



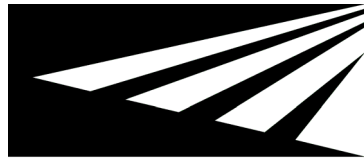
FAMILY SERVICE LEAGUE, INC.

**FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT**

**AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

**FAMILY SERVICE LEAGUE, INC.
INDEX TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

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NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Family Service League, Inc.:

We have audited the accompanying financial statements of Family Service League, Inc. (the "Organization", a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

NawrockiSmith

Emphasis-of-Matter

As discussed in Note 2 to the financial statements, the Organization adopted Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases*. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Service League, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Melville, New York
April 26, 2021

Nawrocki Smith LLP

FAMILY SERVICE LEAGUE, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8,637,282	\$ 4,797,345
Investments	6,109,560	5,463,127
Accounts receivable, net	7,079,685	8,390,375
Prepaid expenses	48,535	69,464
Current portion of right-of-use assets	4,105,860	-
Total current assets	25,980,922	18,720,311
RESTRICTED CASH AND CASH EQUIVALENTS	976,255	2,254,380
RESTRICTED INVESTMENTS	1,212,084	1,144,295
LAND, BUILDINGS AND EQUIPMENT, net	14,717,145	14,356,746
RIGHT-OF-USE ASSETS, net	15,441,305	-
OTHER ASSETS	67,615	139,487
Total assets	\$ 58,395,326	\$ 36,615,219
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of bonds payable	\$ 461,000	\$ 440,000
Current portion of lease liabilities	4,105,860	-
Accounts payable and accrued expenses	8,834,380	7,014,431
Deferred income	3,613,347	3,317,725
Total current liabilities	17,014,587	10,772,156
LEASE LIABILITIES, NET OF CURRENT PORTION	15,441,305	-
BONDS PAYABLE, NET OF CURRENT PORTION	9,394,044	9,805,612
MORTGAGE NOTE PAYABLE	326,468	326,468
Total liabilities	42,176,404	20,904,236
NET ASSETS:		
Without donor restrictions -		
Designated for land, buildings and equipment	5,336,432	5,795,803
Board designated for capital expenditures	1,000,000	1,000,000
Board designated for operational allowance	250,000	250,000
Board designated for ensuing year's budget	142,249	142,249
Undesignated	5,033,091	4,282,414
Total net assets without donor restrictions	11,761,772	11,470,466
With donor restrictions -		
Purpose restricted	3,069,611	2,852,978
Restricted in perpetuity	1,387,539	1,387,539
Total net assets with donor restrictions	4,457,150	4,240,517
Total net assets	16,218,922	15,710,983
Total liabilities and net assets	\$ 58,395,326	\$ 36,615,219

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

FAMILY SERVICE LEAGUE, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Operating revenues:		
Program fees	\$ 26,847,352	\$ 25,432,258
Government contracts	21,298,547	22,725,548
Indirect public support	3,601,106	2,384,419
Public support and fundraising	2,423,763	3,160,304
Other income	37,744	116,871
Net assets released from restrictions	1,402,602	1,208,673
Total operating revenues	55,611,114	55,028,073
Operating expenses:		
Program services	48,366,466	46,745,967
Administration	6,079,958	6,236,773
Fundraising	1,142,434	1,142,043
Total operating expenses	55,588,858	54,124,783
Increase in net assets from operating activities	22,256	903,290
Nonoperating activities:		
Unrealized gain on investments	141,608	212,619
Unrealized loss on swap contract	(77,940)	(102,001)
Investment income, net	205,382	214,948
Increase in net assets from nonoperating activities	269,050	325,566
Increase in net assets without donor restrictions	291,306	1,228,856
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS:		
Revenues	1,619,235	2,682,482
Unrealized gain	-	19,806
Net assets released from restrictions	(1,402,602)	(1,208,673)
Increase in net assets with donor restrictions	216,633	1,493,615
CHANGE IN NET ASSETS	507,939	2,722,471
NET ASSETS, BEGINNING OF YEAR	15,710,983	12,988,512
NET ASSETS, END OF YEAR	\$ 16,218,922	\$ 15,710,983

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

FAMILY SERVICE LEAGUE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services					Supporting Services			
	Behavioral Health Services	Family Services	Youth, Seniors And Intergenerational Services	Housing And Homeless Services	Vocational Services	Total	Administration	Fundraising	Total
Payroll	\$ 17,957,983	\$ 3,163,429	\$ 1,628,850	\$ 3,532,097	\$ 748,542	\$ 27,030,901	\$ 3,422,399	\$ 461,310	\$ 30,914,610
Leases	1,313,143	113,952	71,297	2,565,013	43,590	4,106,995	93,251	23,444	4,223,690
Employee benefits	2,410,446	396,451	229,028	449,493	100,623	3,586,041	356,015	44,371	3,986,427
Payroll taxes	1,700,237	306,376	273,291	383,381	75,159	2,738,444	287,263	42,169	3,067,876
Professional fees	642,985	22,600	7,148	1,423,447	11,075	2,107,255	434,206	240	2,541,701
Program supplies	614,435	126,927	104,318	243,890	26,877	1,116,447	714,575	194,361	2,025,383
Insurance	713,675	89,700	33,686	124,222	19,129	980,412	163,148	11,451	1,155,011
Repairs and maintenance	508,908	50,187	37,626	415,535	41,994	1,054,250	73,904	8,129	1,136,283
Client support	255,577	38,469	4,996	758,765	147	1,057,954	-	14,170	1,072,124
Depreciation and amortization	311,402	27,023	16,908	608,274	10,337	973,944	22,114	3,615	999,673
Telephone	618,567	114,724	42,989	76,998	11,185	864,463	48,005	10,939	923,407
COVID-19 related	192,037	79,840	44,420	399,918	8,364	724,579	40,125	120,958	885,662
Utilities	197,123	23,381	26,046	221,370	23,836	491,756	31,376	19,478	542,610
Office	136,912	30,282	23,902	65,445	6,462	263,003	229,262	4,606	496,871
Interest	54,292	32,638	42,455	26,154	17,080	172,619	45,706	140,937	359,262
Janitorial	142,677	25,101	28,173	60,210	41,932	298,093	22,068	5,505	325,666
Food	128	-	324	243,077	11,034	254,563	-	-	254,563
Rent	197,238	9,332	38,436	(306)	-	244,700	-	-	244,700
Auto and van	139,952	21,476	-	24,518	-	185,946	5,046	-	190,992
Dues	300	3,635	-	1,600	-	5,535	57,035	904	63,474
Conferences and training	9,816	10,120	5,509	203	-	25,648	17,866	260	43,774
Travel	4,231	22,308	3,860	629	(318)	30,710	8,514	-	39,224
Postage	10,863	2,356	6,837	552	924	21,532	5,838	1,719	29,089
Advertising	7,917	10,323	784	500	51	19,575	1,543	810	21,928
Printing	-	-	-	-	-	-	-	20,316	20,316
Events	-	-	-	-	-	-	-	12,742	12,742
Patient transportation	858	1,560	8,400	-	283	11,101	-	-	11,101
Real estate taxes	-	-	-	-	-	-	699	-	699
	<u>\$ 28,141,702</u>	<u>\$ 4,722,190</u>	<u>\$ 2,679,283</u>	<u>\$ 11,624,985</u>	<u>\$ 1,198,306</u>	<u>\$ 48,366,466</u>	<u>\$ 6,079,958</u>	<u>\$ 1,142,434</u>	<u>\$ 55,588,858</u>

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

FAMILY SERVICE LEAGUE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services					Supporting Services				
	Behavioral Health Services	Family Services	Youth, Seniors And Intergenerational Services	Housing And Homeless Services	Vocational Services	Total	Administration	Fundraising	Total	
Payroll	\$ 17,239,307	\$ 3,076,599	\$ 2,138,873	\$ 3,405,708	\$ 730,056	\$ 26,590,543	\$ 3,273,098	\$ 443,503	\$ 30,307,144	
Rent	1,119,623	53,112	75,117	3,026,576	-	4,274,428	-	18,000	4,292,428	
Employee benefits	2,104,523	402,928	253,085	393,489	99,732	3,253,757	366,526	63,505	3,683,788	
Payroll taxes	1,610,748	298,435	224,994	344,418	71,080	2,549,675	280,590	40,118	2,870,383	
Professional fees	438,175	21,629	21,440	1,414,122	39,120	1,934,486	380,223	239	2,314,948	
Program supplies	672,913	129,501	218,144	203,949	41,444	1,265,951	616,791	178,218	2,060,960	
Client support	345,752	84,662	3,704	996,229	155	1,430,502	-	41,081	1,471,583	
Repairs and maintenance	430,889	74,285	120,656	404,023	78,337	1,108,190	263,622	11,562	1,383,374	
Telephone	634,756	134,582	41,740	81,824	19,137	912,039	28,557	6,515	947,111	
Depreciation and amortization	366,488	28,332	-	32,180	-	427,000	450,722	-	877,722	
Insurance	475,674	61,641	35,713	83,136	12,074	668,238	103,933	7,405	779,576	
Office	230,385	74,101	47,134	124,673	13,869	490,162	260,968	9,223	760,353	
Utilities	216,233	40,090	33,374	244,791	10,480	544,968	41,900	5,443	592,311	
Interest	45,786	34,360	38,506	20,396	15,838	154,886	40,869	182,252	378,007	
Janitorial	123,081	35,693	47,291	71,417	39,178	316,660	17,094	-	333,754	
Food	1,567	4,197	14,574	237,844	56,352	314,534	-	-	314,534	
Auto and van	192,981	14,374	-	44,276	-	251,631	36,610	-	288,241	
Travel	31,422	91,605	13,441	2,781	(46)	139,203	13,845	157	153,205	
Events	-	-	-	-	-	-	-	115,247	115,247	
Conferences and training	24,883	12,081	1,489	-	411	38,864	31,966	1,581	72,411	
Patient transportation	1,977	10,472	26,850	1,000	3,056	43,355	-	-	43,355	
Postage	8,148	2,208	2,435	997	322	14,110	10,556	2,321	26,987	
Dues	300	3,533	-	3,350	-	7,183	17,320	829	25,332	
Advertising	10,635	2,878	798	1,026	15	15,352	465	218	16,035	
Printing	-	-	250	-	-	250	-	14,626	14,876	
Real estate taxes	-	-	-	-	-	-	1,118	-	1,118	
	<u>\$ 26,326,246</u>	<u>\$ 4,691,298</u>	<u>\$ 3,359,608</u>	<u>\$ 11,138,205</u>	<u>\$ 1,230,610</u>	<u>\$ 46,745,967</u>	<u>\$ 6,236,773</u>	<u>\$ 1,142,043</u>	<u>\$ 54,124,783</u>	

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

FAMILY SERVICE LEAGUE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 507,939	\$ 2,722,471
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	999,673	877,722
Unrealized gain on investments	(141,608)	(232,425)
(Increase) decrease in accounts receivable	1,310,690	(1,472,386)
(Increase) decrease in prepaid expenses	20,929	(27,563)
Decrease in other assets	71,872	98,269
Increase in accounts payable and accrued expenses	1,819,949	1,341,677
Increase in deferred income	295,622	430,833
	<u>4,885,066</u>	<u>3,738,598</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of land, buildings and equipment	(1,310,640)	(4,220,124)
Purchase of investments	(2,194,221)	(3,308,451)
Sale of investments	1,621,607	2,653,272
	<u>(1,883,254)</u>	<u>(4,875,303)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on bonds payable	(440,000)	(339,000)
	<u>(440,000)</u>	<u>(339,000)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	2,561,812	(1,475,705)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	<u>7,051,725</u>	<u>8,527,430</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u>\$ 9,613,537</u>	<u>\$ 7,051,725</u>
CASH PAID DURING THE YEAR FOR:		
Interest	<u>\$ 359,262</u>	<u>\$ 378,007</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Initial recognition of operating lease right-of-use asset	\$ 23,762,655	\$ -
Initial recognition of operating lease liability	\$ 23,762,655	\$ -
COMPONENTS OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH ON THE STATEMENTS OF FINANCIAL POSITION:		
Cash and cash equivalents	\$ 8,637,282	\$ 4,797,345
Restricted cash	976,255	2,254,380
	<u>\$ 9,613,537</u>	<u>\$ 7,051,725</u>
Total cash, cash equivalents, and restricted cash		

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

FAMILY SERVICE LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS

(1) Organization and operation:

Family Service League, Inc. (the "Organization") is a non-profit corporation, exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization serves troubled and needy individuals and families.

(2) Summary of significant accounting policies:

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

Financial statement presentation -

The accompanying financial statements include the accounts of the Organization's programs, administration and fundraising. The Organization presents its financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") which require that the Organization's financial statements distinguish net assets and changes in net assets between those with and without donor restrictions. The Organization's net assets consist of the following:

Without donor restrictions - net assets of the Organization which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the Organization.

With donor restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

As required by U.S. GAAP, the Organization has also presented Statements of Cash Flows for the years ended December 31, 2020 and 2019.

Cash and cash equivalents -

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents, principally money market funds.

Restricted cash and investments -

Restricted cash as of December 31, 2020 and 2019, relates to bond proceeds of \$800,800 and \$2,011,136, respectively, and donor restricted funds of \$175,455 and \$243,244, respectively. Restricted investments as of December 31, 2020 and 2019, relates to donor restricted funds of \$1,212,084 and \$1,144,295, respectively.

Accounts receivable -

The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables and historical collection information. As of December 31, 2020 and 2019, the allowance for doubtful accounts was \$2,849,994 and \$3,063,201, respectively.

FAMILY SERVICE LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Investments -

Investments are stated at fair value for the periods presented. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) on fair value measurements also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring 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 measurements involving significant unobservable inputs (Level 3 measurements).

Land, buildings and equipment -

Land, buildings and equipment are capitalized at cost or, if donated, at fair market value as of the date of receipt. The cost of land, buildings and equipment purchased in excess of \$1,000 is capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (generally periods of five to thirty years).

Impairment of long-lived assets and long-lived assets to be disposed of -

The Organization follows the provisions of the FASB ASC on accounting for the impairment or disposal of long-lived assets which require that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. These principles did not have a material impact on the Organization’s financial position, results of activities or liquidity during the years ended December 31, 2020 and 2019.

Conditional asset retirement obligations -

The FASB ASC on accounting for conditional asset retirement and environmental obligations requires the Organization to recognize a liability for the fair value of its legal obligation to perform an asset retirement activity, even though uncertainty exists about the timing and/or method of settlement, if and when the fair value of the liability can be reasonably estimated. As of December 31, 2020 and 2019, the Organization has met the provisions of and is in compliance with these requirements and no obligation currently exists.

Right of use assets and lease liabilities -

Effective January 1, 2020, the Organization adopted FASB Accounting Standards Update (“ASU”) No. 2016-02, *Leases* (“Topic 842”). The new guidance increases transparency by requiring the recognition of right-of-use assets and lease liabilities on the Statements of Financial Position. The recognition of these lease assets and lease liabilities represents a

FAMILY SERVICE LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

change from previous U.S. GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The recognition, measurement and presentation of expenses and cash flows arising from a lease, have not significantly changed from previous U.S. GAAP requirements.

On January 1, 2020, the effective date of Topic 842, existing leases of the Organization were required to be recognized and measured. Additionally, any leases entered into during the year were also required to be recognized and measured. In applying Topic 842, the Organization made an accounting policy election not to recognize the right-of-use assets and lease liabilities relating to short-term leases. Implementation of Topic 842 involved an analysis of contracts, including equipment leases and service contracts to identify embedded leases, in order to determine the initial recognition of the right-of-use assets and lease liabilities, which required subjective assessment over the determination of the associated discount rates to apply in determining the lease liabilities.

The adoption of Topic 842 with respect to these leases resulted in the recording of operating lease right-of-use assets of \$19,547,165 and operating lease liabilities of \$19,547,165 as of December 31, 2020.

The Organization determines if an arrangement is or contains a lease at inception. The Organization's operating lease arrangements are comprised of building leases and equipment leases. Right-of-use assets represent the Organization's right to use the underlying assets for the lease terms and lease liabilities represent the Organization's obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the lease payments over the lease terms. As the Organization's leases do not provide an implicit rate and the implicit rate is not readily determinable, the Organization estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of the lease payments. The present value of the lease payments was determined using a 5% incremental borrowing rate. Right-of-use assets also exclude lease incentives.

The Organization reconciles the operating lease expenses with the operating lease payments by presenting the amortization of the right-of-use assets and the change in the lease liabilities in a single line item within the adjustments to reconcile change in net assets to net cash provided by operating activities in the accompanying Statements of Cash Flows.

Revenue recognition -

The following are the significant revenue recognition accounting policies of the Organization:

Program fees - Program fees are reported at an amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing health services. These amounts are due from third party payors, as applicable, and include variable consideration and price concessions due to coverage. Revenue is recognized as performance obligations are satisfied based on actual charges incurred in relation to total expected collections.

FAMILY SERVICE LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Government contracts - Revenue under government contracts are recognized when earned. Revenue is earned when performance obligations, as defined in each contract, are fulfilled. Funds received but not yet earned are shown as deferred income. Expenditures under contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Grants and contributions - Grants and contributions are recognized as income when received and are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. Conditional contributions are accounted for as a liability or are not recognized as revenue initially, until the barriers to entitlement are overcome, at which point a transaction is recognized as unconditional and classified as either net assets with donor restrictions, or net assets without donor restrictions.

Fundraising revenue - The portion of fundraising revenue that relates to the commensurate value the attendee receives in return is recognized when the related events are held, and performance obligations are met.

Donated services -

A number of volunteers have donated significant amounts of their time in the Organization's program services, administration and fundraising campaigns. However, since these services do not meet the criteria for recognition under U.S. generally accepted accounting principles, they are not reflected in the accompanying financial statements.

Functional expenses -

Expenses are recognized as incurred. The Statements of Functional Expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Direct program expenses are reported in their respective functional categories. The significant expenses that are allocated include: payroll, employee benefits and payroll taxes which are allocated on the basis of estimates of time and effort. Depreciation and rent are allocated on the basis of square footage and use, and all other expenses are allocated on a systematic and rational basis.

Liquidity considerations -

Quantitative

As of December 31, 2020 and 2019, the Organization has \$21,826,527 and \$18,650,847, respectively, of financial assets available to meet cash needs for program and supporting services expenditures within one year of the Statement of Financial Position date. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for expenditures within the ensuing fiscal year.

FAMILY SERVICE LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Qualitative

As a part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has committed lines of credit in the amount of \$2 million, which it could draw upon.

Income taxes -

The Organization qualifies as a tax-exempt not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and applicable New York State tax laws. Accordingly, no provision for federal or state income taxes is required.

Uncertainty in income taxes -

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition. The Organization is no longer subject to examination by the applicable taxing jurisdictions for tax years prior to 2017.

The use of estimates in the preparation of financial statements -

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

Reclassifications -

Certain reclassifications of prior year balances on the Statements of Financial Position and Statements of Cash Flows have been made to conform to the current year presentation. These reclassifications had no effect on the increase in net assets for the year ended December 31, 2019.

(3) Fair value measurement:

The FASB *Fair Value Measurement* standard clarifies the definition of fair value for financial reporting, establishes framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Organization has adopted the standard for its financial assets and liabilities measured on a recurring and nonrecurring basis.

Fair Value Measurement defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reported entity has the ability to access at the measurement date.

FAMILY SERVICE LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The following table represents the Organization's fair value hierarchy for investments as of December 31, 2020:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate fixed income	\$ 5,766,229	\$ 5,766,229	\$ -	\$ -
Certificates of deposit	1,212,355	1,212,355	-	-
Mutual funds	343,053	343,053		
Common stock	<u>7</u>	<u>7</u>	-	-
Total investments	<u>\$ 7,321,644</u>	<u>\$ 7,321,644</u>	<u>\$ -</u>	<u>\$ -</u>

The following table represents the Organization's fair value hierarchy for investments as of December 31, 2019:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate fixed income	\$ 5,160,434	\$ 5,160,434	\$ -	\$ -
Certificates of deposit	1,147,651	1,147,651	-	-
Mutual funds	299,283	299,283	-	-
Common stock	<u>54</u>	<u>54</u>	-	-
Total investments	<u>\$ 6,607,422</u>	<u>\$ 6,607,422</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2020 and 2019, the Organization did not possess any level 2 or 3 type of investments.

(4) Land, buildings and equipment:

Land, buildings and equipment as of December 31, 2020 and 2019 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 2,144,455	\$ 2,144,455
Buildings and building improvements	10,779,029	10,767,144
Construction-in-progress	6,545,764	5,348,716
Office furniture and equipment	1,205,000	1,205,000
Vehicles	<u>2,230,431</u>	<u>2,128,724</u>
	22,904,679	21,594,039
Less: accumulated depreciation	<u>(8,187,534)</u>	<u>(7,237,293)</u>
	<u>\$ 14,717,145</u>	<u>\$ 14,356,746</u>

Depreciation expense amounted to \$950,241 and \$828,290 in 2020 and 2019, respectively.

FAMILY SERVICE LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(5) Line of credit:

The Organization has a line of credit agreement with a bank through June 1, 2021, which provides for maximum borrowings of \$2,000,000. Borrowings under this line bear interest at LIBOR plus 1.8% and are secured by a security interest and lien in a certain securities account of the Organization. As of December 31, 2020 and 2019, there were no outstanding borrowings under this line.

(6) Mortgage note payable:

On December 17, 2008, the Organization acquired land and a building located in Huntington, New York under a contractual agreement with the New York State Homeless Housing and Assistance Corporation ("HHAC"). HHAC has committed total funding in the amount of \$489,640, of which \$420,000 was advanced as of December 31, 2009 to acquire the land and building. In connection therewith, the Organization incurred a 25 year mortgage note, secured by the land and building. The note will be completely forgiven at the end of the 25 year period, provided the Organization complies with the terms and conditions of the agreement.

Effective beginning January 1, 2019, in accordance with FASB Accounting Standards Update ("ASU") 2018-08, the Organization no longer recognizes amortized revenue for this property.

(7) Bonds payable:

On June 28, 2012, the Suffolk County Economic Development Corporation issued Revenue Bonds in the aggregate principal amounts of \$6,285,000 of tax-exempt bonds, and \$487,000 of taxable bonds on behalf of the Family Service League, Inc. for the purposes described below:

(A) Tax-Exempt Revenue Refunding Bonds in the amount of \$4,995,000 ("Series 2012A Bonds"), to provide funding for the purpose of refinancing the Organization's Civic Facility Revenue Bonds, Series 2004, issued by the Suffolk County Industrial Development Agency in the original aggregate principal amount of \$4,895,000 ("Series 2004 Bonds"), the proceeds of which were used to finance or refinance various real property acquisitions and renovations.

The net proceeds were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the Series 2004 Bonds are considered to be defeased, and the liability for those bonds has been removed from the Organization's financial statements. The Series 2012A Bonds bear interest at a rate equal to 65.5% of the sum of (i) the 30-Day LIBOR rate plus (ii) 2.5% and mature in 2034. The balance outstanding on the Series 2012A Bonds as of December 31, 2020 and 2019 was \$3,850,000 and \$3,995,000, respectively.

FAMILY SERVICE LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(B) Tax-Exempt Revenue Bonds in the amount of \$1,290,000 ("Series 2012B Bonds"), for the purpose of financing a portion of the costs of building renovations and equipment of the Organization, and a portion of the issuance costs of the Series 2012A Bonds, the Series 2012B Bonds and the Series 2012C Bonds. The Series 2012B Bonds bear interest at a rate equal to 65.5% of the sum of (i) the 30-Day LIBOR rate plus (ii) 2.5% and mature in 2042. The balance outstanding on the Series 2012B Bonds as of December 31, 2020 and 2019 was \$1,180,000 and \$1,220,000, respectively.

(C) Taxable Revenue Bonds in the amount of \$184,000 ("Series 2012C Bonds"), for the purpose of (1) refinancing a portion of the Series 2004 Bonds, the proceeds of which Series 2004 Bonds were used to finance the costs of a building; and (2) paying the redemption premiums in connection with such portion of the refunded bonds. The Series 2012C Bonds bear interest at the rate of 4.03% and mature in 2022. The balance outstanding on the Series 2012C Bonds as of December 31, 2020 and 2019 was \$35,000 and \$53,000, respectively.

On December 18, 2017, the Suffolk County Economic Development Corporation issued Revenue Bonds in the aggregate principal amounts of \$6,087,000 of tax-exempt bonds, and \$264,000 of taxable bonds on behalf of the Family Service League, Inc. for the purposes described below:

(A) Tax-Exempt Revenue Bonds in the amount of \$3,815,000 ("Series 2017A Bonds"), to provide funding for the purpose of financing various real property acquisitions and renovations. The Series 2017A Bonds bear interest at a rate of 3.32% and mature in 2042. The balance outstanding on the Series 2017A Bonds as of December 31, 2020 and 2019 was \$3,642,000 and \$3,758,000, respectively.

(B) Tax-Exempt Revenue Bonds in the amount of \$1,595,000 ("Series 2017B Bonds"), for the purpose of financing a portion of the costs of building renovations and equipment of the Organization, and a portion of the issuance costs of the Series 2017A Bonds. The Series 2017B Bonds bear interest at a rate of 3.32% and mature in 2042. The balance outstanding on the Series 2017B Bonds as of December 31, 2020 and 2019 was \$1,523,000 and \$1,571,000, respectively.

(C) Tax-Exempt Revenue Bonds in the amount of \$677,000 ("Series 2017C Bonds"), for the purpose financing a portion of the costs of building renovations and equipment of the Organization. The Series 2017C Bonds bear interest at the rate of 3.32% and mature in 2042. The balance outstanding on the Series 2017C Bonds as of December 31, 2020 and 2019 was \$627,000 and \$648,000, respectively.

(D) Taxable Revenue Bonds in the amount of \$264,000 ("Series 2017D Bonds"), for the cost of issuance of the Series 2017 Bonds and certain other costs. The Series 2017D Bonds bear interest at the rate of 4.53% and mature in 2022. The balance outstanding on the Series 2017D Bonds as of December 31, 2020 and 2019 was \$120,000 and \$172,000, respectively.

FAMILY SERVICE LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The Bonds are secured by a first priority mortgage lien on the Organization's real property and require annual principal repayments through 2042 as follows:

<u>Year Ending December 31,</u>	
2021	\$ 461,000
2022	462,000
2023	499,000
2024	509,000
2025	531,000
2026-2030	2,835,000
2031-2035	2,896,000
2036-2040	1,930,000
2041-2042	<u>854,000</u>
Subtotal	10,977,000
Less: bond issuance costs	<u>1,121,956</u>
Total	<u><u>\$ 9,855,044</u></u>

As of December 31, 2020 and 2019, bond issuance costs, net of amortization, totaling \$1,121,956 and \$1,171,388, respectively, are reflected as a direct deduction from bonds payable. Amortization expense of bond issuance costs as of December 31, 2020 and 2019 was \$49,432.

The respective bond agreements have various covenants with which the Organization must comply. The Organization has complied with all of the debt covenants as of December 31, 2020 and 2019.

In connection with certain bond issues discussed previously, the Organization entered into two interest rate exchange agreements (the "Swap Contracts") with a bank ("Swap Provider") for the purpose of converting the Organization's variable rate exposure relating to the Series 2012A and 2012B Bonds to a fixed rate. The Swap Contracts have initial notional amounts of \$4,995,000 and \$1,290,000, respectively. Under the terms of the Swap Contracts, the Organization will make fixed rate payments to the Swap Provider in an amount equal to 1.25% and 1.213%, respectively, per annum multiplied by the notional amount of each such Swap Contract, and the Organization will receive floating rate payments from the Swap Provider equal to the Swap Contract. The floating rate for each calculation period shall be calculated at 65.5% of 1-month USD-LIBOR. As of December 31, 2020 and 2019, the fair value of the interest rate swap was (\$108,285) and (\$30,345) respectively, which is included as an reduction, respectively, in other assets in the accompanying Statements of Financial Position. The change in fair value of the interest rate swap is included in other income in the accompanying Statements of Activities and Changes in Net Assets.

FAMILY SERVICE LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(8) Net assets with donor restrictions:

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

	<u>2020</u>	<u>2019</u>
Health and Wellness Campaign	\$ 1,882,414	\$ 1,638,734
Manorfield Donations	186,580	179,704
CAIR Relief Fund	145,480	2,655
Lockwood Donation - Preschool	121,900	110,555
Huntington Interfaith Housing Initiative	118,472	114,244
Capital Campaign	85,757	95,286
33 9th Ave	73,816	81,698
Community Behavioral Health	56,199	70,794
Kornreich Programs	53,964	149,501
DCM - American Red Cross	47,703	47,703
"Senior Net" contributions	46,538	43,014
C-Cat Program	40,634	38,148
William Floyd Family Center	32,146	-
Ellie Sammis Fund interest	31,134	29,818
Shelter Donations	30,869	59,480
Crisis Stabilization	22,100	22,100
Camp	15,666	34,353
Community School	13,106	10,860
Mattituck Fund	11,509	10,709
Direct Relief	10,904	10,904
Food Fund - Nature's Bounty	9,042	108
Back to School Campaign	7,295	6,236
Home Share	6,601	6,601
FEP Capital One Grant	6,065	25,000
Sunshine Foundation	5,396	-
LI Community Foundation Cleaning	2,976	-
Health Homes - Ewing Capostosto Philanthropy Fund	2,912	10,000
Debt Counseling Grants	1,440	1,440
Other	993	-
PSEG	-	50,000
Bryan Scott Lassman Sunshine Fund	-	3,333
	<u>\$ 3,069,611</u>	<u>\$ 2,852,978</u>

Restricted in perpetuity net assets are restricted to:

	<u>2020</u>	<u>2019</u>
Lockwood Family Foundation Fund	\$ 1,057,100	\$ 1,057,100
Campaign for the Future	226,891	226,891
Ellie Sammis Fund	79,548	79,548
Nichols donation	17,000	17,000
Preschool program endowment	7,000	7,000
	<u>\$ 1,387,539</u>	<u>\$ 1,387,539</u>

Restricted in perpetuity net assets relate to endowments to be maintained in perpetuity, the income from which is expendable to support general operations.

FAMILY SERVICE LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 applicable law requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2020 and 2019.

The Organization 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 protect the original value of the gift. In cases of endowment deficiencies, the Organization suspends all spending.

The Organization has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as allowing it to appropriate for expenditure or accumulate so much of an endowment fund as is determined prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets of a donor-restricted endowment fund shall be donor-restricted assets until appropriated by the Organization. The Organization classifies the original value of gifts donated to the endowment as net assets with donor restriction in perpetuity. The remaining portion of a donor restricted endowment fund is classified as net assets with donor restrictions until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA. Management has interpreted state law to permit prudent spending from underwater endowments.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(9) Pension plan:

The Organization maintains a defined contribution plan for employees who have completed one year of service, as defined in the plan. The plan is non-contributory, and employees are fully vested after three years of employment. The Organization makes quarterly contributions to the plan based on five percent of a participant's salary as defined. Total pension expense was \$928,124 and \$899,639 for the years ended December 31, 2020 and 2019, respectively.

(10) Business concentrations:

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. As of December 31, 2020 and 2019, cash and cash equivalents exceeding federally insured limits totaled \$8,837,307 and \$6,660,727, respectively.

The Organization does not have a material concentration of credit risk with respect to accounts receivable, due to the large number of government agencies and grantors comprising the Organization's contract and contributor base and their dispersion across different geographic areas.

FAMILY SERVICE LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(11) Commitments and contingencies:

Operating leases -

The Organization rents certain of its facilities on a month-to-month basis. In addition, the Organization has several noncancelable lease agreements for the use of facilities throughout Suffolk County, which expire at various dates through 2026.

The Organization also leases various office equipment under lease liabilities which expire at various dates through 2022.

As of December 31, 2020, maturities of the outstanding operating lease liabilities for the Organization are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 4,115,545
2022	4,065,898
2023	3,722,589
2024	3,685,572
2025	3,503,933
2026 and thereafter	<u>790,380</u>
Total	19,883,917
Discount to present value	<u>(336,752)</u>
	<u><u>\$ 19,547,165</u></u>

Contract considerations -

The Organization receives a substantial portion of its funding from contracts and grants which are subject to audit by government agencies. Such audits may result in disallowances and a request for a return of funds. It is the opinion of management that the effect of disallowances, if any, would be immaterial to the Organization's financial position.

Litigation -

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

FAMILY SERVICE LEAGUE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

COVID-19 -

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 has impacted various parts of its 2020 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. In connection therewith, the Organization applied for and received grants from various agencies. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

(12) Subsequent events:

The Organization has evaluated subsequent events through April 26, 2021, which is the date the financial statements were available to be issued. Based on this evaluation, the Organization has determined there are no matters which require disclosure in the financial statements.