

Family Centers Inc.

Financial Statements

June 30, 2025 and 2024

Family Centers Inc.

Table of Contents
June 30, 2025 and 2024

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8

Independent Auditors' Report

To the Board of Trustees of
Family Centers Inc.

Opinion

We have audited the financial statements of Family Centers Inc. (the Organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2025, 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 (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Organization as of and for the year ended June 30, 2024, were audited by another auditor who expressed an unmodified opinion on those financial statements on February 13, 2025.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

Shelton, Connecticut
March 31, 2026

Family Centers Inc.

Statements of Financial Position

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash and cash equivalents	\$ 260,018	\$ 2,296,561
Investments	13,928,786	8,076,324
Accounts receivable, net of allowance for credit losses	678,500	674,808
Grants receivable	1,470,564	1,554,903
Prepaid expenses and other assets	447,507	349,908
Shared appreciation note	631,000	631,000
Property and equipment, net	10,668,673	6,890,234
Right-of-use assets, operating leases	2,267,034	230,458
Donor restricted investments in perpetuity	2,452,975	2,452,975
	<u>32,805,057</u>	<u>23,157,171</u>
Total assets	<u>\$ 32,805,057</u>	<u>\$ 23,157,171</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,044,406	\$ 1,306,920
Deferred revenue	47,103	30,950
Note payable	-	342
Refundable deposits	105,342	130,636
Refundable advances	49,762	43,132
Operating lease liabilities	2,291,237	235,393
	<u>3,537,850</u>	<u>1,747,373</u>
Total liabilities	3,537,850	1,747,373
Net Assets		
Without donor restriction	20,824,978	13,490,660
With donor restriction	8,442,229	7,919,138
	<u>29,267,207</u>	<u>21,409,798</u>
Total net assets	<u>29,267,207</u>	<u>21,409,798</u>
Total liabilities and net assets	<u>\$ 32,805,057</u>	<u>\$ 23,157,171</u>

See notes to financial statements

Family Centers Inc.

Statements of Activities

Years Ended June 30, 2025 and 2024

	2025			2024		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Operating Revenue, Support and Other Changes						
Government grant income	\$ 13,748,496	\$ -	\$ 13,748,496	\$ 10,456,453	\$ -	\$ 10,456,453
Program fees	9,344,185	-	9,344,185	8,541,754	-	8,541,754
Contributions and nongovernmental grants	5,129,728	1,330,842	6,460,570	3,725,965	756,056	4,482,021
Special events revenue	1,892,941	-	1,892,941	1,352,757	-	1,352,757
Special events direct benefit to donors	(808,646)	-	(808,646)	(208,056)	-	(208,056)
Special events, net	1,084,295	-	1,084,295	1,144,701	-	1,144,701
Other income	121,535	-	121,535	9,991	-	9,991
Net assets released from restriction	1,694,963	(1,694,963)	-	1,446,386	(1,446,386)	-
Total operating revenue, support and other changes	31,123,202	(364,121)	30,759,081	25,325,250	(690,330)	24,634,920
Functional Expenses						
Program services:						
Education and human services	9,986,810	-	9,986,810	10,012,225	-	10,012,225
Health care connections	12,684,928	-	12,684,928	9,269,338	-	9,269,338
Total program services	22,671,738	-	22,671,738	19,281,563	-	19,281,563
Management and general	3,222,234	-	3,222,234	2,400,283	-	2,400,283
Development and fundraising	867,271	-	867,271	752,106	-	752,106
Total functional expenses before depreciation	26,761,243	-	26,761,243	22,433,952	-	22,433,952
Change in net assets from operations before depreciation	4,361,959	(364,121)	3,997,838	2,891,298	(690,330)	2,200,968
Depreciation	645,128	-	645,128	453,401	-	453,401
Change in net assets from operations	3,716,831	(364,121)	3,352,710	2,437,897	(690,330)	1,747,567
Other Changes in Net Assets						
Gain on sale of building	2,985,836	-	2,985,836	-	-	-
Investment return, net	631,651	887,212	1,518,863	668,234	776,833	1,445,067
Change in net assets	7,334,318	523,091	7,857,409	3,106,131	86,503	3,192,634
Net Assets, Beginning	13,490,660	7,919,138	21,409,798	10,384,529	7,832,635	18,217,164
Net Assets, Ending	\$ 20,824,978	\$ 8,442,229	\$ 29,267,207	\$ 13,490,660	\$ 7,919,138	\$ 21,409,798

See notes to financial statements

Family Centers Inc.Statement of Functional Expenses
Year Ended June 30, 2025

	Program Services			Supporting Services		Total
	Education and Human Services	Health Care Connections	Total Program Services	Management and General	Development and Fundraising	
Salaries and benefits	\$ 8,118,660	\$ 8,916,902	\$ 17,035,562	\$ 1,648,295	\$ 767,772	\$ 19,451,629
Contracted client services	95,758	1,135,841	1,231,599	46,265	-	1,277,864
Professional fees	97,759	355,658	453,417	702,047	4,289	1,159,753
Supplies	439,435	307,408	746,843	84,227	2,864	833,934
Occupancy	468,615	180,936	649,551	149,699	24,044	823,294
Hardware and software support	14,728	292,834	307,562	261,384	22,093	591,039
Client assistance	254,686	157,830	412,516	5,000	-	417,516
Telecommunications	113,415	140,757	254,172	44,131	8,314	306,617
Lease expense	21,426	190,270	211,696	74,428	-	286,124
Professional development	133,557	97,302	230,859	14,232	2,057	247,148
Insurance	95,664	117,592	213,256	19,245	8,963	241,464
Public awareness	29,745	45,692	75,437	55,125	17,945	148,507
Dues and memberships	8,835	64,921	73,756	3,087	841	77,684
Client activities	50,675	8,713	59,388	195	-	59,583
Travel	17,456	19,394	36,850	16,736	860	54,446
Finance and other fees	36	25	61	50,964	-	51,025
Equipment expense	13,445	23,926	37,371	12,096	1,131	50,598
Miscellaneous	7,328	6,394	13,722	29,667	2,182	45,571
Postage	3,848	2,412	6,260	5,411	3,916	15,587
Provision for credit losses	1,739	620,121	621,860	-	-	621,860
Total functional expenses before depreciation	9,986,810	12,684,928	22,671,738	3,222,234	867,271	26,761,243
Depreciation	246,462	297,743	544,205	79,520	21,403	645,128
Total functional expenses	<u>\$ 10,233,272</u>	<u>\$ 12,982,671</u>	<u>\$ 23,215,943</u>	<u>\$ 3,301,754</u>	<u>\$ 888,674</u>	<u>\$ 27,406,371</u>

See notes to financial statements

Family Centers Inc.

Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services			Supporting Services		Total
	Education and Human Services	Health Care Connections	Total Program Services	Management and General	Development and Fundraising	
Salaries and benefits	\$ 8,007,237	\$ 7,242,007	\$ 15,249,244	\$ 1,339,069	\$ 579,750	\$ 17,168,063
Contracted client services	269,421	992,236	1,261,657	9,866	-	1,271,523
Professional fees	190,089	66,326	256,415	346,799	15,112	618,326
Supplies	453,370	169,323	622,693	54,823	780	678,296
Occupancy	380,157	84,763	464,920	55,084	20,487	540,491
Hardware and software support	35,473	142,474	177,947	214,823	20,466	413,236
Client assistance	199,222	93,924	293,146	4,500	-	297,646
Telecommunications	109,579	102,096	211,675	34,859	7,235	253,769
Lease expense	8,615	-	8,615	57,285	-	65,900
Professional development	113,090	32,421	145,511	41,429	2,949	189,889
Insurance	95,915	94,669	190,584	15,315	6,697	212,596
Public awareness	42,806	30,992	73,798	57,034	15,616	146,448
Dues and memberships	9,325	33,538	42,863	22,843	549	66,255
Client activities	45,841	9,301	55,142	-	-	55,142
Travel	21,585	22,498	44,083	15,181	103	59,367
Finance and other fees	-	25	25	60,307	25	60,357
Equipment expense	24,358	29,549	53,907	3,563	4,365	61,835
Miscellaneous	4,712	6,201	10,913	57,735	1,048	69,696
Postage	-	168	168	9,768	1,286	11,222
Provision for credit losses	1,430	116,827	118,257	-	-	118,257
Special events	-	-	-	-	75,638	75,638
Total functional expenses before depreciation	10,012,225	9,269,338	19,281,563	2,400,283	752,106	22,433,952
Depreciation	203,397	188,305	391,702	47,957	13,742	453,401
Total functional expenses	<u>\$ 10,215,622</u>	<u>\$ 9,457,643</u>	<u>\$ 19,673,265</u>	<u>\$ 2,448,240</u>	<u>\$ 765,848</u>	<u>\$ 22,887,353</u>

See notes to financial statements

Family Centers Inc.

Statements of Cash Flows

Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 7,857,409	\$ 3,192,634
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Gain on sale of building	(2,985,836)	-
Depreciation	645,128	453,401
Provision for credit losses	621,860	118,257
Non cash operating lease expense	165,239	52,797
Realized and unrealized investment gains, net	(1,133,539)	(1,475,668)
Contributions restricted for capital projects	(2,349,994)	(2,124,949)
Contributions restricted for long-term investment	(462,000)	-
Changes in assets and liabilities:		
Accounts receivable	(625,552)	378,914
Grants receivable	84,339	(927,850)
Other receivable	-	18,102
Prepaid expenses and other assets	(97,599)	176,737
Accounts payable and accrued expenses	(262,514)	412,502
Deferred revenue	16,153	(5,839)
Refundable deposits	(25,294)	(3,329)
Refundable advances	6,630	(1,091,111)
Operating lease liabilities	(145,971)	(47,862)
Total adjustments	(6,548,950)	(4,065,898)
Net cash provided by (used in) operating activities	1,308,459	(873,264)
Cash Flows From Investing Activities		
Proceeds from sale of building	2,985,836	-
Purchases of property and equipment	(4,423,567)	(2,924,475)
Proceeds from sales of investments	3,436,384	3,421,224
Purchases of investments	(8,155,307)	(682,779)
Net cash used in investing activities	(6,156,654)	(186,030)
Cash Flows From Financing Activities		
Proceeds from contributions restricted for capital projects	2,349,994	2,124,949
Proceeds from contributions restricted for long-term investment	462,000	-
Principal payments on note payable	(342)	(6,392)
Net cash provided by financing activities	2,811,652	2,118,557
Net change in cash and cash equivalents	(2,036,543)	1,059,263
Cash and Cash Equivalents, Beginning	2,296,561	1,237,298
Cash and Cash Equivalents, Ending	<u>\$ 260,018</u>	<u>\$ 2,296,561</u>
Supplemental Cash Flow Information		
Right-of-use asset acquired under operating lease	<u>\$ 2,201,895</u>	<u>\$ 283,255</u>

See notes to financial statements

Family Centers Inc.

Notes to Financial Statements

June 30, 2025 and 2024

1. Nature of Operations

Family Centers Inc. (FCI), originally founded in 1891, is a not-for-profit corporation which offers quality health, education and human service programs serving over 20,000 lower Fairfield County residents annually. FCI's programs include preschool and early care programs for young children; bereavement and family counseling services; primary medical, dental and mental health services; vocational and self-sufficiency support; English language and basic literacy education; and more. FCI has a long history of innovation and collaboration with other agencies in furtherance of its mission to empower children, adults, families and communities to reach their potential. Additionally, FCI has grown through mergers with other not-for-profit agencies, such as Family & Children's Services, Center for HOPE, Healthcare Connection and Literacy Volunteers of Stamford/Greenwich.

FCI is a not-for-profit organization incorporated under the Nonstock Corporation Act of the State of Connecticut, and as a 501(c)(3) organization is exempt from federal income tax under Section 501(a) of the Internal Revenue Code. FCI is also exempt from state income tax.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements of FCI have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, the accounts of FCI are reported in the following net asset categories:

Net Assets Without Donor Restriction - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of FCI's Board of Trustees (Board).

Net Assets With Donor Restriction - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of FCI or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and 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. Accordingly, actual results could differ from those estimates. It is management's opinion that the estimates applied in the accompanying financial statements are reasonable.

Cash and Cash Equivalents

FCI considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, except for those short-term investments managed by FCI's investment managers as part of their long-term investment strategies.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is 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. Changes in fair value are reported as investment return, net of fees in the statements of activities. See Note 4 for a discussion of fair value measurements.

Family Centers Inc.

Notes to Financial Statements

June 30, 2025 and 2024

Purchases and sales of securities are reflected on the trade date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date. These amounts are reported in the statements of activities as increases or decreases in net assets without donor restriction or net assets with donor restriction, as appropriate, based on any donor stipulations or law.

Property and Equipment

FCI capitalizes all expenditures for acquisition of and improvement on land, buildings and equipment in excess of \$5,000 at cost; the fair value of donated property is similarly capitalized. Property and equipment are depreciated over their estimated useful lives of 3 to 45 years on the straight-line method. Repairs and maintenance are charged to expense as incurred.

Revenue Recognition

Contributions

FCI recognizes contributions when cash, securities, unconditional promises to give, other assets, or a notification of a beneficial interest are received. Conditional promises to give, that is, those with measurable performance or other barriers and right of return, are not recognized until the conditions on which they depend have been met.

Contributions received are recorded as net assets without donor restriction or net assets with donor restriction, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restriction if the restriction expires or the restricted purpose is satisfied in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restriction, depending on the nature of the restriction. When a restriction expires or the restricted purpose is satisfied, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restriction.

Contributions receivable that are expected to be received within one year of the financial statement date are reflected at their net realizable value (the gross amount of the contributions receivable, net of an allowance for uncollectable accounts). Contributions receivable that are expected to be collected more than one year after the financial statement date are reflected at the present value of their estimated future cash flows using a discount rate at the date the promise to give is received commensurate with the risks involved.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable consists of program service fees charged to clients and insurance payors for patient sessions, infant day care, childcare services, contracted services and employee assistance services. Accounts receivable are recorded at the amount FCI expects to collect. FCI recognizes an expected allowance for credit losses for accounts receivable, when applicable, which is updated to reflect any changes in credit risk since the accounts receivable were initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist within the accounts receivable. If applicable, accounts receivable may also be evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectible.

Family Centers Inc.

Notes to Financial Statements
June 30, 2025 and 2024

The allowance for credit losses for accounts receivable is derived from a review of FCI's historical losses based on management's evaluation of past loss experience, known and inherent risks in their accounts. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by FCI. FCI believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses for accounts receivable as the overall customer base has remained constant. The allowance for credit losses was \$620,121 and \$135,886 as of June 30, 2025 and 2024, respectively.

The provision for credit losses was \$621,860 and \$118,257 for the years ended June 30, 2025 and 2024, respectively. Accounts receivables, net, as of June 30, 2023 was \$1,171,979.

Donated Services and Noncash Contributions

Goods or services have been provided by various organizations and a number of unpaid volunteers have contributed their time. Donated goods and services are recognized as contributions if the goods or services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. FCI recognizes in-kind contribution revenue and a corresponding expense in an amount approximating estimated fair market value at the time of the donation. Donated goods or services that do not meet the above criteria are not recognized.

Program Fees

FCI enters into contracts to provide various services including preschool and early care programs as well as healthcare and dental services. FCI recognizes preschool and early care program revenue, over time. The payment terms and conditions in the contracts require payment to be received when billed. When the timing of FCI's delivery of services is different from the timing of the payments made by customers, FCI recognizes a contract liability (payment precedes performance) until the performance obligations are satisfied.

Contracts with payment in arrears are recognized as accounts receivable. The balance in refundable deposits was \$133,965 as of June 30, 2023.

FCI recognizes service and event fees, at a point in time, when they have satisfied their performance obligations, which is when the service or event takes place. Amounts received prior to the performance of the programs or events are reported as deferred revenue in the statements of financial position. The balance in deferred revenue was \$36,789 as of June 30, 2023.

Government Grant Income

FCI recognizes revenue from cost-reimbursable state and federal grants, which are conditioned upon certain performance requirements and/or the incurrence of certain allowable qualifying expenses, when FCI has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

As of June 30, 2025 and 2024 FCI had remaining uncollected award balances on federal, state and other programs of approximately \$3,338,273 and \$4,860,235, respectively. These award balances are not recognized as assets and will be recognized as revenue as the grants progress and conditions are met, generally as expenses are incurred.

Family Centers Inc.

Notes to Financial Statements
June 30, 2025 and 2024

Leases

FCI is a lessee under operating leases for medical office space and certain equipment. Leases for other equipment are evaluated to determine whether they will be classified as operating or finance leases. FCI determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. FCI determines if an arrangement conveys the right to use an identified asset and whether FCI obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. FCI recognizes a lease liability and right-of-use (ROU) asset at the commencement date of leases.

ROU Assets

An ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs.

Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease cost for lease payments is recognized on a straight-line basis over the lease term as lease expense.

Lease Liabilities

A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate in effect at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, FCI uses a risk-free discount rate based on U.S. Treasury instruments for a comparable lease term based on the information available at the commencement date for each lease. FCI used the secured overnight financing rate (SOFR) for its operating leases.

Short-term Leases

FCI has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than one month at lease commencement, and do not include an option to purchase the underlying asset that FCI is reasonably certain to exercise. FCI recognizes lease cost associated with their short-term leases on a straight-line basis over the lease term.

Functional Allocation of Expenses

The cost of providing the various program and supporting services has been reported on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefitted. Such allocations have been determined by management on an equitable basis. Allocation of overhead expenses including occupancy, telecommunications and depreciation are allocated to functional areas based upon square footage. The allocations of insurance, salary and related expenses for management and supervision of program service functions are made by management based on the time spent by employees on the various program service functions.

Family Centers Inc.

Notes to Financial Statements

June 30, 2025 and 2024

Subsequent Events

Management has evaluated all transactions and events that occurred through March 31, 2026, the date these financial statements were available to be issued, for recognition and/or disclosure in these financial statements. Through that date there were no material events that would require recognition or additional disclosure in the financial statements.

3. Concentrations of Credit Risk

Cash and Cash Equivalents

FCI places its cash deposits with high credit-quality institutions. Such deposits exceeded federal depository insurance limits at times during the year. However, management believes that FCI's deposits are not subject to significant credit risk.

Investments

FCI's investments are comprised of various funds investing in equities, bonds and money market funds and alternative investments consisting of a multi-asset fund. These funds are not protected by federal depository insurance. The value of the investments is subject to fluctuations due to general market conditions and interest rates.

The investment accounts are insured by the Securities Investor Protection Corporation up to \$500,000. At times during the year, the investment accounts have exceeded the insured limits. FCI believes it is not exposed to any significant credit risk on investments.

4. Fair Value of Financial Instruments

U.S. GAAP established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that FCI has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- quoted prices for identical or similar assets and liabilities in inactive markets;
- inputs other than quoted prices that are observable for the assets and liabilities;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Family Centers Inc.

Notes to Financial Statements
June 30, 2025 and 2024

Financial Instruments Measured at Fair Value

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

Exchange Traded Funds and Mutual Funds

Exchange traded funds and mutual funds are valued at the quoted net asset value (NAV) of shares reported in the active market in which the funds are traded.

Multi Asset Fund

Interests in these items are valued by external investment managers taking into consideration the fair value of the underlying assets and liabilities, current distribution rates and discounts for redemption and liquidity restrictions. Because investments in these items are not readily marketable, their estimated fair value is subject to uncertainty and may differ significantly from the value that would have been used had a market for such investments existed.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investments are measured at fair value on the basis of NAV. The fair value of these investments is not included in the fair value hierarchy.

The following tables set forth by level, within the fair value hierarchy, FCI's assets at fair value as of June 30, 2025 and 2024:

Description	2025	Investments Measured at Net Asset Value (a)	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
Exchange traded funds	\$ 2,655,691	\$ -	\$ 2,655,691	\$ -	\$ -
Mutual funds	6,724,493	-	6,724,493	-	-
Multi asset fund	6,988,365	6,988,365	-	-	-
Total assets at fair value	16,368,549	6,988,365	9,380,184	-	-
Cash equivalents	13,212	-	-	-	-
Total investments	<u>\$ 16,381,761</u>	<u>\$ 6,988,365</u>	<u>\$ 9,380,184</u>	<u>\$ -</u>	<u>\$ -</u>

Family Centers Inc.

Notes to Financial Statements
June 30, 2025 and 2024

Description	2024	Investments Measured at Net Asset Value (a)	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
Exchange traded funds	\$ 2,188,938	\$ -	\$ 2,188,938	\$ -	\$ -
Mutual funds	1,462,458	-	1,462,458	-	-
Multi asset fund	6,648,826	6,648,826	-	-	-
Total assets at fair value	10,300,222	6,648,826	3,651,396	-	-
Cash equivalents	229,077	-	-	-	-
Total investments	<u>\$ 10,529,299</u>	<u>\$ 6,648,826</u>	<u>\$ 3,651,396</u>	<u>\$ -</u>	<u>\$ -</u>

- a) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Funds may be redeemed on a daily basis at the NAV per share without a fee.

As of June 30, 2025 and 2024, there were no unfunded commitments for investments valued at NAV per share.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while FCI 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. There have been no changes in the methodologies used at June 30, 2025 and 2024.

5. Shared Appreciation Note

FCI entered into a shared appreciation note in the amount of \$500,000 with funds from its endowment. The note is secured by a mortgage on a residence in Greenwich, Connecticut, which was purchased by a key senior-level employee. In approving this real estate-related investment, the Board also considered the additional benefits of retaining this key employee and having a senior-level executive living in the community, where FCI has several buildings out of which many of its programs operate, so he would be available to handle emergency situations during off hours.

In lieu of interest the loan principal, plus 50% of the appreciated value of the residence over its purchase price, is payable upon the earlier of a sale of the residence, the termination of the executive's employment for any reason or the executive's ceasing to occupy the premises as his principal residence. As of June 30, 2025 and 2024 the estimated fair market value of the home exceeded the purchase price by approximately \$262,000.

Family Centers Inc.

Notes to Financial Statements

June 30, 2025 and 2024

6. Unemployment Services Trust

FCI is self-insured for unemployment claims through Unemployment Services Trust (UST). Contributions to UST are accumulated and used to pay future claims. FCI could be required to make additional payments if claims exceed the accumulated contributions. As of June 30, 2025 and 2024, accumulated contributions of \$110,261 and \$134,516, respectively, were included in other assets on the statements of financial position, and there was an estimated claim liability of \$0 and \$6,825, respectively, included in accounts payable and accrued expenses on the statements of financial position.

Per the contract with UST, FCI has the ability to withdraw funds if accumulated contributions exceed the estimated liability.

7. Property and Equipment

Property and equipment consists of the following as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Land	\$ 2,181,469	\$ 1,503,939
Buildings and improvements	9,402,875	7,275,708
Equipment, furniture, fixtures and vehicles	2,221,378	1,521,666
Software	2,174,853	2,174,853
Construction in progress	1,204,845	359,113
	<u>17,185,420</u>	<u>12,835,279</u>
Less accumulated depreciation	<u>6,516,747</u>	<u>5,945,045</u>
Property and equipment, net	<u>\$ 10,668,673</u>	<u>\$ 6,890,234</u>

During the year ended June 30, 2025, FCI sold a fully depreciated building to an unrelated third party for \$2,985,836.

8. Line of Credit

On February 28, 2024, FCI opened a \$1,000,000 revolving line of credit (LOC) with Connecticut Community Bank (GBT), secured by substantially all assets, with an interest rate of 8.5%. The LOC requires interest payments on any outstanding advances and includes a minimum debt service coverage ratio. There were no advances outstanding on the LOC at June 30, 2025 and 2024.

Family Centers Inc.

Notes to Financial Statements

June 30, 2025 and 2024

9. Liquidity and Availability of Resources

FCI's financial assets available within one year of the statements of financial position dates for general expenditures are as follows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 260,018	\$ 2,296,561
Investments	13,928,786	8,076,324
Accounts receivable, net	678,500	674,808
Grants receivable	<u>1,470,564</u>	<u>1,554,903</u>
Total financial assets available within one year	16,337,868	12,602,596
Less amounts unavailable for general expenditures within one year, due to:		
Term endowment funds with purpose restriction	(2,266,754)	(1,723,800)
Other funds restricted by donors with purpose restriction	(583,334)	(1,257,696)
Amounts unavailable without Board approval:		
Accumulated earnings on assets held in perpetuity	(3,139,166)	(2,484,667)
Board-designated endowment	(5,968,834)	(4,494,941)
Less endowment draw approved by Board for appropriation	<u>445,000</u>	<u>451,970</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 4,824,780</u>	<u>\$ 3,093,462</u>

Liquidity Management

FCI regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also seeking to maximize the investment of its available funds. FCI maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

FCI has various sources of liquidity at its disposal, including cash and cash equivalents and investments and the LOC.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, FCI considers all expenditures related to its ongoing operating activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, FCI operates with a cash flow budget and anticipates collecting sufficient revenue to cover general expenditures over the next 12 months.

Furthermore, although FCI does not intend to spend from its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget appropriation, amounts from its board-designated endowment could be made available if necessary.

FCI considers its financial resources and liquidity to be adequate to meet the needs of its operations.

Family Centers Inc.

Notes to Financial Statements
June 30, 2025 and 2024

10. Net Assets

The following is the composition of FCI's net assets with donor restriction at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Perpetually restricted:		
General endowment	\$ 2,230,335	\$ 2,230,335
Earnings subject to expenditure for specific purpose:		
Children's bereavement camp	60,000	60,000
Head start program	62,640	62,640
Warburg Child Development Center	100,000	100,000
Restricted in perpetuity	2,452,975	2,452,975
Accumulated gains subject to endowment spending policy and appropriation:		
Use is unrestricted	3,058,861	2,441,211
Restricted for purpose	81,302	51,630
Underwater funds	(997)	(8,174)
Term endowment funds:		
Scholarships	948,220	701,520
Professional development	1,174,674	895,402
Self-sufficiency	143,860	126,878
Total perpetually and temporarily restricted endowment funds	7,858,895	6,661,442
Other net assets with donor restriction:		
Restricted for purpose	583,334	1,257,696
Total net assets with donor restrictions	<u>\$ 8,442,229</u>	<u>\$ 7,919,138</u>

The following is the composition of FCI's net assets without donor restriction at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Undesignated	\$ 14,214,213	\$ 8,421,504
Board-designated endowment	5,968,834	4,494,941
Special event proceeds designated for the following year	641,931	574,215
Total	<u>\$ 20,824,978</u>	<u>\$ 13,490,660</u>

Net assets with donor restriction were released from restriction by incurring expenses satisfying the following purpose or time restrictions for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Appropriation of endowment assets for expenditure	\$ 151,759	\$ 457,161
Other net assets with donor restriction:		
Use restricted, programs	1,543,204	989,225
Total net assets released from restriction	<u>\$ 1,694,963</u>	<u>\$ 1,446,386</u>

Family Centers Inc.

Notes to Financial Statements
June 30, 2025 and 2024

11. Endowment

FCI's endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) 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, FCI classifies as net assets with donor restriction (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 in permanent endowment is classified as net assets with donor restriction until those amounts are appropriated for expenditure by FCI in a manner consistent with the standard of prudence prescribed by CTPMIFA.

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

- The duration and preservation of the fund
- The purposes of FCI and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of FCI
- The investment policies of FCI

Endowment net asset composition by type of fund as of June 30, 2025 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 5,968,834	\$ -	\$ 5,968,834
Donor-restricted endowment funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by donor	-	2,452,975	2,452,975
Accumulated investment gains	-	3,139,166	3,139,166
Term endowment funds	-	2,266,754	2,266,754
Total	\$ 5,968,834	\$ 7,858,895	\$ 13,827,729

Family Centers Inc.

Notes to Financial Statements
June 30, 2025 and 2024

Endowment net asset composition by type of fund as of June 30, 2024 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 4,494,941	\$ -	\$ 4,494,941
Donor-restricted endowment funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by donor	-	2,452,975	2,452,975
Accumulated investment gains	-	2,484,667	2,484,667
Term endowment funds	-	1,723,800	1,723,800
Total	<u>\$ 4,494,941</u>	<u>\$ 6,661,442</u>	<u>\$ 11,156,383</u>

Changes in endowment net assets for the year ended June 30, 2025 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, July 1, 2024	\$ 4,494,941	\$ 6,661,442	\$ 11,156,383
Contributions	1,145,165	462,000	1,607,165
Investment return, net	500,495	887,212	1,387,707
Appropriation of endowment assets for expenditure	<u>(171,767)</u>	<u>(151,759)</u>	<u>(323,526)</u>
Endowment net assets, July 1, 2025	<u>\$ 5,968,834</u>	<u>\$ 7,858,895</u>	<u>\$ 13,827,729</u>

Changes in endowment net assets for the year ended June 30, 2024 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, July 1, 2023	\$ 4,441,141	\$ 6,329,770	\$ 10,770,911
Contributions	-	12,000	12,000
Investment return, net	503,800	776,833	1,280,633
Appropriation of endowment assets for expenditure	<u>(450,000)</u>	<u>(457,161)</u>	<u>(907,161)</u>
Endowment net assets, July 1, 2024	<u>\$ 4,494,941</u>	<u>\$ 6,661,442</u>	<u>\$ 11,156,383</u>

Family Centers Inc.

Notes to Financial Statements
June 30, 2025 and 2024

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CTPMIFA requires FCI to retain as a fund of perpetual duration. FCI has a policy that permits spending from underwater endowment funds, depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. As of June 30, 2025, the total of value of original gifts is \$60,000, and the fair value of investments associated with underwater funds is \$59,003, resulting in a deficiency of \$997. As of June 30, 2024, the total of value of original gifts is \$60,000, and the fair value of investments associated with underwater funds is \$51,826, resulting in a deficiency of \$8,174.

Return Objectives and Risk Parameters

FCI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, endowment assets are invested in a manner that is intended to produce an average total return of 5% while assuming an appropriate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, FCI 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). FCI targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

FCI has a policy of appropriating for distribution each year, based on FCI's cash flow requirements, no more than 5% of the value of the endowment, as measured by a rolling average of the quarter-end market values of the trailing 12 quarters, without specific Board approval. In establishing this policy, FCI considered the long-term expected return on its endowment and expected rate of inflation.

12. Revenues From Contracts With Customers

For the years ended June 30, 2025 and 2024, FCI's revenues recognized over time were \$2,061,418 and \$1,798,084, respectively.

For the years ended June 30, 2025 and 2024, FCI's revenues recognized at a point in time were \$7,282,767 and \$6,743,670, respectively.

FCI's revenues, results of activities and cash flows are affected by a wide variety of factors, including general economic conditions and geographical region of the population that they serve.

Family Centers Inc.

Notes to Financial Statements
June 30, 2025 and 2024

13. Lease Commitments

In September 2023, FCI entered into a noncancellable operating lease for equipment which expires in July 2028. The monthly lease cost is \$5,962, with no renewal option or variable lease payments associated with the lease.

Total operating lease costs of approximately \$69,000 and \$57,000 are included in lease expense in the statements of functional expenses for the years ended June 30, 2025 and 2024, respectively.

In February 2025, FCI entered into a noncancellable operating lease for medical office space which expires in July 2030. The monthly lease cost is \$34,347 increasing to \$39,817, plus a pro rata share of the landlord's operating expenses. These variable lease expenses are not included in the lease payments used to determine lease liabilities and are recognized as variable costs when incurred. The lease contains one 5-year renewal option at a fair market rental rate to be determined at the time the lease is renewed.

Total operating lease costs of approximately \$204,000 and \$57,000 are included in lease expense and equipment expense in the statements of functional expenses for the years ended June 30, 2025 and 2024, respectively.

The weighted-average remaining lease term for the operating leases was approximately 5.0 and 4.2 years at June 30, 2025 and 2024, respectively. The weighted-average discount rates for the operating leases was approximately 4.36% and 5.31% at June 30, 2025 and 2024, respectively. Cash paid for amounts included in the measurement of the lease liabilities was \$241,826 and \$52,350 for the years ended June 30, 2025 and 2024, respectively.

Future minimum payments under the operating leases are as follows at June 30, 2025:

Years ending December 31:	
2026	\$ 494,018
2027	506,689
2028	517,943
2029	475,244
2030	477,675
Thereafter	<u>79,636</u>
Net minimum lease payments	2,551,205
Less amount representing interest	<u>259,969</u>
Present value of operating lease liabilities	<u>\$ 2,291,237</u>

FCI leases other office equipment under short-term operating leases which expired at various times through September 2025, with monthly payments ranging from \$78 to \$6,169. Short-term lease expense of approximately \$4,800 and \$18,500 is included in the statements of functional expenses for the years ended June 30, 2025 and 2024, respectively.

14. Retirement Plan

FCI maintains a 403(b) thrift plan covering all eligible employees. Under the terms of the plan, FCI contributes 4% of an employee's wages plus an amount equal to the employee contribution up to 2% of compensation during the plan year. FCI's contributions to the plan for the years ended June 30, 2025 and 2024 was \$579,328 and \$550,780, respectively.

Family Centers Inc.

Notes to Financial Statements
June 30, 2025 and 2024

15. Risks and Contingencies

Federal and State Grants

FCI participates in federal and state grant programs. The use of grants in programs is subject to future review by the grantors. Such reviews may result in FCI having liabilities to the grantors. In addition, a significant reduction in the level of this support may have an effect on FCI's programs. Management does not anticipate there would be any changes as a result of an audit.

16. Small Business Administration - Employee Retention Credit

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The CARES Act created a new program administered by the Small Business Administration called the Employee Retention Credit (ERC) which is a fully refundable credit against the employer portion of certain payroll taxes for qualifying wages. FCI has concluded that the ERC represents, in substance, a cost-reimbursable federal grant which is conditioned upon certain performance requirements and/or the incurrence of certain allowable qualifying wages and has accounted for the grant revenue in accordance with Financial Accounting Standards Board Accounting Standards Codification 958-605: *Not-for-Profit Entities - Revenue Recognition (ASC 958-605)*. Under ASC 958-605, FCI can recognize revenue for the ERC as long as they have incurred qualifying wages and are reasonably assured of collection. Under the ERC program, FCI can claim a credit for qualifying wages for the period March 12, 2020 through December 31, 2021. During the year ended June 30, 2025, FCI collected and recognized, within government grant income within the statement of activities, employee retention credit income of \$2,258,844 related to the ERC.