLE, ZOE'S PLACE:**

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The Organization has a revolving credit loan payable to the United Way of Bergen County, in the amount of \$125,000. The credit loan renews annually at the discretion of the United Way on or before December 31 of each calendar year. The credit loan bears interest at 3% and accrued and unpaid interest is payable on December 31 of each calendar year. The entire outstanding principal balance of the loan, together with all accrued and unpaid interest, shall be due in full 24 months from the effective date on which the United Way elects not to renew the loan. As of December 31, 2016, the note was not renewed. The Organization will start repaying the loan in 2017.

**NOTE 14 - TEMPORARILY RESTRICTED NET ASSETS:**

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Temporarily restricted net assets are comprised of the following:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Adoption Services:		
For use in future periods to offset expenses		
General Program Expenses	\$ 86,462	\$ 79,734
Day Care:		
For use in future periods to offset expenses		
General Program Expenses	57,489	53,016
Residential Treatment:		
For use in future periods to offset expenses		
General Program Expenses	201,423	157,449
Split-interest agreements for use in future periods		
due to time restrictions	82,343	77,910
Contributions for use in future periods		
due to time restrictions	209,621	263,000
Income on permanently restricted net assets	1,677,324	1,436,683
	<u>\$ 2,314,662</u>	<u>\$ 2,067,792</u>

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 15 - PERMANENTLY RESTRICTED NET ASSETS:**

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Permanently restricted net assets are comprised of the following:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Investment in perpetuity, the income from which is expendable to support designated activities of the Organization	\$ 142,416	\$ 132,170
Investment in perpetuity, the income from which is expendable to support community education programs of family counseling services	14,421	14,421
Investment in perpetuity, the income from which is expendable to support any activities of the Organization	1,264,386	1,243,886
House in perpetuity, the use of which is restricted for use as a Path or residence home	382,000	382,000
	<u>\$ 1,803,223</u>	<u>\$ 1,772,477</u>

The Board of Trustees' interpretation requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted funds absent explicit donor stipulations to the contrary. As a result of this, the Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent funds and the original value of subsequent gifts to the permanent funds. The remaining portion of the donor-restricted funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Organization. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- (1) The duration and preservation of the programs
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 15 - PERMANENTLY RESTRICTED NET ASSETS: (Continued)**

The Board of Trustees' primary objective in this regard, is to add value and minimize risk in managing the assets of the funds while providing a hedge against inflation into the future. It is the intent of the Board of Trustees to grow the funds and utilize the total return (income plus capital change) to further the mission of the Organization. In recognition of the prudence required of fiduciaries, reasonable diversification of quality investment securities will be sought where possible, knowing that fluctuating rates of return are a characteristic of the investment market and performance cycles cannot be accurately predicted. The funds may be held in individual securities or mutual funds; may be comprised of domestic and international securities; and will be further diversified into asset classes by their market capitalization.

It is the policy of the Organization to accumulate earnings and, at the discretion of the Board of Trustees, to spend, on an annual basis, a maximum of the income earned.

Endowment net asset composition by type of fund is as follows at December 31, 2016:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 1,677,324	\$ 1,803,223	\$ 3,480,547

Changes in endowment net assets for the year ended December 31, 2016:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment Net Assets, Beginning of year	\$ -	\$ 1,436,683	\$ 1,772,477	\$ 3,209,160
Investment return:				
Investment income	-	50,974	-	50,974
Net realized and unrealized gain on investments	-	189,667	-	189,667
Total Investment Return	-	240,641	-	240,641
Contributions	-	-	30,746	30,746
Appropriation for expenditure	-	-	-	-
Endowment Net Assets, End of year	\$ -	\$ 1,677,324	\$ 1,803,223	\$ 3,480,547

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 15 - PERMANENTLY RESTRICTED NET ASSETS: (Continued)**

Endowment net asset composition by type of fund is as follows at December 31, 2015:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 1,436,683	\$ 1,772,477	\$ 3,209,160

Changes in endowment net assets for the year ended December 31, 2015:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment Net Assets, Beginning of year	\$ -	\$ 1,487,221	\$ 1,714,387	\$ 3,201,608
Investment return:				
Investment income	-	89,389	-	89,389
Net realized and unrealized loss on investments	-	(139,927)	-	(139,927)
Total Investment Return	-	(50,538)	-	(50,538)
Contributions	-	-	58,090	58,090
Appropriation for expenditure	-	-	-	-
Endowment Net Assets, End of year	\$ -	\$ 1,436,683	\$ 1,772,477	\$ 3,209,160

**NOTE 16 - PENSION PLANS:**

The Organization maintains a noncontributory, defined-contribution plan covering substantially all employees. Contributions made by the Organization to the Plan amounted to \$170,504 and \$138,333 for the years ended December 31, 2016 and 2015, respectively, and are included in payroll taxes and employee benefits on the statements of functional expenses. The Organization formally amended its Plan to change the employer's contribution percentage from 5% to 2% effective March 1, 2015.

The Organization also maintains a tax-deferred annuity plan covering substantially all employees. Employees can contribute any percentage of their salary provided they do not contribute more than the maximum permitted by law. There are no employer contributions to this Plan.

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 17 - COMMITMENTS AND CONTINGENCIES:**

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***Commitments:***

The Organization is obligated under several operating leases covering its offices for its programs and administration that expire at various dates through March 2025. Rent expense for the years ended December 31, 2016 and 2015, amounted to \$395,513 and \$434,127, respectively, and is included in occupancy on the statements of functional expenses.

Minimum annual rentals are as follows:

<b><u>Year Ending December 31,</u></b>	
2017	\$ 229,352
2018	232,608
2019	237,744
2020	242,880
2021	248,004
Thereafter	<u>1,043,376</u>
	<u>\$ 2,233,964</u>

The Organization is obligated under a capital lease agreement for furniture at one of the program offices expiring in April 2020. There is a bargain purchase option of \$1 at the end of the lease term. Original lease obligation was \$78,988 and bears an effective interest rate of 7.67% per year.

Future minimum lease payments under capital lease are as follows:

<b><u>Year Ending December 31,</u></b>	
2017	\$ 19,071
2018	19,071
2019	19,071
2020	<u>6,357</u>
Total minimum lease payments	63,570
Less: Amount representing interest	<u>7,635</u>
Present value of minimum lease payments	<u>\$ 55,935</u>

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 17 - COMMITMENTS AND CONTINGENCIES: (Continued)**

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***Contingencies:***

**Capital Funding Agreements:**

The Organization has entered into several capital funding agreements with the state of New Jersey Department of Children and Families and Department of Human Services for renovations on several of its group homes and day care center for a total of \$1,469,930.

The Organization has agreed to maintain the homes and the day care center as an approved facility for state clients for 20 years from the date of the funding. In the event that the Organization disposes of the property, no longer operates the program, or the state decides to terminate the agreement, the state may require that the Organization pay the state an amount up to the balance remaining on the agreement. The Organization must repay the state 1/20 of the agreement for every year less than 20 years that it operates the group home or day care center.

In addition, the Organization entered into a purchase money mortgage with the state of New Jersey Department of Human Services for the purchase and renovations of the Children's Haven group home in the amount of \$140,000. The Organization has agreed to maintain the home as an approved facility for state clients. In the event that the Organization disposes of the property, no longer operates the program, or the state decides to terminate the agreement, the state may require that the Organization pay the state the entire agreement amount.

The Organization is, therefore, contingently liable to the state in the amount of \$470,504 as of December 31, 2016.

The details of the contingencies are as follows:

<b>Group Home</b>	<b>Capital Funding</b>	<b>Funding Liability</b>
Safe Journey Group Home	\$ 4,680	\$ 3,627
Children's Haven	444,709	172,501
Path II	351,702	84,720
Woodlea	252,462	81,794
Path I	271,358	52,097
Eastlea	285,019	75,765
	<u>\$ 1,609,930</u>	<u>\$ 470,504</u>

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 17 - COMMITMENTS AND CONTINGENCIES: (Continued)**

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***Litigation:***

The Organization is also involved in various claims, including equal opportunity employment issues, and other routine litigation matters in the normal course of operations. In the opinion of management, after consultation with legal counsel, the outcome of such matters is not expected to have a material adverse effect on the Organization's financial position or results of operations.

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**NOTE 18 - SIGNIFICANT SOURCE OF SUPPORT:**

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The Organization received approximately 77% and 76% of its total support for the years ended December 31, 2016 and 2015, respectively, from government agencies. Furthermore, one contract with the state of New Jersey, Department of Children and Families provided approximately 12% of the Organization's total support for the years ended December 31, 2016 and 2015. In addition, another contract with the state of New Jersey, Department of Human Services provided approximately 13% of the Organization's total support for the year ended December 31, 2016.

Approximately 84% and 89% of the Organization's total grants and contracts receivable for the years ended December 31, 2016 and 2015, respectively, is due from the state of New Jersey. Furthermore, receivables due from the state of New Jersey, Medicaid Program is approximately 25% of the Organization's total grants and contracts receivable for the years ended December 31, 2016 and 2015, respectively. In addition, receivables due from the state of New Jersey, Division of Child Protection and Permanency is approximately 23% and 18% of the Organization's total grants and contracts receivable for the years ended December 31, 2016 and 2015, respectively. Lastly, receivables due from the New Jersey Department of Human Services, Division of Developmental Disabilities is approximately 32% and 43% of the Organization's total grants and contracts receivable for the year ended December 31, 2016 and 2015, respectively.

Approximately 100% and 80% of the Organization's total contributions receivable for the years ended December 31, 2016 and 2015, respectively, is due from one foundation.

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**NOTE 19 - FUNDRAISING EVENTS:**

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The Organization uses fundraising events to support its activities. The events include charitable fundraisers and funds raised from auxiliary organizations. Fundraising events are summarized as follows:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Fundraising events, revenue	\$ 737,606	\$ 757,344
Fundraising events, expense	(189,451)	(226,160)
Fundraising events, net	<u>\$ 548,155</u>	<u>\$ 531,184</u>

**NOTE 20 - SPLIT-INTEREST AGREEMENT:**

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A grantor established a charitable remainder trust on December 1, 2000, naming the Organization as the sole beneficiary. Under the split-interest agreement, when the trust is terminated at the grantor's death, the remaining trust asset will be distributed to the Organization. The present value of future benefits expected to be received by the Organization was calculated over the grantor's life expectancy. At December 31, 2016 and 2015, the present value of future benefits was \$82,343 and \$77,910, respectively, and is included in prepaid expenses and other assets on the statements of financial position.

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2016**

<b>Grant or Program Title</b>	<b>Original Contract Period</b>	<b>Federal CFDA Number</b>	<b>Grant Number</b>	<b>Program Award Amount</b>	<b>Current Year Disbursements/Expenditures</b>
<b><u>Federal Programs</u></b>					
<b><u>US Department of Health and Human Services</u></b>					
Health Resources and Services Administration Healthy Tomorrows Partnership for Children Program	3/1/12 - 2/28/17	93.110	H17MC23544	\$ 218,725	\$ 43,745
<b><u>US Department of Health and Human Services</u></b>					
Passed through the New Jersey Department of Human Services / Division of Mental Health and Addiction Services Regional Coalitions to Utilize Environmental Strategies to Achieve Population-level Change	1/1/16 - 12/31/16	93.959	16-754-ADA-0	202,000	196,749
Strategic Prevention Framework Partnerships for Success	10/1/15 - 9/30/16	93.959	16-804-ADA-0	96,288	77,776
Strategic Prevention Framework Partnerships for Success	10/1/16 - 9/30/17	93.959	17-804-ADA-0	96,288	15,667
Drug-free Communities Support	10/1/13 - 9/29/18	93.276	1H79SPO19834-02	625,000	137,500
Illegal Substances	1/1/16 - 12/31/16	93.959	16-754-ADA-0	104,600	102,850
Bergen County Underage Drinking	1/1/16 - 12/31/16	93.959	16-754-ADA-0	137,000	129,387
Passaic County Underage Drinking	1/1/16 - 12/31/16	93.959	16-754-ADA-0	100,000	96,839
Prescription Drug Abuse	1/1/16 - 12/31/16	93.959	16-754-ADA-0	112,000	112,000
Garfield Coalition STOP Act	9/30/16 - 9/29/20	93.243	1H79SP022010-01	188,580	500
Opioid Overdose Recovery Program	12/1/16 - 12/31/16	93.959	16-754-ADA-0	255,750	24,287
<b><u>US Department of Agriculture</u></b>					
Passed through the New Jersey Department of Agriculture Child and Adult Care Food Program	1/1/16 - 12/31/16	10.558	06-03-314	87,137	87,137
<b><u>US Department of Housing and Urban Development</u></b>					
Passed through the New Jersey Department of Human Services Eldercare (Northwest)	7/1/15 - 6/30/16	14.228	PS-CAFSELDNW15	30,000	14,631
	7/1/16 - 6/30/17	14.228	PS-CAFSELDNW16	31,000	13,437
Eldercare (Unidas and Garfield)	7/1/15 - 6/30/16	14.228	CW-CAFSHAC&GAR15	19,623	8,310
	7/1/16 - 6/30/17	14.228	CW-CAFSHAC&GAR16	21,121	12,348
Child Development Center	7/1/15 - 6/30/16	14.228	CW-CHILDAIDCDC15	13,476	-
HVAC Replacement	7/1/15 - 6/30/16	14.228	CW-CAFS-20-15	300,000	286,078
Total Federal Awards				<u>\$ 2,638,588</u>	<u>\$ 1,359,241</u>

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**YEAR ENDED DECEMBER 31, 2016**

<b>Grant or Program Title</b>	<b>Original Contract Period</b>	<b>Grant Number</b>	<b>Program Award Amount</b>	<b>Current Year Disbursements/Expenditures</b>
<b><u>State Programs</u></b>				
<u>New Jersey Department of Children and Families</u>				
Division of Child Protection and Permanency Child Welfare Services	1/1/16 - 12/31/16	16CDBN	\$ 2,167,955	\$ 2,167,955
<u>New Jersey Department of Human Services</u>				
Division of Developmental Disabilities	1/1/16 - 12/31/16	39BK16N	2,449,655	2,333,263
<u>Bergen County Department of Human Services</u>				
Passed through the New Jersey Department of Law and Public Safety Juvenile Justice Commission Second Step Delinquency Prevention	1/1/16 - 12/31/16	CAFS-S16	47,795	47,795
Total State Awards			<u>\$ 4,665,405</u>	<u>\$ 4,549,013</u>

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL**  
**AND STATE AWARDS**  
**YEAR ENDED DECEMBER 31, 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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The accompanying schedules of federal and state awards include the federal and state grant activity of the Organization and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey Office of Management and Budget Circular Letter 15-08. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

**NOTE 2 - SUBRECIPIENTS:**

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During the year ended December 31, 2016, the Organization did not provide any funds relating to their federal and state programs to subrecipients.

**NOTE 3 - INDIRECT COSTS:**

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The Organization did not elect to use the de minimis cost rate when allocating indirect costs to federal and state programs.

**NOTE 4 - LOAN AND LOAN GUARANTEE PROGRAMS:**

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As of December 31, 2016, the Organization did not have any federal or state loan or loan guarantee programs.



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

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To the Board of Trustees  
Children's Aid and Family Services, Inc.  
Paramus, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of Children's Aid and Family Services, Inc. ("Organization"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon, dated May 3, 2017.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Sobel & Co, LLC*  
Certified Public Accountants

Livingston, New Jersey  
May 3, 2017



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NJOMB CIRCULAR LETTER 15-08**

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To the Board of Trustees  
Children's Aid and Family Services, Inc.  
Paramus, New Jersey

### **Report on Compliance for Each Major Federal and State Program**

We have audited Children's Aid and Family Services, Inc.'s ("Organization") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* and the New Jersey Office of Management and Budget ("NJOMB") *Compliance Supplement* that could have a direct and material effect on each of the Organization's major programs for the year ended December 31, 2016. The Organization's major programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and NJOMB Circular Letter 15-08. Those standards and the Uniform Guidance and NJOMB Circular Letter 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal and State Program***

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2016.

### **Report on Internal Control Over Compliance**

Management of Children's Aid and Family Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB Circular Letter 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and NJOMB Circular Letter 15-08. Accordingly, this report is not suitable for any other purpose.

  
Certified Public Accountants

Livingston, New Jersey  
May 3, 2017

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**I. Summary of Auditors' Results**

**Financial Statements**

The auditors' report issued on the basic financial statements of Children's Aid and Family Services, Inc. was an unmodified opinion.

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes        X   No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes        X   No

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes        X   No

**Federal and State Awards**

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ Yes        X   No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes        X   No

The auditors' report issued on compliance for major programs was an unmodified opinion.

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance or NJOMB Circular Letter 15-08? \_\_\_\_\_ Yes        X   No

**CHILDREN'S AID AND FAMILY SERVICES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2016**

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The following federal and state programs were designated as major programs:

<u>CFDA Number</u>	<u>Name of Federal or State Program or Cluster</u>
14.228	<u>Department of Housing and Urban Development:</u> <ul style="list-style-type: none"><li>• Eldercare (Northwest)</li><li>• Eldercare (Unidas and Garfield)</li><li>• Child Development Center</li><li>• HVAC Replacement</li></ul>
16CDBN	<u>New Jersey Department of Children and Families:</u> <ul style="list-style-type: none"><li>• Division of Child Protection and Permanency</li></ul>

Dollar threshold used to distinguish between  
Type A and Type B programs: \$ 750,000

Auditee qualified as a low-risk auditee?  X  Yes   No

**II. Financial Statement Finding**

NONE

**III. Compliance Finding**

NONE

**IV. Follow-up of Prior-year Audit Findings**

NONE