



Formerly Queens Child Guidance Center
THE childcenter of ny
Nurturing Children. Strengthening Families.

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QUEENS CHILD GUIDANCE CENTER, INC.
FINANCIAL STATEMENTS
AS OF JUNE 30, 2006 AND 2005
TOGETHER WITH AUDITORS' REPORT

QUEENS CHILD GUIDANCE CENTER, INC.
FINANCIAL STATEMENTS AND AUDITORS' REPORT
AS OF JUNE 30, 2006 AND 2005

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Callaghan Nawrocki LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors of
Queens Child Guidance Center, Inc.:

We have audited the accompanying statements of financial position of Queens Child Guidance Center, Inc. (the "Organization") as of June 30, 2006 and 2005, and the related statements of activities and changes in net deficit, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior-year summarized comparative information has been derived from the Organization's June 30, 2005 financial statements and, in our report dated March 6, 2006, we expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Queens Child Guidance Center, Inc. as of June 30, 2006 and 2005 and the results of its activities and changes in net deficit and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2006, on our consideration of Queens Child Guidance Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants as of June 30, 2006 and for the year then ended. 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* and should be read in conjunction with this report in considering the results of our audit.

Melville, New York
November 21, 2006

Callaghan Nawrocki

QUEENS CHILD GUIDANCE CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2006 AND 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 97,499	\$ 181,891
Patient accounts receivable, net	262,187	1,235,947
Contracts and grants receivable	2,795,068	1,621,306
Other accounts receivable	57,315	154,318
Prepaid expenses	38,589	21,972
	<hr/>	<hr/>
Total current assets	3,250,658	3,215,434
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization of \$1,555,717 and \$1,509,502, respectively	455,563	221,308
SECURITY DEPOSITS	196,819	147,561
	<hr/>	<hr/>
Total assets	<u>\$ 3,903,040</u>	<u>\$ 3,584,303</u>
<u>LIABILITIES AND NET DEFICIT</u>		
CURRENT LIABILITIES:		
Note payable	\$ 150,000	\$ 150,000
Accounts payable and accrued expenses	1,762,059	1,179,960
Grant advancements	-	102,010
Accrued compensation	147,965	491,161
Due to governmental agencies	852,424	394,444
	<hr/>	<hr/>
Total current liabilities	2,912,448	2,317,575
DUE TO GOVERNMENTAL AGENCIES - NONCURRENT	2,151,920	2,569,262
	<hr/>	<hr/>
Total liabilities	5,064,368	4,886,837
NET ASSETS (DEFICIT):		
Unrestricted	(2,003,769)	(1,496,579)
Temporarily restricted	842,441	194,045
	<hr/>	<hr/>
Total net deficit	(1,161,328)	(1,302,534)
Total liabilities and net deficit	<u>\$ 3,903,040</u>	<u>\$ 3,584,303</u>

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

QUEENS CHILD GUIDANCE CENTER, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET DEFICIT
FOR THE YEAR ENDED JUNE 30, 2006
(With Comparative Totals For 2005)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2006</u>	<u>2005</u>
REVENUES:				
Contract and grant services	\$10,849,000	\$ -	\$10,849,000	\$ 9,019,534
Patient services, net	7,938,910	-	7,938,910	7,297,298
Contributions	1,114,869	648,396	1,763,265	836,510
Inkind contributions	225,855	-	225,855	548,689
Fundraising, net of direct expenses of \$183,091 and \$147,623, respectively	296,388	-	296,388	195,332
Other	25,751	-	25,751	44,540
Total revenues	<u>20,450,773</u>	<u>648,396</u>	<u>21,099,169</u>	<u>17,941,903</u>
EXPENSES:				
Program services	18,730,767	-	18,730,767	16,217,853
Supporting services	2,180,981	-	2,180,981	1,595,168
Total expenses	<u>20,911,748</u>	<u>-</u>	<u>20,911,748</u>	<u>17,813,021</u>
Excess (deficiency) of revenues over (under) expenses	(460,975)	648,396	187,421	128,882
DEPRECIATION AND AMORTIZATION	<u>46,215</u>	<u>-</u>	<u>46,215</u>	<u>92,872</u>
Change in net assets	(507,190)	648,396	141,206	36,010
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(1,496,579)</u>	<u>194,045</u>	<u>(1,302,534)</u>	<u>(1,338,544)</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$(2,003,769)</u>	<u>\$ 842,441</u>	<u>\$(1,161,328)</u>	<u>\$(1,302,534)</u>

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

QUEENS CHILD GUIDANCE CENTER, INC.
STATEMENTS OF CASH FLOWS (INDIRECT METHOD)
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 141,206	\$ 36,010
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	46,215	92,872
Decrease in patient accounts receivable, net	973,760	148,693
Increase in contracts and grants receivable	(1,173,762)	(331,468)
(Increase) decrease in other accounts receivable	97,003	(35,120)
Increase in prepaid expenses	(16,617)	(154)
Increase in security deposits	(49,258)	(38,632)
Increase in accounts payable and accrued expenses	582,099	207,823
Increase (decrease) in grant advancements	(102,010)	102,010
Increase (decrease) in accrued compensation	(343,196)	62,613
Increase (decrease) in due to governmental agencies	40,638	(474,874)
	<u>196,078</u>	<u>(230,227)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(280,470)</u>	<u>(108,808)</u>
	<u>(280,470)</u>	<u>(108,808)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in note payable	<u>-</u>	<u>150,000</u>
	<u>-</u>	<u>150,000</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(84,392)	(189,035)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>181,891</u>	<u>370,926</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 97,499</u>	<u>\$ 181,891</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 198,228</u>	<u>\$ 7,326</u>

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

QUEENS CHILD GUIDANCE CENTER, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006
(With Comparative Totals For 2005)

	Program Services	Supporting Services		Totals	
		Administration and General	Fundraising and Development	2006	2005
Salaries and wages	\$ 11,043,098	\$ 767,482	\$ 110,844	\$ 11,921,424	\$ 11,185,843
Payroll taxes and fringe benefits	3,158,358	221,172	35,429	3,414,959	3,289,709
Consultants	1,252,486	37,376	53,253	1,343,115	645,438
Rent	1,226,730	58,895	-	1,285,625	1,211,561
Bad debts	-	675,933	-	675,933	-
Repairs and maintenance	379,997	7,303	2,284	389,584	179,840
Consumable supplies	302,068	19,111	2,119	323,298	202,460
Telephone	192,188	32,644	480	225,312	174,945
Interest expense	195,128	3,100	-	198,228	7,326
Other	164,178	6,768	6,872	177,818	56,117
Cleaning	154,102	11,337	2,970	168,409	120,453
Inkind - OTPS	149,942	-	-	149,942	144,464
Utilities	119,870	6,911	-	126,781	110,758
Travel and conferences	85,768	6,581	9,577	101,926	66,218
Insurance	83,420	15,593	-	99,013	87,503
Charges and fees	73,230	1,574	2,929	77,733	89,979
Professional fees	55,251	5,632	-	60,883	65,284
Staff training	45,313	6,440	-	51,753	29,621
Other contracted services	1,600	38,209	-	39,809	28,715
Postage	10,614	9,909	624	21,147	20,869
Dues and subscriptions	1,404	16,372	395	18,171	15,961
Recruitment	16,792	199	199	17,190	45,367
Laboratory fees	12,698	-	-	12,698	4,870
Printing	6,532	1,030	655	8,217	18,555
Community relations	-	1,815	965	2,780	11,165
Subtotal	18,730,767	1,951,386	229,595	20,911,748	17,813,021
Depreciation and amortization	27,188	19,027	-	46,215	92,872
Total expenses	\$ 18,757,955	\$ 1,970,413	\$ 229,595	\$ 20,957,963	\$ 17,905,893

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

QUEENS CHILD GUIDANCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

1. **Nature of activities**

Queens Child Guidance Center, Inc. (the "Organization") is a nonprofit children's agency whose mission is to promote the emotional well-being of children and families. The Organization offers preventative therapy and crisis intervention to families coping with child abuse, broken home life, underachievement in school, parental drug addiction and other emotional and educational problems that destabilize families. All of the Organization's efforts are community-based and geared toward helping urban children and families empower themselves.

The Organization receives substantial support from the New York City Department of Mental Health, Mental Retardation and Alcoholism Services, the Administration for Children's Services and the Department of Youth and Community Development. The Organization is obligated under the terms of the contracts to comply with specified conditions and program requirements set forth by the grantor.

2. **Summary of significant accounting policies:**

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

Financial statement presentation -

The Organization presents its financial statements in accordance with Statement of Financial Accounting Standards ("SFAS") No. 117, Financial Statements of Not-For-Profit Organizations. SFAS No. 117 requires that the Organization's financial statements distinguish between unrestricted, temporarily restricted and permanently restricted net assets and changes in net assets, depending on the existence and/or nature of any donor restrictions. The Organization's net assets consist of the following:

Unrestricted - 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.

Temporarily restricted - net assets of the Organization which have been limited by donor-imposed stipulations or by law that either expire with the passage of time or can be fulfilled and removed by the actions of the Organization pursuant to those stipulations.

All donor-restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Revenue and expense recognition -

Revenue from government contracts and grants designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Contracts and grant awards for the acquisition of long-lived assets are reported as unrestricted nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired.

Patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. Self-pay revenue is recorded at published charges with charitable allowances deducted to arrive at net self-pay revenue. All other patient services revenue are recorded at published charges with contractual allowances deducted to arrive at patient services revenue, net.

Contributions are recognized as income when received and are considered to be available for unrestricted use unless specifically restricted by the donor. Revenues under contracts for service are generally recognized as earned and expenses are recognized when incurred. Contract advances arise from payments received under agreements for service prior to revenue recognition.

Cash and cash equivalents -

All highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents for financial statement purposes.

Donated goods and services -

A number of volunteers have donated significant amounts of their time in the Organization's program services, administration and fundraising campaigns. Similarly, tangible materials, such as books and toys are also donated to the Organization. However, since these goods and services do not meet the criteria for recognition under accounting principles generally accepted in the United States of America, they are not reflected in the accompanying financial statements.

Property and equipment -

Property and equipment are recorded at cost. Depreciation and amortization of furniture and equipment are recorded on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 10 years. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvement or the term of the lease, whichever is less.

Income taxes -

The Organization was incorporated as a not-for-profit corporation under the laws of the State of New York and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, there is no provision for income taxes.

The use of estimates in the preparation of financial statements -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Statements of functional expenses -

The statements of functional expenses include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2005, from which the summarized information was derived.

Reclassifications -

Certain reclassifications of prior year balances have been made to conform to the current year presentation.

3. Patient accounts receivable, net

Patient accounts receivable, net as of June 30, 2006 and 2005 are comprised of the following:

	<u>2006</u>	<u>2005</u>
Medicaid	\$ 155,493	\$ 914,170
Other third-party payors and self-pay	<u>216,689</u>	<u>431,772</u>
	372,182	1,345,942
Less: allowance for doubtful accounts	<u>109,995</u>	<u>109,995</u>
	<u>\$ 262,187</u>	<u>\$ 1,235,947</u>

4. Contracts and grants receivable

Contracts and grants receivable as of June 30, 2006 and 2005 are comprised of the following:

	<u>2006</u>	<u>2005</u>
New York City Department of Youth and Community Development	\$ 401,924	\$ 193,651
New York City Department of Health and Mental Hygiene	358,262	173,364
New York City Administration for Children's Services	156,573	322,000
New York State Office of Mental Health	154,111	2,000
New York City Board of Education	87,845	189,479
After School Corporation	53,268	134,283
New York State Office of Children and Family Services	49,591	84,297
New York City HIV Care Services Program	40,162	23,112
Office of Alcohol and Substance Abuse Services	-	18,548
Even Start Family Literacy	-	3,724
Other grants	<u>1,493,332</u>	<u>476,848</u>
	<u>\$ 2,795,068</u>	<u>\$ 1,621,306</u>

5. **Property and equipment**

Property and equipment as of June 30, 2006 and 2005 are comprised of the following:

	<u>2006</u>	<u>2005</u>
Furniture and equipment	\$ 923,569	\$ 819,875
Leasehold improvements	<u>1,087,711</u>	<u>910,935</u>
	2,011,280	1,730,810
Less: accumulated depreciation and amortization	<u>1,555,717</u>	<u>1,509,502</u>
	<u>\$ 455,563</u>	<u>\$ 221,308</u>

6. **Note payable**

The Organization received a note payable on January 11, 2005 from the Fund for the City of New York for \$150,000, of which 2% of the note was retained as a service charge. The note is non-interest bearing and payable on demand. As of June 30, 2006, this note has not been repaid.

7. **Classification of net assets**

In accordance with SFAS No. 117, the Organization has presented net assets in the accompanying financial statements according to the type of donor restriction or absence thereof. Temporarily restricted net assets as of June 30, 2006 and 2005 are invested in cash and cash equivalents, and relate to a restricted capital grant from a foundation in order to renovate, furnish and equip new space to be leased in Flushing, NY. The Organization is required to utilize the temporarily restricted net assets over a stipulated period of time during which these net assets are released from restriction.

8. **Patient services revenue, net and due to governmental agencies**

Patient services revenue, net as of June 30, 2006 and 2005 is comprised of the following:

	<u>2006</u>	<u>2005</u>
Medicaid	\$ 6,311,681	\$ 5,738,375
Other third-party payors and self-pay	<u>1,627,230</u>	<u>1,558,923</u>
	<u>\$ 7,938,911</u>	<u>\$ 7,297,298</u>

Patient services revenue, net is accounted for at established billing rates multiplied by the number of visits rendered. Such reimbursement rates are subject to change and retroactive adjustment on the basis of review by the governmental agencies responsible for such funding. Provisions for settlements are accrued on an estimated basis in the period in which the related services are rendered, and are included in due to governmental agencies. The current liability is determined by the governmental agencies on an annual basis. Final determination of reimbursement rates is subject to audit and review by governmental payors and any overpayments are reflected as amounts due to governmental agencies.

9. **Contract and grant services**

Contract and grant services as of June 30, 2006 and 2005 are comprised of the following:

	<u>2006</u>	<u>2005</u>
New York City Administration for Children's Services	\$3,868,985	\$2,887,083
New York City Department of Health and Mental Hygiene	1,783,105	1,765,704
New York City Department of Youth and Community Development	1,651,063	1,262,925
Department of Health & Human Services - Administration for Children & Families	888,149	905,816
Office of Alcohol and Substance Abuse Services	346,224	346,224
New York State Office of Children and Family Services	337,784	205,057
New York City Board of Education	319,965	513,482
After School Corporation	136,811	298,208
New York City Office of Mental Health	130,815	160,538
New York City HIV Care Services Program	102,911	116,195
Other grants	<u>1,283,188</u>	<u>558,302</u>
	<u>\$10,849,000</u>	<u>\$ 9,019,534</u>

10. **Pension plan**

The Organization has a defined contribution money purchase pension plan covering substantially all nonunion employees meeting certain eligibility requirements. Contributions to the plan are based on a fixed percentage of salaries. Pension expense amounted to \$357,463 and \$284,835 for the years ended June 30, 2006 and 2005, respectively.

For union employees, pension contributions are paid directly to the union and any amount unpaid at June 30 is accrued. Pension expense amounted to \$316,088 and \$343,474 for the years ended June 30, 2006 and 2005, respectively.

11. **Concentrations of credit risk**

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. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

12. **Commitments and contingencies:**

Future minimum lease commitments -

The Organization leases 9 facilities with leases expiring through 2011. Several of the leases contain escalations for real estate taxes. Rent expense for the years ended June 30, 2006 and 2005 amounted to \$1,285,625 and \$1,211,561, respectively. All facilities are operated under noncancelable operating leases requiring future minimum payments as follows:

Year Ending
June 30:

2007	\$ 863,181
2008	777,381
2009	676,764
2010	687,432
2011	<u>255,612</u>

\$ 3,260,370

Audits of reimbursement arrangements -

The Organization has contracted with various funding agencies to perform certain counseling services and receives Medicaid revenue from the state and federal governments. Reimbursements received under these contracts and payments from Medicaid are subject to audit by federal and state governments and other agencies. Upon audit, if discrepancies are discovered, the Organization could be held responsible for refunding the amounts in question.