NORTHEAST PARENT AND CHILD SOCIETY, INC.

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

Bonadio & Co., LLP
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

October 25, 2018

To the Board of Directors of
Northeast Parent and Child Society, Inc.:

We have audited the accompanying financial statements of Northeast Parent and Child Society, Inc. (a New York not-for-profit corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Parent and Child Society, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Prior Period Financial Statements
The financial statements of Northeast Parent and Child Society, Inc. as of June 30, 2017, were audited by other auditors whose report dated October 31, 2017, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplemental Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in Schedule I is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Bonadio & Co., LLP

NORTHEAST PARENT AND CHILD SOCIETY, INC.

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

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash	$ 123,282	$ 536,026
Accounts receivable, net	8,152,591	4,655,244
Due from affiliates	145,075	111,199
Investments	2,658,844	2,586,396
Prepaid expenses and inventory	56,731	55,984
Total current assets	11,136,523	7,944,849
INVESTMENTS, restricted	587,018	572,432
PROPERTY AND EQUIPMENT	15,082,433	15,636,644
OTHER ASSETS:		
Deposits	16,033	16,033
Beneficial interest in trusts	1,668,111	1,613,124
Total other assets	1,684,144	1,629,157
TOTAL ASSETS	$ 28,490,118	$ 25,783,082
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Line of credit	$ 455,256	$ 343,301
Accounts payable	474,576	442,647
Due to affiliates	39,371	190,585
Accrued salaries and expenses	1,900,805	1,905,019
Due to third party	586,496	-
Refundable advances	214,822	227,722
Capital lease obligations, current portion	480,682	16,439
Notes payable, current portion	-	7,945
Mortgages payable, current portion	64,684	81,359
Bonds payable, current portion	265,497	265,497
Total current liabilities	4,482,189	3,480,514
LONG-TERM LIABILITIES:		
Capital lease, net of current portion	3,323,738	-
Notes payable, net of current portion	1,500,000	1,500,000
Mortgages payable, net of current portion	803,852	2,474,202
Bonds payable, net of current portion	8,979,554	9,233,169
Total long-term liabilities	14,607,144	13,207,371
TOTAL LIABILITIES	19,089,333	16,687,885
NET ASSETS		
Unrestricted	7,600,693	7,356,357
Temporarily restricted	4,161	1,730
Permanently restricted	1,795,931	1,737,110
TOTAL NET ASSETS	9,400,785	9,095,197
	$ 28,490,118	$ 25,783,082

The accompanying notes are an integral part of these statements.

NORTHEAST PARENT AND CHILD SOCIETY, INC.

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

	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUE:					
Program service fees	$ 35,124,578	$ -	$ -	$ 35,124,578	$ 35,745,511
Fundraising	91,945	-	-	91,945	96,937
Change in value of beneficial interest in trusts	-	-	54,987	54,987	77,333
Rent	196,461	-	-	196,461	185,187
Miscellaneous	23,274	-	-	23,274	62,890
Total support and revenue	35,436,258	-	54,987	35,491,245	36,167,858
EXPENSE:					
Program service	30,849,576	-	-	30,849,576	32,936,622
Management and general	3,277,066	-	-	3,277,066	3,602,521
Fundraising and non-operating	344,578	-	-	344,578	350,936
Total expense	34,471,220	-	-	34,471,220	36,890,079
OPERATING GAIN (LOSS)	965,038	-	54,987	1,020,025	(722,221)
NON-OPERATING REVENUE (EXPENSE):					
Investment income	87,470	2,431	-	89,901	76,426
Investment gains	85,148	-	3,834	88,982	172,913
Prior period depreciation	(87,638)	-	-	(87,638)	-
(Loss) gain on disposition of property and equipment	(805,682)	-	-	(805,682)	1,379
Total non-operating (loss) gain, net	(720,702)	2,431	3,834	(714,437)	250,718
CHANGE IN NET ASSETS	244,336	2,431	58,821	305,588	(471,503)
NET ASSETS - beginning of year	7,356,357	1,730	1,737,110	9,095,197	9,566,700
NET ASSETS - end of year	$ 7,600,693	$ 4,161	$ 1,795,931	$ 9,400,785	$ 9,095,197

The accompanying notes are an integral part of these statements.

NORTHEAST PARENT AND CHILD SOCIETY, INC.

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

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 305,588	$ (471,503)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	1,146,318	1,163,009
Amortization of bond premium	(5,497)	(5,497)
Interest expense - bond issuance costs	23,548	23,549
Loss (gain) on disposition of property and equipment	805,682	(1,379)
Gains on investments	(88,982)	(172,913)
Change in value of beneficial interest in trusts	(54,987)	(77,333)
Changes in:		
Accounts receivable	(3,497,347)	22,756
Due from affiliate	(33,876)	(28,248)
Prepaid expenses and inventory	(747)	71,295
Accounts payable	31,929	(255,961)
Due to affiliate	(151,214)	(152,900)
Accrued salaries and expenses	(4,214)	449,991
Due to third parties	586,496	-
Refundable advances	(12,900)	(636,964)
Net cash flow from operating activities	(950,203)	(72,098)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(30,050)	(326,700)
Purchase of capital lease asset	(3,804,420)	-
Proceeds from sale of property and equipment	2,436,681	20,520
Change in deposits	-	19,438
Purchase of investments	(913,182)	(6,716,540)
Proceeds from sale of investments	915,130	6,750,276
Net cash flow from investing activities	(1,395,841)	(253,006)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net proceeds line of credit	111,955	343,301
Repayment of bonds payable	(271,666)	(250,497)
Proceeds of capital lease obligations	3,804,420	-
Repayment of capital lease obligations	(16,439)	(67,967)
Repayment of notes payable	(7,945)	(35,543)
Repayment of mortgages payable	(1,687,025)	(79,578)
Net cash flow from financing activities	1,933,300	(90,284)
CHANGE IN CASH	(412,744)	(415,388)
CASH - beginning of year	536,026	951,414
CASH - end of year	$ 123,282	$ 536,026
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest Paid	$ 733,213	$ 701,723

The accompanying notes are an integral part of these statements.

1. THE SOCIETY

Northeast Parent and Child Society, Inc. (the Society) is a New York non-profit corporation that was formed for the purpose of providing therapeutic, educational and other related services to children and their families, through the operation of residential, non-residential and supporting service programs. The Society is exempt from income tax under Section 501 (c)(3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The Society's financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Use of Estimates
The preparation of financial statements in accordance with accounting principals generally accepted in the United States requires management to make estimates and assumptions that affect the amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Cash
Cash includes investments in highly liquid debt instruments with an initial maturity of three months or less. The Society's cash balances may at times exceed federally insured limits. The Society has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

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

The carrying amount of accounts receivable is reduced by a valuation that reflects management's best estimate of amounts that will not be collected. Management reviews receivable balances and estimates the portion of the balance that will not be collected based on historical collection percentages and review of open accounts. Accounts receivable are stated net of an allowance for doubtful accounts in the amount of $50,000 as of June 30, 2018 and 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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

Inventory

Inventory consists of food supplies on hand and is stated at the lower of cost (first in, first out) or market value.

DASNY (Dormitory Authority of the State of New York) Bond Funds

The DASNY Bond Funds were created as the result of the issuance of the Series 2008 A-1 for the construction of a new Children's Home. These funds were held by a Trustee and payments were made only upon proper authorization.

Debt Service Funds – Payments of principal and interest are made from these funds.

Debt Service Reserve Funds – These funds will be used to augment the funds in the Debt Service Funds if the amounts in the Debt Service Funds are insufficient to make required payments.

These bond funds are classified as restricted investments on the statement of financial position.

Property and Equipment

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

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

Included in property and equipment as of June 30, 2017, is one of the Society's properties that is used for administrative and program purposes. The structure of the sale was a sale-leaseback transaction where the Society sold the building and then leased the space back from the buyer for a period of time. During 2018, the property was sold and the related loss on the sale is recognized in the statement of activities.

During 2018, the Society sold a property in Schenectady, NY that was used for administration as well as programmatic purposes. The Society leased back certain space being used from the purchaser. The lease arrangement was capitalized, see Note 6.

Building and equipment under capital lease is capitalized at the present value of future minimum lease payments at the inception of the lease. Assets subject to capital leases are amortized over either the lease term or the life of the related assets, depending upon available purchase options and lease renewal features. Amortization related to assets subject to capital leases is included within depreciation expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

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

Long-Lived Assets

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

Beneficial Interest in Perpetual Trusts

The Society is the beneficiary of five perpetual trusts. The Society has the right to receive the income earned on the trusts' assets in perpetuity, but will never receive the assets held in the trust. The beneficial interest is recorded at the fair value of the underlying assets, based upon the market value of the investments held by trusts. The net increase or decrease in the fair value of the underlying assets is reflected in the statement of activities as change in value of beneficial interests in trusts, within the permanently restricted fund class.

Refundable Advances

The Society receives advances from New York State funding agencies. If the amounts received are not spent or are in excess of maximum funding limits during the period they are received, they are reported as refundable advances in the accompanying financial statements. At the funding agencies' discretion, the amounts will be used to offset future amounts receivable or recouped against future payments. Accordingly, these amounts have been reflected as a liability in the accompanying financial statements. During the year ended June 30, 2018, no amount was paid back to the funding agencies.

Financial Reporting

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

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

Temporarily restricted net assets represent donor-imposed restrictions that permit the Society to use up or expend the donated assets as specified. This temporary restriction is satisfied by the passage of time or by actions of the Society. See information about these restrictions in Note 9.

Permanently restricted net assets include the beneficial interest in perpetual trusts as noted above. These restrictions are described in Note 10.

Statement of Activities

The statement of activities is divided into operating and non-operating components. All revenue and expenses directly associated with the day-to-day operations are included in income or loss from operations. Contributions, bequests, investment gains and losses and other non-operating items are classified as non-operating income or expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

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

The Society reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Society reports donor restricted contributions as unrestricted support provided that the restrictions are met in the same year the contributions are received.

Donated Materials and Services

Donated materials and supplies are recorded as contributions at estimated fair value at the date of gift. The Society receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. The value of the services have not been reflected in these financial statements because they do not meet the criteria for recognition.

Fair Value Measurement – Definition and Hierarchy

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

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

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

Functional Allocation of Expenses

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

3. INVESTMENTS

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

	2018	2017
Investment Management Account:		
U.S. Government and Agencies	$ 131,485	$ 164,831
Corporate Notes	-	51,124
Fixed Income Funds	915,574	800,304
Common Stock	828,854	866,473
Equity Funds	648,133	590,988
Cash Equivalents	134,798	112,676
Total Key Bank	2,658,844	2,586,396
Restricted Gift:		
U.S. Government and Agencies	15,162	15,605
Fixed Income Funds	31,704	31,788
Equity Funds	67,851	61,490
Cash Equivalents	3,561	3,129
Total Key Bank	118,278	112,012
DASNY Funding Project - Residence:		
U.S. Government	466,886	458,652
Cash Management Funds	1,854	1,768
Total Bank of New York	468,740	460,420
	$ 3,245,862	$ 3,158,828

3. INVESTMENTS (Continued)

Investment income including gains and losses for the years ended June 30 is summarized as follows:

	2018	2017
Realized gain on sales	$ 75,188	$ 55,985
Unrealized gain	13,794	116,928
Interest and dividends	89,901	76,426
Total Investment Income	$ 178,883	$ 249,339

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2018	2017
Land	$ 99,030	$ 393,030
Buildings and improvements	21,199,590	26,200,606
Furniture, vehicles and equipment	2,633,214	2,680,432
Vehicles	181,617	191,297
Less: accumulated depreciation	(12,835,438)	(13,828,721)
	$ 11,278,013	$ 15,636,644

Capital Leases

The Society is the lessee of property and equipment under a capital lease. Assets held under capital leases are the following as of June 30:

	2018	2017
Assets under capital lease	$ 3,804,420	$ 314,515
Less: accumulated amortization	-	(288,460)
	$ 3,804,420	$ 26,055

Depreciation expense was $1,146,318 and $1,163,009 for the years ended June 30, 2018 and 2017, respectively.

5. LINE OF CREDIT

The Society has a revolving line-of-credit with Key Bank, totaling approximately $3,000,000. The line bears interest at prime (5.00% at June 30, 2018). The balance at June 30, 2018 was $455,256. In accordance with the terms of the security agreement, the Society is required to provide their financial statements within 120 days from year end. As of June 30, 2018, the covenant was met.

The Society had a line-of-credit with Citizens Bank for $3,000,000, which expired on February 28, 2018. The outstanding balance at June 30, 2017 was $343,301 Interest is charged at the one-month London Interbank Offered Rate (LIBOR) plus 3.00%.

6. LONG-TERM DEBT

Notes Payable	2018	2017
Commercial Loan, Bank of America, unsecured, qualified through New York State Energy Resource Development Authority. Interest at 3.25% payable monthly in 120 installments, final payment September 2017.	$ -	$ 5,083
Commercial Loan, Bank of America, unsecured. Interest at 7.25% payable monthly in 120 installments, final payment September 2017.	-	2,862
Term loan with Citizens Bank. Interest at one-month LIBOR plus 3%. Interest only payments through maturity, June 1, 2021. Outstanding principal due in full at maturity. Secured by approximately $2,600,000 of investment securities held at Key Bank. Certain financial covenants apply to this note. Those covenants were met as of June 30, 2018.	1,500,000	1,500,000
	$ 1,500,000	$ 1,507,945

Capital Lease Obligations	2018	2017
Present value of net minimum principal lease payments under a capital lease held by the Society, with an unrelated third party, interest at 2.5%.	$ 3,804,420	$ -
Key Equipment Finance, secured by equipment. 36 installments of $5,513, including 3.67% interest, are payable monthly. Final payment September 2017.	-	16,439
	$ 3,804,420	$ 16,439

6. **LONG-TERM DEBT (Continued)**

Mortgage Notes Payable

	2018	2017
Mortgage agreement with Citizens Bank secured by real property located at Genium Plaza, Schenectady, NY. The rate of interest is computed at the floating one-month LIBOR plus 1.91%. Principal payments in the amount of $3,327 will be paid in addition to interest at a floating one-month LIBOR plus 1.91%.	$ 292,746	$ 332,665
Mortgage agreement with Bank of America with monthly payments of principal and interest of $10,076. Interest was stated at 6.298%. Mortgage was paid off after the sale of property at Franklin St., Schenectady, NY.	-	1,623,359
Mortgage note payable with Citizens Bank secured by real estate, due July 2022. Principal payments are due monthly with interest based on a 30 day LIBOR rate plus 1.65%. Certain financial covenants apply to this note. These covenants were met as of June 30, 2018. Secured by property at Abbottsford Road, Schenectady, NY.	400,423	414,098
Mortgage note payable with First Niagara Funding secured by real estate located at Park Avenue, Schenectady, NY, furniture and fixtures and assignments of rents and leases, due January, 2020. Principal payments are due monthly with interest based on 200 basis points per annum above the FHLB Rate not to fall below 5.99%. The interest rate at June 30, 2018 was 5.99%.	78,724	83,246
Mortgage note payable secured by real estate at Eastern Parkway, Schenectady, NY, furniture and fixtures and assignments of rents and leases, due January 2020. Principal payments are due monthly with interest based on 200 basis points per annum above the FHLB Rate not to fall below 5.99%. The interest rate at June 30, 2017 was 5.99%	96,643	102,193
	868,536	2,555,561
Total	$ 6,172,956	$ 4,079,945
Less current installments	564,684	105,743
Total, long-term debt, net	$ 5,608,272	$ 3,974,202

6. LONG-TERM DEBT (Continued)

Principal payments due on notes, capitalized lease obligations and mortgaged property notes payable for the years subsequent to June 30, 2018 are as follows:

	Mortgages and Loans Payable	Capital Lease Obligations	Total
2019	$ 64,684	$ 500,000	$ 564,684
2020	65,888	500,000	565,888
2021	1,567,242	500,000	2,067,242
2022	68,623	500,000	568,623
2023	70,059	500,000	570,059
Thereafter	532,040	2,125,000	2,657,040
	2,368,536	4,625,000	6,993,536
Less: Amount representing interest	-	(820,580)	(820,580)
	$ 2,368,536	$ 3,804,420	$ 6,172,956

Tax Exempt Bonds Payable
In June of 2008, DASNY issued Series 2008 Bonds for a total of $11,150,000. These bonds were issued as part Serial and part Term Bonds. The funds were used for the construction of a new Children’s Home. Payment of principal and interest of these bonds is guaranteed by a municipal bond insurance policy issued by the State of New York Mortgage Agency (SONYMA).

The Series 2008 Bonds require an account control agreement by and among the residential provider, DASNY, the Trustee and the residential provider’s bank. The agreement requires that allotments received from any school district, social service district or any other payor on accounts for residential services provided must be deposited into this account immediately upon receipt of such amounts. In addition, the provider is required to grant DASNY a security interest in the respective account. Each month an amount necessary to satisfy the provider’s next due payment obligation will be automatically transferred to the Trustee to be utilized per the agreement. Monies on deposit in the account are available to the provider only after payment of amounts then due DASNY.

6. LONG-TERM DEBT (Continued)

Tax Exempt Bonds Payable (Continued)
The following summarizes the outstanding bonds at June 30:

Dormitory Authority of the State of New York Services 2008 A-1 Bonds:

	2018	2017
Series Bonds: Maturing June1, 2011 through June 1, 2028 with interest rates varying during these years beginning at 3.50% and ending at 5.00%.	$ 3,490,000	$ 3,750,000
Term Bond: 5.00% due June 1, 2038	2,560,000	2,560,000
Term Bond: 5.00% due June 1, 2038	3,345,000	3,345,000
Total Dormitory Authority Bonds	9,395,000	9,655,000
Premium on Issuance of Bonds	109,488	114,985
Total Tax Exempt Bonds Payable	9,504,488	9,769,985
Less: Unamortized debt issuance costs	259,437	271,319
Bonds Payable, net	$ 9,245,051	$ 9,498,666

Annual maturities of bonds payable for the years succeeding June 30, 2018, are as follows:

2019	$ 265,497
2020	275,497
2021	295,497
2022	310,497
2023	345,497
Thereafter	8,012,003
Total	9,504,488

Interest Expense
Interest expense on all obligations for the years ended June 30, 2018 and 2017, was $739,276 and $725,272, respectively, including amortization of debt issuance costs.

7. PENSION PLANS

The Society participates in the Northern Rivers Family Service's 401(K) Plan, a related party (see Note 11). The plan covers substantially all full-time employees of the Society that are 18 years of age and older with no years of service requirement. Employees who contribute to the plan and have met eligibility requirements are eligible for the Society's matching contribution that is discretionary up to 2% of an employee's compensation. The Society may also provide a discretionary contribution on behalf of employees meeting eligibility requirements after fiscal year-end. Pension costs for the year ended June 30, 2018 and 2017 were $191,428 and $477,515, respectively.

8. POST-RETIREMENT BENEFIT

During the year ended June 30, 2002, the Society approved a lifetime post-retirement benefit for its former Executive Director and spouse. The Society will provide a benefit for health and dental insurance equal to 50% of the cost. These benefits will be coordinated with Medicare benefits and any other federal health care. The benefits commenced July 1, 2003. An accrual of $31,695 was made at June 30, 2003 to establish the estimated present value of these future benefit obligations. For accrual measurement purposes, a 10% annual rate of increase in the per capita cost of health care was assumed for the benefit period. In addition, an 8% projected discount factor was utilized for the present value computation. The benefit is unfunded. During the year ended June 30, 2018 and 2017, the Society amortized $2,619 and $1,916, respectively, of benefit, resulting in a balance of $14,987 and $17,606 for the present value of this future benefit obligation, which has been recorded as a liability in these financial statements.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30 consisted of the following:

	2018	2017
Restricted Investment Income	$ 4,161	$ 1,730

10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are subject to donor-imposed restrictions that the Corpus be invested in perpetuity and only the income be made available for program operations.

Permanently restricted net assets at June 30 consisted of the following:

	2018	2017
Income from these funds may be utilized for the benefit of the Organization	$ 11,974	$ 11,974
Income from these funds is restricted to scholarships for children or parents of children enrolled in Northeast Parent and Child Society, Inc. programs	115,846	112,012
Beneficial Interest in Perpetual Trusts	1,668,111	1,613,124
	$ 1,795,931	$ 1,737,110

11. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at:

June 30, 2018

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Money Markets	$ 140,213	$ -	$ -	$ 140,213
Equities	828,854	-	-	828,854
Mutual Funds	1,663,262	-	-	1,663,262
Corporate Debt Securities	-	-	-	-
Government Debt Securities	-	613,533	-	613,533
Beneficial Interests in Trusts	-	1,668,111	-	1,668,111
Total Investments	$ 2,632,329	$ 2,281,644	$ -	$ 4,913,973

June 30, 2017

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Money Markets	$ 117,573	$ -	$ -	$ 117,573
Equities	866,473	-	-	866,473
Mutual Funds	1,484,570	-	-	1,484,570
Corporate Debt Securities	-	51,124	-	51,124
Government Debt Securities	-	639,088	-	639,088
Beneficial Interests in Trusts	-	1,613,124	-	1,613,124
Total Investments	$ 2,468,616	$ 2,303,336	$ -	$ 4,771,952

12. RELATED PARTIES

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

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

The Society paid $3,277,066 and $3,602,521 in fees to Northern Rivers Family Services, Inc. during the years ended June 30, 2018 and 2017, respectively. Northern Rivers Family Services also paid rent to the Society for occupancy, equipment, telecommunications, and maintenance related services. The Society charged rent to Northern Rivers Family Services, Inc. in the amount of $468,355 and $542,365, for the years ended June 30, 2018 and 2017, respectively.

Parsons Child and Family Center
The Center is related through common control to Parsons Child and Family Center (Center).

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

12. RELATED PARTY TRANSACTIONS (Continued)

The Society recorded expenses of $125,000 for training services provided by Parsons Child and Family Center during both the years ended June 30, 2018 and 2017.

They also charged rent to Parsons Child and Family Center in the amount of $192,585 and $181,604, for the years ended June 30, 2018 and 2017, respectively. These amounts are included in rent income in the accompanying statement of activities. The Society contracts with Parsons to provide waiver services. The Society paid $213,978 and $206,954 to Parsons for these services for the years ended June 30, 2018 and 2017, respectively.

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

	2018	2017
Due From Related Party:		
Northern Rivers Family Services, Inc.	$ 72,625	$ 61,189
Parson Child and Family Center	72,450	50,010
	$ 145,075	$ 111,199
Due To Related Party:		
Northern Rivers Family Services, Inc.	$ 13,364	$ 180,779
Parson Child and Family Center	26,007	9,806
Total	$ 39,371	$ 190,585

13. COMMITMENTS AND CONTINGENCIES

Self-Funded Unemployment Insurance

The Society's Unemployment Compensation Insurance program is self-funded. Unemployment benefits that separated employees receive are determined by New York State statute and are administered by New York State Department of Labor (NYSDOL). The Society is billed quarterly by NYSDOL for benefits paid to former employees. Unemployment is budgeted annually based on prior year results. The Society incurred costs of $57,480 and $31,999 for 2018 and 2017, respectively.

Reimbursement Rates

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

13. COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases

The Society leases various equipment, vehicles and space under non-cancellable operating leases. At June 30, 2018 the minimum rental commitment under these operating leases have remaining terms in excess of one year is as follows:

2019	$	612,491
2020		435,689
2021		289,406
2022		46,562
Total	$	1,384,148

Total premises rent expense for the years ended June 30, 2018 and 2017 was $451,480 and $389,029, respectively.

14. SUBSEQUENT EVENTS

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

NORTHEAST PARENT AND CHILD SOCIETY, INC. Schedule I

SCHEDULE OF REVENUE AND FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)

	2018										
	Residential Care	Family Foster Care	Prevention Services	Case Management Services	Behavioral Health Services	Respite Services	Education Services	Management And General	Fundraising and Non-Operating	Total	2017
REVENUE	$ 9,709,023	$ 6,652,854	$ 4,177,632	$ 5,724,896	$ 1,702,758	$ 249,381	$ 7,023,084	$ 35	$ (375,217)	$ 34,864,446	$ 36,418,576
FUNCTIONAL EXPENSES:											
Salaries	$ 4,631,423	$ 2,173,255	$ 2,305,314	$ 2,697,118	$ 1,003,791	$ 159,796	$ 4,275,002	$ 79,563	$ 34,437	$ 17,359,699	$ 18,146,462
Employee Health and Retirement Benefits	561,940	270,252	302,221	332,511	108,000	22,430	502,471	10,444	4,529	2,114,798	3,050,075
Payroll Taxes	470,943	204,262	208,207	241,257	100,038	16,106	421,778	9,889	4,302	1,676,782	1,961,786
Total compensation and benefits	5,664,306	2,647,769	2,815,742	3,270,886	1,211,829	198,332	5,199,251	99,896	43,268	21,151,279	23,158,323
Allowances - children	25,629	-	-	-	-	-	13,366	-	-	38,995	44,614
Allowances - parents	1,090	-	1,812	-	-	-	25	-	-	2,927	4,975
Allowances - uncollectible receivables	33,174	17,003	1,842	2,705	50,802	-	5,416	-	-	110,942	28,205
Auto and transportation	49,675	293,685	103,653	431,043	826	38,246	27,224	931	328	945,611	944,757
Bedding	1,473	-	-	43	-	-	-	-	-	1,516	2,034
Boarding home	-	2,412,245	-	-	-	17,505	-	-	-	2,429,750	2,578,186
Charges from parent organizations	-	-	-	-	-	-	-	2,812,590	-	2,812,590	3,063,739
Clothing	41,992	658	134	117	-	33	-	-	-	42,934	58,129
Conferences and administrative expense	7,327	22,532	2,720	16,761	3,080	165	4,813	40,718	9,828	107,944	109,699
Dues, licenses and permits	2,724	632	472	2,966	8,763	1	5,569	2,495	979	24,601	20,375
Food	289,166	-	452	-	-	-	-	-	-	289,618	358,144
Insurance	226,097	48,510	19,100	36,437	35,664	-	115,293	-	30	481,131	418,817
Interest	550,272	34,368	25,053	22,594	19,355	1,073	40,936	31,839	13,786	739,276	725,272
Legal, professional and investment fees	8,310	-	112	-	404	-	6,628	524	23,877	39,855	33,410
Office supplies and expense	13,434	7,912	5,372	7,228	3,671	57	9,801	686	254	48,415	74,816
Postage and shipping	719	2,051	288	1,330	1,272	-	832	31	4	6,527	17,437
Publicity	3,309	41,223	575	96	35,995	6	5,264	147	65	86,680	40,519
Purchase of health services	232,649	7,200	-	-	806	-	-	-	-	240,655	147,002
Purchase of services - other	469,793	129,430	118,171	176,533	242,619	5,156	303,122	38,258	130,039	1,613,121	1,673,692
Recreation	95,388	842	3,745	10,013	-	24	53,775	-	-	163,787	164,323
Rent	7,200	140,570	109,158	89,600	23,765	193	-	47,881	33,113	451,480	389,029
Rent - furnishings and equipment	22,522	12,447	13,610	9,770	8,189	590	16,446	11,154	2,654	97,382	92,537
Rent - vehicles	96,615	42,050	-	-	-	-	62,059	-	-	200,724	198,265
Repair and Maintenance	8,276	7,646	5,679	5,259	38,937	521	11,058	12,772	1,590	91,738	104,706
Repair and Maintenance - vehicles	25,216	445	441	223	354	24	35,514	2,150	389	64,756	57,463
School expense	674	-	-	-	-	-	-	-	-	674	673
Staff development	5,314	5,052	16,382	21,317	33	4	4,710	82	2,600	55,494	92,219
Subscription and publications	1,337	428	1,038	599	134	-	6,209	-	-	9,745	7,951
Supplies and equipment	175,186	41,489	11,976	11,242	5,245	1,279	59,842	6,261	2,649	315,169	314,494
Supplies and equipment - medical	154,461	-	-	23,890	2,235	-	-	-	-	180,586	194,386
Telecommunications	39,340	44,810	36,975	35,338	17,754	1,041	36,016	20,861	8,916	241,051	271,249
Utilities	118,385	25,349	28,091	17,939	11,146	1,426	83,079	27,867	12,305	325,587	337,630
Depreciation and amortization	538,613	30,739	28,644	18,489	44,490	2,677	217,201	119,923	57,904	1,058,680	1,163,009
Total operating expenses	$ 8,909,666	$ 6,017,085	$ 3,351,237	$ 4,212,418	$ 1,767,368	$ 268,353	$ 6,323,449	$ 3,277,066	$ 344,578	$ 34,471,220	$ 36,890,079

The accompanying notes are an integral part of these schedules.