

**FAMILY ENRICHMENT NETWORK, INC.
AND CONSOLIDATED AFFILIATE**

FINANCIAL STATEMENTS

**OCTOBER 31, 2019 AND 2018
AND FOR THE YEARS THEN ENDED**

FAMILY ENRICHMENT NETWORK, INC.
AND CONSOLIDATED AFFILIATE

OCTOBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Family Enrichment Network, Inc.
Johnson City, New York 13790

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Family Enrichment Network, Inc. (a nonprofit organization) and its affiliate, which comprise the consolidated statement of financial position as of October 31, 2019 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statement.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

YOUR PATH. YOUR FUTURE.

Davidson Fox & Company, LLP

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Family Enrichment Network, Inc. and its affiliate as of October 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance) and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Family Enrichment Network, Inc. (a nonprofit organization) and its affiliate's October 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2020, on our consideration of Family Enrichment Network, Inc. and its affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Family Enrichment Network, Inc. and its affiliate's internal control over financial reporting and compliance.

Davidson, Fox + Company, LLP

Binghamton, New York
June 9, 2020

**FAMILY ENRICHMENT NETWORK, INC.
AND CONSOLIDATED AFFILIATE**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
OCTOBER 31, 2019 AND 2018**

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 585,723	\$ 412,679
Grants receivable	1,224,951	795,892
Program service fees receivable	802,983	622,796
Inventory	<u>7,683</u>	<u>7,263</u>
TOTAL CURRENT ASSETS	<u>2,621,340</u>	<u>1,838,630</u>
PROPERTY AND EQUIPMENT		
Land	290,579	290,579
Buildings and improvements	4,387,564	4,044,552
Furniture and equipment	631,577	611,191
Vehicles	<u>1,216,274</u>	<u>1,012,773</u>
	6,525,994	5,959,095
Less: accumulated depreciation	<u>(3,188,452)</u>	<u>(2,964,806)</u>
TOTAL PROPERTY AND EQUIPMENT, net	<u>3,337,542</u>	<u>2,994,289</u>
OTHER ASSETS		
Investment in Southern Tier Connect	52,077	50,000
Intangible assets, net of accumulated amortization of \$7,076 and \$5,687	<u>6,808</u>	<u>8,198</u>
TOTAL OTHER ASSETS	<u>58,885</u>	<u>58,198</u>
	<u>\$ 6,017,767</u>	<u>\$ 4,891,117</u>

See accompanying notes to financial statements

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 146,543	\$ 140,666
Lines of credit	451,423	437,045
Accounts payable	289,858	268,431
Accrued expenses	483,077	446,233
Deferred revenue	<u>-</u>	<u>9,441</u>
TOTAL CURRENT LIABILITIES	<u>1,370,901</u>	<u>1,301,816</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	<u>160,117</u>	<u>305,659</u>
TOTAL LIABILITIES	<u>1,531,018</u>	<u>1,607,475</u>
NET ASSETS		
Without donor restrictions	<u>4,486,749</u>	<u>3,283,642</u>
	\$ <u>6,017,767</u>	\$ <u>4,891,117</u>

**FAMILY ENRICHMENT NETWORK, INC.
AND CONSOLIDATED AFFILIATE**

**CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED OCTOBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
SUPPORT AND REVENUE		
Government grants		
Head Start	\$ 4,446,557	\$ 3,857,671
Early Head Start	1,871,593	1,878,410
Child and Adult Food Grant - HS	417,798	381,044
Child and Adult Food Grant - Providers	522,535	479,712
Child Care Resource and Referral	496,747	503,994
New Pathways for Fathers	438,792	437,345
New York State grants	238,417	251,489
Housing and Support Services	242,585	-
Other	638,451	526,108
Program service revenue		
Universal Pre-Kindergarten		
Binghamton City Schools	309,400	309,000
Binghamton Special Education	50,000	55,200
Johnson City Schools	178,622	170,091
Union-Endicott Special Education	45,833	56,988
Special services	2,713,698	2,574,881
Other program fees	239,465	416,906
Contributions and fundraising	98,410	199,523
Interest income	874	304
In-kind contributions	231,383	229,314
	<u>13,181,160</u>	<u>12,327,980</u>
EXPENSES		
Program services	11,938,528	11,578,317
Support services	39,525	45,312
	<u>11,978,053</u>	<u>11,623,629</u>
CHANGE IN NET ASSETS	1,203,107	704,351
NET ASSETS, beginning of year	<u>3,283,642</u>	<u>2,579,291</u>
NET ASSETS, end of year	<u>\$ 4,486,749</u>	<u>\$ 3,283,642</u>

See accompanying notes to financial statements

**FAMILY ENRICHMENT NETWORK, INC.
AND CONSOLIDATED AFFILIATE**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED OCTOBER 31, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED OCTOBER 31, 2018**

	Program Services						
	Head Start	Early Head Start	CCR&R	CACFP	Special Services	Other Programs	Total Programs
(1) Salaries and wages	\$ 2,753,982	\$ 1,243,984	\$ 296,966	\$ 31,639	\$ 1,578,963	\$ 819,992	\$ 6,725,526
(2) Employee benefits and payroll expenses	543,103	259,624	84,203	33,306	337,275	260,236	1,517,747
(3) Specific assistance to individuals	2,458	-	3,913	411,353	127	52,302	470,153
(4) Supplies	107,482	43,500	2,862	347,606	25,641	87,594	614,685
(5) Telephone	11,570	3,343	879	31	1,158	4,834	21,815
(6) Postage and shipping	1,842	229	2,611	740	2,033	819	8,274
(7) Occupancy	187,000	47,946	5,228	1,130	14,933	9,594	265,831
(8) Equipment rental and maintenance	10,652	-	98	1,502	3,005	23,868	39,125
(9) Printing and publications	24,349	4,485	2,484	315	5,562	3,127	40,322
(10) Local travel	9,318	4,305	3,600	4,441	10,193	24,943	56,800
(11) Out-of-town travel	4,424	1,339	2,351	212	-	11,690	20,016
(12) Donations	-	-	-	-	-	97	97
(12) Contractual	33,548	13,038	11,589	1,202	112,958	85,064	257,399
(13) Insurance	38,541	7,019	2,939	321	2,945	845	52,610
(14) Recruitment and advertising	-	6,324	-	-	-	5,024	11,348
(15) Dues and memberships	-	-	3,177	215	-	363	3,755
(16) Parent fund	7,155	760	-	-	-	18,162	26,077
(17) Staff development	32,904	28,104	2,200	100	1,125	41,896	106,329
(18) Pupil transportation	80,171	26,073	-	-	-	2,754	108,998
(19) Field trips	1,802	182	-	-	-	-	1,984
(20) Bad debt expense	-	-	-	-	-	175	175
(21) Bank charges	-	-	-	-	1,867	43,911	45,778
(22) Employee recognition	-	-	-	-	-	213	213
(23) Legal and accounting	81	-	-	-	-	2,414	2,495
(24) Subtotal before non-cash expenditures	3,850,382	1,690,255	425,100	834,113	2,097,785	1,499,917	10,397,552
(25) In-kind expenditures	106,785	124,598	-	-	-	-	231,383
(26) Depreciation and amortization	84,163	36,946	9,292	18,232	45,854	32,786	227,274
(27) Subtotal	4,041,330	1,851,799	434,392	852,345	2,143,639	1,532,703	10,856,209
(28) Central administrative costs	375,804	167,944	56,373	11,766	262,128	208,304	1,082,319
(29) Total Expenses	\$ <u>4,417,134</u>	\$ <u>2,019,743</u>	\$ <u>490,765</u>	\$ <u>864,111</u>	\$ <u>2,405,767</u>	\$ <u>1,741,007</u>	\$ <u>11,938,528</u>

**FAMILY ENRICHMENT NETWORK, INC.
AND CONSOLIDATED AFFILIATE**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,203,107	\$ 704,351
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	227,236	232,875
Gain on disposal of property and equipment	-	-
Non-cash revenues	(2,077)	(50,000)
(Increase) decrease in		
Grants receivable	(429,059)	(259,900)
Program service fees receivable	(180,187)	(81,234)
Inventory	(420)	288
Prepaid expenses	-	4,483
Increase (decrease) in		
Accounts payable	21,427	(221,980)
Accrued expenses	36,844	167,944
Deferred revenue	(9,441)	9,441
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>867,430</u>	<u>506,268</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(569,099)</u>	<u>(156,162)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (payments) on lines of credit	14,378	(12,299)
Principal payments on long-term debt obligations	<u>(139,665)</u>	<u>(128,434)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(125,287)</u>	<u>(140,733)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	173,044	209,373
CASH AND CASH EQUIVALENTS, beginning of year	<u>412,679</u>	<u>203,306</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 585,723</u>	<u>\$ 412,679</u>

See accompanying notes to financial statements

**FAMILY ENRICHMENT NETWORK, INC.
AND CONSOLIDATED AFFILIATE**

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019 AND 2018
(See independent auditor's report)**

ORGANIZATION

Family Enrichment Network, Inc. (the Network) is a not-for-profit New York corporation organized for the primary purpose of providing supporting services for the optimal developmental, educational, emotional, and physical growth of children and families in the Southern Tier region of New York State. The Network strives to continuously improve the quality and efficiency of childcare and related family services to the community to insure the greatest value for its investment in child and parent development. The majority of the Network's programs are funded by government and private sector grants.

The Network's Management and Board of Directors formed The Child Development Council, Inc. (TCDC) as a not-for-profit corporation in August 2002. TCDC's primary purpose is to provide support services for the optimal development, educational, and physical growth of disabled children in the Southern Tier region of New York State. The programs of TCDC are primarily funded by New York State government sources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Network and TCDC. TCDC is consolidated since the Network has both an economic interest in and control of TCDC through a majority voting interest in its governing board. All material inter-organization transactions have been eliminated. The Network and TCDC are collectively referred to as the Entities.

Basis of Presentation

The financial statements presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, Not-for-Profit Entities, Presentation of Financial Statements. During 2018, the Organization adopted the provisions of Accounting Standards Update (ASU) 2016-14: Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the consolidated financial statements and notes about the Organization's liquidity, financial performance, and cash flows.

Basis of Accounting

Family Enrichment Network, Inc. uses the accrual method of accounting, recognizing revenues as earned and expenses as incurred, and conforms to standards of accounting and reporting appropriate to not-for-profit organizations. With the adoption of ASU 2016-14, the financial statements presentation of net assets has been modified, eliminating unrestricted, temporarily restricted, and permanently restricted classifications, and replacing them with the following.

Net assets without donor restrictions – Net assets without donor-imposed restrictions and are available for use at the discretion of the Board and/or management for general operating purposes.

Net assets with donor restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time, and/or purpose restrictions.

**FAMILY ENRICHMENT NETWORK, INC.
AND CONSOLIDATED AFFILIATE**

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019 AND 2018
(See independent auditor's report)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Entities consider all unrestricted cash on hand, deposits and securities with maturities of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Inventory

Inventory, consisting of program supplies and food, is valued at the lower of cost or market, on a first-in, first-out basis.

Property and Equipment

Property and equipment are stated at cost. Expenditures with costs exceeding \$5,000 for additions, renewals and betterments are capitalized; expenditures less than \$5,000 or for maintenance and repairs are charged to expense as incurred. Donated equipment is initially recorded at fair market value. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is included in income. Depreciation is computed on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Vehicles	5
Equipment	5 - 15
Building and improvements	5 - 30

The provision for depreciation was \$227,274 and \$232,875 as of October 31, 2019 and 2018, respectively.

Donated Goods, Services and Labor

Donations of materials, supplies, and services are recorded as contributions at their estimated fair values at date of donation. The donated materials, supplies and services benefitted the Head Start and Early Head Start programs and consisted of classroom supplies, educational materials, and equipment. In addition, special services have been provided through integrated classrooms whereby the salaries of special education teachers, teacher assistants, aides, therapists and other direct service staff are provided in-kind.

**FAMILY ENRICHMENT NETWORK, INC.
AND CONSOLIDATED AFFILIATE**

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019 AND 2018
(See independent auditor's report)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated services are recognized as contributions in accordance with generally accepted accounting principles, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The value of donated services and materials reported in the financial statements as in-kind contributions and corresponding in-kind expenses for years ended October 31, 2019 and 2018 was \$231,383 and \$229,314 respectively.

The Network also received donations of non-professional volunteer services valued at \$101,459 and \$141,494 during the year ended October 31, 2019 and 2018, respectively. This amount is not reportable for financial statement purposes, but is included in financial reports to federal agencies.

Revenue Recognition

Contributions received are recorded as with donor restrictions and without donor restrictions depending on the existence and/or nature of any donor restrictions.

Grant revenue is recorded as support in the year in which it is received by the Entities unless the grantor specifies that it is to be used in another year. In such case, the Entities record deferred revenue and do not recognize income until the time or purpose restrictions are met. During the current year, the Entities received grant monies to be expended for specific costs. The amounts expended are reflected in program functional expenses. When the grantor receives no direct or indirect benefit from making the grant, the transaction is referred to as non-reciprocal transfer of funds and is recorded as promises to give as explained above.

Program revenue is recorded in accordance with the corresponding contracts. Adjustments to these contracts can be made retroactively by the various funding agencies. Any such adjustments would be recorded by the Entities in the year of notification.

Functional Allocation of Expenses

The costs of providing program and supportive services have been summarized on a functional basis in the Statement of Activities and Functional Expenses. Accordingly, certain costs have been allocated among the programs and supportive services benefited.

Recruitment and Advertising Costs

The Entities expense recruitment and advertising production costs as they are incurred, and recruitment and advertising media and communication costs as the related advertising occurs. Recruitment and advertising expense was \$11,348 and \$3,463 for the years ended October 31, 2019 and 2018, respectively.

**FAMILY ENRICHMENT NETWORK, INC.
AND CONSOLIDATED AFFILIATE**

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019 AND 2018
(See independent auditor's report)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

The Entities are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Entities are not liable for Federal or New York State corporate income taxes, or for Federal unemployment insurance.

Subsequent Events

The Entities have evaluated events and transactions that have occurred between November 1, 2019 and June 9, 2020, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The spread of this virus to the United States caused the shutdown of various businesses by governmental decree. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Company expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

Reclassifications

Certain amounts from the 2018 financial statements have been reclassified to conform to the presentation for 2019. Net income as previously reported was not impacted by this reclassification.

Recently Issued Accounting Standards

On August 18, 2016, the FASB issued ASU 2016-14, Not-For-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures and reduces the complexity and increases understandability of net asset classifications. The Organization has adjusted the presentation of these statements accordingly and the ASU has been applied retrospectively. A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of October 31, 2018 follows:

As originally stated	
Unrestricted	\$ 3,283,642
As restated under ASU 2016-14	
Without donor restrictions	\$ 3,283,642

**FAMILY ENRICHMENT NETWORK, INC.
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**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019 AND 2018
(See independent auditor's report)**

NOTE 2 - ACCOUNTS RECEIVABLE

Grants receivable consisted of the following at October 31:

	<u>2019</u>	<u>2018</u>
CACFP Food Reimbursement – Head Start	\$ 50,915	\$ 43,911
CACFP Food Reimbursement – Providers	54,134	36,920
Child Care Referral & Resource	41,688	41,688
Courthouse	-	4,451
Infant Toddler Program	-	17,798
Head Start	471,333	364,483
Early Head Start	75,772	46,968
Fatherhood	12,163	22,337
ESG Grant	36,797	5,466
Broome County Summer Youth	36,209	-
Eat, Play, Grow	-	17,000
Community Habilitation Grant	-	23,057
NOEP	16,572	33,289
NYS Office of Children & Family Services – Kinship Care	28,602	13,185
NYS Office for People with Developmental Disabilities	-	75,517
NYS Homeless Housing Assistance Program	242,585	-
NYS Office of Children & Family Services – WIC	24,743	-
Other grant awards	<u>133,438</u>	<u>49,822</u>
Total	\$ <u>1,224,951</u>	\$ <u>795,892</u>

Program service fees receivable consisted of the following at October 31:

	<u>2019</u>	<u>2018</u>
Binghamton City Schools – UPK	\$ 61,800	\$ 61,800
Johnson City Schools – UPK	35,724	17,862
Special Services	<u>705,459</u>	<u>543,134</u>
Total	\$ <u>802,983</u>	\$ <u>622,796</u>

NOTE 3 – INVESTMENT IN SOUTHERN TIER CONNECT

In October 2018, the Entities agreed to contribute \$50,000 of Medicaid Service Coordination revenue due to them in exchange for a 1% ownership interest in Southern Tier Connect, LLC. Southern Tier Connect, LLC is organized and operated under section 501(c)(3) of the Internal Revenue Code. An officer of the Entities is also a member of the board of directors of Southern Tier Connect, LLC. This investment has been accounted for under the cost method of accounting for investments.

As of October 31, 2019 and 2018, Southern Tier Connect, LLC had assets of \$2,330,076 and \$1,477,115 and liabilities of \$259,659 and \$98,564, respectively (unaudited).

**FAMILY ENRICHMENT NETWORK, INC.
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**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019 AND 2018
(See independent auditor's report)**

NOTE 4 - LINES OF CREDIT

The Entities have a \$600,000 line of credit with a local lending institution. Interest on outstanding borrowings is payable monthly at prime plus 0.50% (prime was 5.00% October 31, 2019), and are collateralized by substantially all assets of the Entities. Borrowings against this line totaled \$425,594 at both October 31, 2019 and 2018.

The Entities have a \$50,000, unsecured line of credit with a local lending institution. Interest is payable monthly at prime plus 0.50% (prime was 5.00% at October 31, 2019). Borrowings against this line totaled \$25,892 and \$11,451 at October 31, 2019 and 2018, respectively.

NOTE 5 - LONG-TERM DEBT

Long-term debt consisted of the following at October 31:

	<u>2019</u>	<u>2018</u>
Mortgage payable to a local lending institution in 120 monthly installments of \$10,483, including interest at 6.3%, through January 2021.	\$ 141,041	\$ 253,881
Note payable to a local lending institution, in the original amount of \$87,000, in 120 monthly installments of \$919, including interest at 4.85%, through June 2022.	32,903	42,276
Note payable to a local lending institution, in the original amount of \$15,150, in 60 monthly installments of \$265, including interest at 1.89%, through November 2019.	314	3,212
Note payable to a local lending institution, in the original amount of \$40,000, in 120 monthly installments of \$420, including interest at 4.69%, through August 2025.	25,602	29,323
Note payable to a local lending institution, in the original amount of \$97,000, in 120 monthly installments of \$1,168, including interest at 5.73%, through December 2027.	83,782	91,483
Note payable to a local lending institution, in the original amount of \$34,400, in 120 monthly installments of \$368, including interest at 5.17%, through November 2025.	<u>23,018</u>	<u>26,150</u>
Subtotal	306,660	446,325
Less: current portion	<u>(146,543)</u>	<u>(140,666)</u>
Long-term debt	\$ <u>160,117</u>	\$ <u>305,659</u>

**FAMILY ENRICHMENT NETWORK, INC.
AND CONSOLIDATED AFFILIATE**

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019 AND 2018
(See independent auditor's report)**

NOTE 5 - LONG-TERM DEBT (Continued)

All of the borrowings listed above are collateralized by all of the assets of the Entities.

Maturities of long-term debt are as follows for years ending October 31:

2020	\$ 146,543
2021	47,083
2022	29,838
2023	18,233
2024	19,234
Thereafter	<u>45,729</u>
Total	\$ <u>306,660</u>

The Entities' loan and lines of credit agreements contain various restrictions and covenants. For the year ended October 31, 2019, the Entities were in compliance with all covenants and restrictions, with the exception of delivery of audited financial statements within 90 days of year end.

NOTE 6 - LEASE COMMITMENTS

Operating Leases – Entities as Lessee

The Entities paid \$82,202 and \$80,202 for various month-to-month leases during the years ended October 31, 2019 and 2018, respectively

Operating Leases – Entities as Lessor

The Network owns three residential homes in Johnson City, New York which it leases under various programs and arrangements, utilizing short term lease agreements. Total rental income received during the years ended October 31, 2019 and 2018 amounted to \$38,097 and \$42,505, respectively, and is included in "Other program fees" in the accompanying Statements of Activities.

NOTE 7 - CONTINGENCIES

The Entities receives the majority of their revenues from government grants and awards. The ultimate determination of amounts received under these programs, generally, is based upon allowable costs reported to and audited by the government agencies. Until such audits occur and final settlements reached, there exists a contingency to refund any amount received in excess of allowable costs.

**FAMILY ENRICHMENT NETWORK, INC.
AND CONSOLIDATED AFFILIATE**

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019 AND 2018
(See independent auditor's report)**

NOTE 8 – CONCENTRATIONS

Revenues

The Entities realized approximately 55% and 54% of their revenues from United States Department of Health and Human Services for both of the years ended October 31, 2019 and 2018.

Credit Risk

The Entities maintain cash balances at financial institutions located in Binghamton, New York. The balances were insured by Federal Deposit Insurance Coverage (FDIC) up to \$250,000 as of October 31, 2019 and 2018. At October 31, 2019 and 2018, the Entities had uninsured cash balances of \$302,017 and \$238,688 respectively. To date, the Entities have not experienced any losses due to uninsured cash balances.

NOTE 9 - EMPLOYEE BENEFIT PLANS

The Entities have adopted the following employee benefit plans for the benefit of all employees:

A. Flex Benefit

1. Premium Conversion – Under this component, employees' contributions for their share of health insurance premiums are deducted prior to the application of federal and state employment taxes.
2. Spending Accounts – Under this component, employees determine an amount of pre-tax money to be used to pay for medical expenses that the Entities' insurance does not cover, e.g., deductible amounts, or to pay for dependent care expenses.

B. Defined Contribution Plan

The following description of Family Enrichment Network 401(k) Retirement Savings Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

The Plan is a defined contribution profit sharing plan under Section 401(k) of the Internal Revenue Code that was established on November 1, 1993 for the purpose of providing retirement benefits for eligible employees of Entities. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Employees are eligible to participate in the Plan's salary deferral option when they reach the age of 21 and have been employed with the Entities for three months. The Plan allows participants to defer up to 100% of their eligible compensation, but participants are limited to the annual threshold set by the Internal Revenue Service. The Entities match 100% of each participant's deferral, up to a maximum of 2% of compensation. As of November 1, 2006, participants have the option of making Roth elective deferrals.

**FAMILY ENRICHMENT NETWORK, INC.
AND CONSOLIDATED AFFILIATE**

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2019 AND 2018

(See independent auditor's report)

NOTE 9 - EMPLOYEE BENEFIT PLANS (Continued)

Each participant's account is credited with the participant's contribution and allocation of (a) the Entities' contributions, (b) Plan earnings, and (c) forfeitures of terminated participants' non-vested accounts. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account. The Plan is a participant-directed Plan. Participants are immediately vested in their voluntary contributions. There is a six year graded vesting schedule with regard to the Entities' contributions of 20% vesting after two years of service, and an additional 20% vesting for each additional year of service. In addition, a participant's account balance will become fully vested upon reaching retirement age, becoming disabled or dying while employed by the Entities. Normal retirement age is 60.

Upon termination of employment, participants may receive all or part of their vested account balance paid at any time. If the value of the participant's vested interest is \$5,000 or less, the value is automatically distributed to the participant in a lump-sum amount. Active participants may receive a portion of their vested accounts once they reach age 60. Required minimum distributions are made once a participant reaches age 70½. Additionally, active participants may make hardship withdrawals to satisfy financial hardships as specified in the Plan document. Forfeited, non-vested accounts are retained in the Plan and are first used to pay administrative expenses. The remaining forfeitures shall be allocated to participants' accounts and used to reduce the contribution of the employer.

For the year ended October 31, 2019 and 2018, the Board of Directors authorized a matching contribution of up to 2% of employees' eligible compensation resulting in contributions totaling \$51,058 and \$52,650 for program services employees and \$7,392 and \$7,660 for administrative employees, respectively.

NOTE 10 - RELATED PARTY TRANSACTIONS

During the years ending October 31, 2019 and 2018, the Entities had deposits on hand and outstanding loans with a local banking institution for which a member of the Board of the Directors is employed. Interest paid to the financial institution totaled \$48,104 and \$53,550 for the years ended October 31, 2019 and 2018, respectively.

The Network leases residential housing to two current employees, at fair market rental rates. During the years ending October 31, 2019 and 2018, these employees paid a total of \$11,097 and \$14,590 in rents to the Network, respectively.

**FAMILY ENRICHMENT NETWORK, INC.
AND CONSOLIDATED AFFILIATE**

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019 AND 2018
(See independent auditor's report)**

NOTE 11 - SUPPLEMENTAL CASH FLOW DISCLOSURES

	<u>2019</u>	<u>2018</u>
Acquisition of property and equipment with long term debt (non-cash)	\$ <u> -</u>	\$ <u> 97,000</u>
Cash paid for interest	\$ <u> 48,104</u>	\$ <u> 53,550</u>
Donated property and equipment	\$ <u> -</u>	\$ <u> 85,497</u>

No income taxes were paid during the years ended October 31, 2019 and 2018.

NOTE 12- LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Family Enrichment Network, Inc.'s financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows as of October 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 585,723	\$ 412,679
Grants receivable	1,224,951	795,892
Program service fees receivable	<u>802,983</u>	<u>622,796</u>
Financial assets available to meet cash needs for general expenditure within one year	\$ <u>2,613,657</u>	\$ <u>1,831,367</u>

As part of the Organization's liquidity plan, total lines of credit with \$600,000 available for borrowing are maintained.

NOTE 13 - PROGRAM DESCRIPTIONS

Head Start and Early Head Start

The Head Start program provides comprehensive early childhood development services to economically disadvantaged preschool children, children with disabilities and their families. The targeted areas served by the programs include the City of Binghamton, the Villages of Johnson City and Kirkwood, the Towns of Binghamton, Conklin and Kirkwood, and Tioga County. All areas are within New York State.

The Head Start program provisions allow obligated expenditures to be liquidated within 90 days of the end of the program year. While allowable under the contract/agreement, such items are not includable for purposes of financial statement presentation in accordance with generally accepted accounting principles. In addition, program expenditures for contract purposes include items that are properly recorded as prepayments and/or capitalized as property and equipment additions for financial statement purposes.

**FAMILY ENRICHMENT NETWORK, INC.
AND CONSOLIDATED AFFILIATE**

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019 AND 2018
(See independent auditor's report)**

NOTE 13 - PROGRAM DESCRIPTIONS (Continued)

Early Head Start (EHS) offers a center base, full day early childhood program for families with children six weeks to three years of age. Services include programming in health, nutrition, early education, special services, and family and community partnership. Transportation and meals are provided; income eligibility and age guidelines apply. Early Head Start was launched in 1995 to provide comprehensive child and family development services for low-income pregnant women and families with infants and toddlers ages birth to three years. Early Head Start (EHS) programs were established to provide early, continuous, intensive, and comprehensive child development and family support services on a year-round basis. The purpose of the program is to enhance children's physical, social, emotional, and intellectual development; to support parents' efforts to fulfill their parental roles; and to help parents move toward self-sufficiency.

The following reconciles amounts reported in the financial statements with those reported to the Department of Health and Human Services (via Form SF-425) for Broome County:

Functional expenses before in-kind expenditures, depreciation, and allocated central administrative expense per Statement of Functional Expenses from Broome County Head Start and EHS	\$ 4,148,924
Expenses allocated to central administrative expense required to be reported for Head Start compliance from Broome County Head Start and EHS	406,064
Capital expenditures for Broome County Head Start/EHS	<u>233,765</u>
Program expenses before in-kind expenditures and depreciation per Schedule of Expenditures of Federal Awards for Broome County Head Start and EHS	\$ 4,788,753
In-kind expenditures: labor (including Non-GAAP volunteers)	149,147
In-kind expenditures: goods and services	1,253
Local match	<u>1,062,514</u>
Total in-kind expenditures and match	<u>1,212,914</u>
Reported on 425 – total outlays Broome County Programs	\$ <u>6,001,667</u>

**FAMILY ENRICHMENT NETWORK, INC.
AND CONSOLIDATED AFFILIATE**

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019 AND 2018
(See independent auditor's report)**

NOTE 13 - PROGRAM DESCRIPTIONS (Continued)

The following reconciles amounts reported in the financial statements with those reported to the Department of Health and Human Services (via Form SF-425) for Tioga County:

Functional expenses before in-kind expenditures, depreciation, and allocated central administrative expense per Statement of Functional Expenses from Tioga County Head Start and EHS	\$ 1,391,713
Expenses allocated to central administrative expense required to be reported for Head Start compliance from Tioga County Head Start and EHS	<u>137,684</u>
Program expenses before in-kind expenditures and depreciation per Schedule of Expenditures of Federal Awards for Tioga County Head Start and EHS	\$ 1,529,397
In-kind expenditures: labor (including Non-GAAP volunteers)	6,737
In-kind expenditures: goods and services	<u>351,575</u>
Total in-kind expenditures and match	<u>358,312</u>
Total program expenditures November 1, 2018- October 31, 2019	1,887,709
Add: program expenditures November 1, 2019 – December 31, 2019 (unaudited)	74,047
Less: program expenditures November 1, 2018- December 31, 2018	<u>(173,187)</u>
Reported on 425 – total outlays for Tioga County programs for period from January 1, 2018 – December 31, 2018	\$ <u>1,788,569</u>

Child Care Resource and Referral (CCR&R)

Child Care Resource and Referral (CCR&R) provides in-depth information on childcare options and community resources are made available to families in Broome and Tioga Counties. Technical assistance, training and support are offered to caregivers and follow-up is conducted on all childcare referrals. Also, childcare data is collected to ascertain whether childcare needs of all communities are being met.

**FAMILY ENRICHMENT NETWORK, INC.
AND CONSOLIDATED AFFILIATE**

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019 AND 2018
(See independent auditor's report)**

NOTE 13 - PROGRAM DESCRIPTIONS (Continued)

Child and Adult Care Food Program (CACFP)

The Child and Adult Care Food Program provides nutritional training and reimbursement of food costs to registered/licensed family childcare providers service U.S. Department of Agriculture approved means to children in their care.

Special Services

The special services program provides support services for the educational, emotional and physical growth and development of disabled children.

All Other Programs

The Entities have contracted with numerous agencies to provide services, conduct research, and perform seminars relating to childcare and family issues. These agencies include the State of New York, Broome County, Cortland County, Chenango County, Delaware County, Tioga County, Binghamton City School District, Johnson City School District, Union Endicott School District, Cortland School District, United Health Services, Etna, and STAR Group. Any program and administrative expenses not covered by grants and contractual agreements are covered by the Entities themselves.

**FAMILY ENRICHMENT NETWORK, INC.
AND CONSOLIDATED AFFILIATE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED OCTOBER 31, 2019**

<u>Funding Source/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor Number</u>	<u>Expenditures of Federal Funds</u>
U.S. Department of Agriculture			
Passed through NYS Department of Health			
Child and Adult Care Food Program - HS	10.558	2005	\$ 382,290
Child and Adult Care Food Program - Providers	10.558	2006	473,457
Passed through NYS Education Department			
Summer Food Program	10.558	030200880173	7,562
Sub-total CFDA 10.558			<u>863,309</u>
Passed through Hunger Solutions New York			
Nutrition Outreach and Education Program	10.561	C021045	74,817
Special Supplemental Nutrition Program for Women, Infants, and Children	10.578		56,165
U.S. Department of Health and Human Services			
Direct awards:			
New Pathways for Fathers	93.086		439,083
Head Start	93.600		6,325,898
Passed through NYS Department of Social Services			
Child Care and Development Block Grant	93.575	C026632	466,059
U.S. Department of Housing and Urban Development			
Passed through City of Binghamton			
Emergency Solutions Grant	14.231	FY 41	<u>80,440</u>
TOTAL FEDERAL EXPENDITURES			\$ <u><u>8,305,771</u></u>

See accompanying notes to schedule of expenditures of federal awards

**FAMILY ENRICHMENT NETWORK, INC.
AND CONSOLIDATED AFFILIATE**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED OCTOBER 31, 2019**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Family Enrichment Network, Inc. and its affiliate is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

NOTE 2 - SUBRECIPIENTS

There were no pass-through amounts to subrecipients associated with the programs appearing in the accompanying schedule of expenditures of federal awards.

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

Independent Auditor's Report

To the Board of Directors
Family Enrichment Network, Inc.
Johnson City, New York 13790

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Family Enrichment Network, Inc. and its affiliate (the organization), which comprise the statement of financial position as of October 31, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 9, 2020.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Davidson, Fox + Company, LLP

Binghamton, New York
June 9, 2020

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE UNIFORM GUIDANCE**

Independent Auditor's Report

To the Board of Directors
Family Enrichment Network, Inc.
Johnson City, New York 13790

Report on Compliance for Each Major Federal Program

We have audited the compliance of Family Enrichment Network, Inc. and its affiliate with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Family Enrichment Network's major federal programs for the year ended October 31, 2019. Family Enrichment Network, Inc. and its affiliate's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

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

We believe that our compliance audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Family Enrichment Network, Inc. and its affiliate's compliance.

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE UNIFORM GUIDANCE**

(Continued)

Opinion on Each Major Federal Program

In our opinion, Family Enrichment Network, Inc. and its affiliate complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended October 31, 2019.

Report on Internal Control over Compliance

The management of Family Enrichment Network, Inc. and its affiliate is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Family Enrichment Network, Inc. and its affiliate's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Family Enrichment Network, Inc. and its affiliate's internal control over compliance.

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

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

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

Davidson, Fox & Company, LLP

Binghamton, New York
June 9, 2020

**FAMILY ENRICHMENT NETWORK, INC.
AND CONSOLIDATED AFFILIATE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2019**

I. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Family Enrichment Network, Inc. and Consolidated Affiliate.
2. There were no significant deficiencies disclosed during the audit of the financial statements as reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Family Enrichment Network, Inc. were disclosed during the audit.
4. The auditors' report on compliance for the major federal award programs for Family Enrichment Network, Inc. and Consolidated Affiliate expresses an unmodified opinion.
5. Audit findings that are required to be reported in accordance with Section the Uniform Guidance are reported in this schedule.
6. The programs tested as major programs included:
 - Department of Health & Human Services, Head Start: CFDA #93.600
 - Department of Health & Human Services, New Pathways for Fathers: CFDA #93.086
7. The threshold for distinguishing Types A and B programs was \$750,000.
8. Family Enrichment Network, Inc. and Consolidated Affiliate were determined to be a low-risk auditee.

II. FINANCIAL STATEMENT FINDINGS – CURRENT YEAR

None noted.

III. FINANCIAL STATEMENT FINDINGS – PRIOR YEAR

None noted.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CURRENT YEAR

None noted.

IV. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - PRIOR YEAR

None noted.

THE CHILD DEVELOPMENT COUNCIL, INC.

JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Child Development Council, Inc.
Johnson City, New York

We have audited the accompanying financial statements of The Child Development Council, Inc. (the Organization) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

YOUR PATH. YOUR FUTURE.

Davidson Fox & Company, LLP

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Child Development Council, Inc. as of June 30, 2019 and 2018, 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.

Davidson, Fox + Company, LLP

Binghamton, New York
January 17, 2020