

**CENTRAL NASSAU GUIDANCE AND
COUNSELING SERVICES, INC.
AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016
TOGETHER WITH AUDITOR'S REPORT**

CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.
AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016

INDEX

	<u>PAGE(S)</u>
Consolidated Financial Statements:	
Independent Auditor's Report	1-2
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-19
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 <i>Government Auditing Standards</i>	20-21



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Central Nassau Guidance and Counseling
Services, Inc. and Subsidiary:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Central Nassau Guidance and Counseling Services, Inc. and Subsidiary (collectively, the "Agency", a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. 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 consolidated financial statements are free from material misstatement. The financial statements of the Subsidiary were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Subsidiary.

NawrockiSmith

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Central Nassau Guidance and Counseling Services, Inc. and Subsidiary as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 3 to the financial statements, certain errors from amounts previously reported relating to contract funds received that are due to the government, were discovered by management of the Agency during the current year. Accordingly amounts reported for liabilities, net assets, revenues and expenses as of and for the year ended December 31, 2016 have been restated in the 2017 financial statements now presented, and an adjustment has been made to net assets as of December 31, 2015 to correct the error. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 18, 2018 on our consideration of Central Nassau Guidance and Counseling Services, Inc.'s internal control over financial reporting and 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 Central Nassau Guidance and Counseling Services, Inc.'s internal control over financial reporting and compliance.

April 18, 2018
Melville, New York



CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u> <u>(As Restated)</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,291,968	\$ 4,967,321
Investments	59,696	56,379
Government contracts receivable	1,140,037	1,603,243
Program service fees receivable, net of allowance for doubtful accounts of \$718,165 and \$397,647, respectively	2,510,364	1,735,752
Other receivables	1,500	31,146
Prepaid expenses	<u>115,623</u>	<u>68,184</u>
Total current assets	<u>10,119,188</u>	<u>8,462,025</u>
NON-CURRENT ASSETS:		
Fixed assets, net of accumulated depreciation and amortization of \$5,393,621 and \$4,989,857, respectively	7,964,205	7,442,387
Security deposits	125,647	108,607
Restricted cash - capital reserve	<u>148,859</u>	<u>141,318</u>
Total non-current assets	<u>8,238,711</u>	<u>7,692,312</u>
Total assets	<u>\$ 18,357,899</u>	<u>\$ 16,154,337</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Trade payables	\$ 614,913	\$ 430,243
Government agency payables	1,675,984	1,178,082
Accrued expenses	1,321,477	993,019
Deferred rent payable	104,210	82,271
Unearned revenue	388,523	475,273
Current portion of long-term debt	<u>193,180</u>	<u>166,742</u>
Total current liabilities	<u>4,298,287</u>	<u>3,325,630</u>
NON-CURRENT LIABILITIES:		
Long-term debt, net of deferred issuance costs of \$98,157 and and \$108,185, respectively	1,377,019	1,530,562
Due to governments	<u>2,044,301</u>	<u>2,031,029</u>
Total liabilities	<u>7,719,607</u>	<u>6,887,221</u>
NET ASSETS:		
Unrestricted	10,496,946	9,125,798
Temporarily restricted	<u>141,346</u>	<u>141,318</u>
Total net assets	<u>10,638,292</u>	<u>9,267,116</u>
Total liabilities and net assets	<u>\$ 18,357,899</u>	<u>\$ 16,154,337</u>

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

CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017				2016 (As Restated)			
	Unrestricted		Temporarily Restricted	Total	Unrestricted		Temporarily Restricted	Total
	Operating	Board Designated			Operating	Board Designated		
REVENUES:								
Program service fees	\$ 15,377,396	\$ -	\$ -	\$ 15,377,396	\$ 14,291,445	\$ -	\$ -	\$ 14,291,445
Grants from governmental and other agencies	8,439,260	-	-	8,439,260	6,587,853	-	7,512	6,595,365
Rental	492,749	-	-	492,749	472,047	-	-	472,047
Contributions	-	30,969	1,060	32,029	-	107,016	-	107,016
Special events	-	163,281	-	163,281	-	162,048	-	162,048
United Way	-	14,372	-	14,372	-	15,954	-	15,954
Other	354,376	-	-	354,376	184,338	-	-	184,338
Investment earnings	-	8,887	28	8,915	-	3,504	27	3,531
Net assets released from restrictions	1,060	-	(1,060)	-	-	-	-	-
Total revenues	24,664,841	217,509	28	24,882,378	21,535,683	288,522	7,539	21,831,744
EXPENSES:								
Program services	20,504,433	235,393	-	20,739,826	17,443,487	229,073	-	17,672,560
Management and general	2,207,287	-	-	2,207,287	2,058,139	-	-	2,058,139
Fundraising	144,482	-	-	144,482	162,365	-	-	162,365
Facilities management	323,692	-	-	323,692	278,288	-	-	278,288
Total expenses	23,179,894	235,393	-	23,415,287	19,942,279	229,073	-	20,171,352
Excess of revenues over expenses	1,484,947	(17,884)	28	1,467,091	1,593,404	59,449	7,539	1,660,392
GAIN ON SALE OF BUILDING	-	-	-	-	326,671	-	-	326,671
LOSS ON FIXED ASSET DISPOSAL	(95,915)	-	-	(95,915)	-	-	-	-
CHANGE IN NET ASSETS	1,389,032	(17,884)	28	1,371,176	1,920,075	59,449	7,539	1,987,063
NET ASSETS, BEGINNING OF YEAR, AS RESTATED (SEE NOTE 11)	8,963,460	162,338	141,318	9,267,116	7,043,385	102,889	133,779	7,280,053
NET ASSETS, END OF YEAR	\$ 10,352,492	\$ 144,454	\$ 141,346	\$ 10,638,292	\$ 8,963,460	\$ 162,338	\$ 141,318	\$ 9,267,116

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

CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017													Support Services				
	Program Services													Support Services				
	Community Residence	Mental Health	Community Program	Drop-in Center/Starry Night Cafe	Health Home Care Management	ACT/FACT Teams	SAMHSA Integrated Care	CCBHC	Services to Deaf Mentally Ill	OFA Project Forward	PROS	Other	Total	Management and General	Fundraising	Facilities Management	Total	Total
Contracted personnel services	\$ 3,838,798	\$ 1,355,179	\$ 482,773	\$ 164,242	\$ 2,679,146	\$ 1,331,061	\$ 183,215	\$ 2,012,929	\$ 2,807	\$ 358,365	\$ 1,166,665	\$ 161,021	\$ 13,736,001	\$ 1,511,142	\$ 91,650	\$ 243,373	\$ 1,846,174	\$ 15,582,175
Bad debt	220,627	23,329	100,457	-	(5,565)	(7,355)	-	89,685	-	-	3,604	2,255	427,037	-	-	-	-	427,037
Consultants	9,002	32,185	832	584	2,079	2,826	109,273	26,214	4,968	264,396	4,575	37,653	464,506	130,994	-	-	130,994	625,583
Data processing	17,238	-	-	-	-	-	-	-	-	-	928	204	-	-	-	-	-	18,368
Dues and subscriptions	21,028	7,359	52	115	156,630	5,680	44	1,158	1,220	470	1,554	375	470	195,663	12,738	808	1,423	14,767
Insurance	71,220	8,264	3,230	4,632	44,902	24,883	941	13,427	-	1,953	11,579	820	185,851	33,440	-	1,664	35,104	220,955
Interest and financing	89,975	3,513	1,574	1,696	4,473	4,983	1,951	4,989	-	4,511	4,503	-	122,168	23,454	20	5	23,479	145,647
Miscellaneous	23,964	3,745	555	689	39,008	3,214	2,724	20,453	353	22,699	7,081	(335)	125,050	27,291	2,974	580	30,845	155,895
Moving and storage	10,549	-	-	-	(485)	133	-	-	-	-	498	-	11,609	11,609	-	-	11,609	22,324
Postage	1,624	1,020	235	305	4,891	261	80	1,083	-	706	722	17	11,224	6,489	332	178	6,999	18,223
Printing and publications	2,304	519	464	-	2,301	-	2,329	678	-	20,900	2,074	742	32,311	14,836	973	50	15,859	48,170
Professional fees	21,517	20,087	178	-	184	930	1	23,446	14,586	-	12,603	93,532	119,280	-	-	-	119,280	212,812
Rent	2,464,835	(19,965)	(12,883)	31,481	121,953	8,756	7,328	79,593	-	71,668	125,855	1,003	2,879,804	8,589	-	-	8,589	2,888,193
Repairs and maintenance	296,162	119,684	9,279	14,029	49,807	23,156	4,820	62,178	1	12,247	44,157	3,991	639,511	36,194	621	48,646	85,461	724,672
Staff training	20,732	5,048	844	362	8,815	10,260	37,447	19,390	-	11,938	5,603	20,481	140,940	48,510	660	-	49,170	190,110
Supplies, medical testing and activities	351,332	4,300	1,953	10,672	114,588	69,284	28,867	36,072	-	15,837	42,666	36,233	711,804	38,714	45,730	221	84,665	796,469
Telephone	51,497	7,522	3,397	3,041	51,441	21,742	1,942	12,280	-	7,911	10,751	2,294	173,768	14,774	743	-	15,517	189,315
Transportation	45,439	234	61	1,814	27,754	17,117	803	1,477	-	9,638	1,002	931	106,070	8,563	148	3,214	11,925	117,995
Utilities	197,611	9,906	6,166	15,582	13,620	11,475	1,805	30,986	-	8,287	15,035	534	310,807	29,195	16	4	29,215	340,022
Depreciation	237,491	12	2,794	4,841	31,227	32,959	761	5,646	-	1,353	6,967	712	324,763	131,475	-	24,334	155,809	480,572
Total expenses	\$ 7,993,243	\$ 1,581,941	\$ 601,961	\$ 254,065	\$ 3,347,689	\$ 1,561,367	\$ 383,931	\$ 2,441,644	\$ 23,735	\$ 813,963	\$ 1,454,638	\$ 281,629	\$ 20,739,826	\$ 2,207,287	\$ 144,482	\$ 323,692	\$ 2,675,461	\$ 23,415,287

	2016 (As Restated)													Support Services				
	Program Services													Support Services				
	Community Residence	Mental Health	Community Program	Drop-in Center/Starry Night Cafe	Health Home Care Management	ACT/FACT Teams	SAMHSA Integrated Care	Stability At Home	Services to Deaf Mentally Ill	OFA Project Forward	PROS	Other	Total	Management and General	Fundraising	Facilities Management	Total	Total
Contracted personnel services	\$ 2,953,301	\$ 1,852,102	\$ 942,844	\$ 151,304	\$ 2,419,936	\$ 1,401,202	\$ 166,223	\$ 112,426	\$ -	\$ 287,608	\$ 1,194,488	\$ 152,364	\$ 11,633,798	\$ 1,317,121	\$ 104,963	\$ 223,256	\$ 1,645,340	\$ 13,279,138
Bad debt	3,810	4,012	1,060	-	93	11,364	-	-	-	-	2,408	-	23,377	-	-	-	-	23,377
Consultants	5,484	56,788	545	121	1,192	772	80,959	64,018	16,734	73,613	1,646	-	301,872	86,475	-	-	86,475	388,347
Data processing	15,055	705	308	426	204	289	7	-	-	38	3,316	-	20,348	560	3	-	563	20,911
Dues and subscriptions	19,606	8,928	2,213	785	240,243	47,982	7,629	-	-	855	2,082	36	330,359	14,448	1,076	228	15,752	346,111
Insurance	90,132	18,733	8,525	5,817	37,898	33,691	2,504	1,467	46	3,206	18,652	1,188	221,859	23,641	-	1,983	25,624	247,483
Interest and financing	98,239	6,231	3,085	1,624	6,207	4,786	2,279	-	-	2,804	14,143	-	139,198	99,508	-	-	99,508	238,706
Miscellaneous	18,763	9,198	4,631	570	10,337	7,316	5,841	1	-	37,417	2,067	51,680	147,821	47,465	2,764	185	50,414	198,235
Moving and storage	8,818	-	-	1,411	3,991	-	108	-	-	-	4,811	-	19,136	8,131	-	-	8,131	27,270
Postage	1,936	4,500	545	446	1,161	272	80	20	-	349	303	500	10,092	9,972	430	721	11,123	21,215
Printing and publications	1,049	2,130	562	10	613	413	2,425	-	-	1,342	206	580	9,330	6,707	4,753	-	11,460	20,760
Professional Fees	30,392	20,909	-	-	-	398	11,135	25,012	-	840	-	-	88,686	146,402	210	-	146,612	235,298
Rent	2,179,050	-	-	19,113	119,955	-	4,025	-	-	53,012	71,810	10,000	2,456,965	-	-	-	-	2,456,965
Repairs and maintenance	247,993	49,527	22,191	25,665	113,212	26,762	7,184	3,653	120	42,825	120,022	1,807	660,961	29,029	130	51,360	80,519	741,480
Staff training	12,189	402	5,783	164	9,231	14,117	34,497	169	-	90,305	4,917	524	172,298	52,473	42	-	52,515	224,813
Supplies, medical testing and activities	198,935	15,019	13,044	24,662	114,196	109,748	15,053	3,947	-	68,679	52,648	(192)	615,739	36,667	47,301	(23,985)	59,083	675,722
Telephone	45,605	15,130	7,736	4,536	44,372	27,348	2,078	418	-	6,666	12,641	1,910	168,440	17,186	632	-	17,818	186,258
Transportation	43,039	389	497	1,292	28,817	16,245	822	1,216	-	2,331	2,467	667	97,582	5,332	56	436	5,827	103,409
Utilities	163,636	21,003	13,705	18,569	8,636	9,954	3,368	-	82	5,294	15,873	32	260,132	26,902	5	-	26,907	287,039
Depreciation	220,654	-	4,769	4,662	20,355	32,610	80	4,450	-	6,571	-	-	294,584	130,120	-	24,101	154,221	448,785
Total expenses	\$ 6,357,696	\$ 2,085,706	\$ 1,032,693	\$ 261,177	\$ 3,180,649	\$ 1,745,056	\$ 344,045	\$ 219,222	\$ 16,962	\$ 677,197	\$ 1,531,071	\$ 221,096	\$ 17,672,660	\$ 2,058,136	\$ 162,365	\$ 278,288	\$ 2,496,792	\$ 20,171,352

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

CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u> <u>(As Restated)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,371,176	\$ 1,987,063
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	480,572	448,785
Decrease in unamortized mortgage costs	2,347	2,340
Decrease in unamortized bond costs	7,681	7,681
Increase in deferred rent payable	21,939	-
Provision for bad debt	427,037	20,911
Gain on sale of building	-	(326,660)
Loss on disposal of fixed assets	95,915	-
Gain on sale of investments	-	(11)
Unrealized gain on investments	(2,683)	(14)
(Increase) decrease in government contracts receivable	463,206	(118,900)
Increase in program service fees receivable	(1,201,649)	(393,761)
(Increase) decrease in other receivables	29,646	(21,838)
(Increase) decrease in prepaid expenses	(47,439)	19,359
Increase in security deposits	(17,040)	(15,355)
Increase in trade payables	184,670	18,343
Increase in government agency payables	497,902	168,748
Increase in accrued expenses	328,458	204,253
Increase (decrease) in unearned revenue	(86,750)	146,732
Increase in due to government	13,272	1,326,357
	<u>2,568,260</u>	<u>3,474,033</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in restricted cash - capital reserve	(7,541)	(7,539)
Dividends reinvested	(634)	(399)
Donation of stock	-	(7,658)
Proceeds from sale of building	-	975,000
Proceeds from sale of investments	-	900
Purchase of fixed assets	(1,048,569)	(272,450)
	<u>(1,056,744)</u>	<u>687,854</u>
Net cash provided (used) by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgages payable	(186,869)	(902,496)
	<u>(186,869)</u>	<u>(902,496)</u>
Net cash used by financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,324,647	3,259,391
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,967,321	1,707,930
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,291,968</u>	<u>\$ 4,967,321</u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	<u>\$ 93,124</u>	<u>\$ 63,665</u>
Retirement of fully depreciated fixed assets	<u>\$ 4,404</u>	<u>\$ -</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH FLOW INVESTING AND FINANCING ACTIVITIES:		
Vehicles purchased through loans	<u>\$ 49,736</u>	<u>\$ 104,416</u>

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

CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Background and organization

Central Nassau Guidance and Counseling Services, Inc. and CNGCS Development Corporation, a wholly owned subsidiary (collectively, the "Agency") are New York State not-for-profit corporations serving Nassau and Suffolk Counties. The mission of Central Nassau Guidance and Counseling Services, Inc. is to provide clinical treatment, rehabilitation, housing opportunities, social and support services, counseling and guidance to individuals, families and the community affected by mental illness, developmental disabilities, psychological difficulties, addiction and/or dependency problems.

CNGCS Development Corporation is a not-for-profit organization which was founded and incorporated under the laws of the State of New York in 1997. CNGCS Development Corporation serves as a title holding corporation that helps provide housing opportunities for those affected by mental illness, psychological difficulties, addiction and dependency problems for Central Nassau Guidance and Counseling Services, Inc.

(2) Summary of significant accounting policies:

The accompanying consolidated financial statements include the assets, liabilities, revenues and expenses of the Agency and eliminate all intercompany accounts and transactions which totaled \$455,957 and \$479,576 for the years ended December 31, 2017 and 2016, respectively. The following is a summary of significant accounting policies followed by the Agency:

Financial statement presentation -

The accompanying consolidated financial statements are presented under the accrual basis of accounting in accordance with U.S. generally accepted accounting principles which require the consolidated financial statements to distinguish between unrestricted, temporarily restricted and permanently restricted net assets and changes in net assets. The Agency's net assets consist of the following:

Unrestricted - net assets of the Agency 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 Agency.

Temporarily restricted - net assets of the Agency, 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 Agency pursuant to those stipulations.

As of December 31, 2017 and 2016, the Agency did not possess any permanently restricted net assets.

Functional expenses -

The costs of providing services have been summarized on a functional basis in the consolidated statement of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on an analysis of personnel time and space utilized for the related activities. The major program services provided by the Agency are summarized as follows:

Social Entrepreneurial Leadership: Through the unique client-operated Starry Night Café, the Agency has pioneered creative and enduring ways to combine "doing good" with raising cause-specific revenues and lifting spirits of its consumers and community. Both ventures support the mission of the Agency and its clients.

Mental Health and Substance Abuse Treatment Clinic: The Agency's Mental Health Outpatient Treatment Program provides individual, family, and group psychotherapy as well as medication management to children, adolescents, and adults who have mental health diagnoses, co-occurring disorders, and other impairments. The Agency provides the Long Island community with a licensed clinic named Addiction Recovery Treatment Services ("ARTS") that offers outpatient addiction recovery treatment to adolescents, adults, and their significant others and families whose lives have been affected by alcohol, drugs, and co-occurring addiction and mental health disorders. Effective July 1, 2017, the Agency's Mental Health Clinic and ARTS program have been integrated to form our new program called a "Certified Community Behavioral Clinic, "CCBHC". CCBHC will provide comprehensive healthcare services to individuals facing mental illness and/or substance abuse disorders.

Assertive Community Treatment ("ACT") Team: For individuals co-diagnosed with serious and persistent psychiatric disorders characterized by multiple psychiatric hospitalizations, frequent use of emergency rooms, involvement with criminal justice system and alcohol/substance abuse, the Agency provides a full range of treatment, rehabilitation, and support service options led by the ACT team.

Personal Recovery-Oriented Services ("PROS"): The Agency provides a comprehensive suite of mental health treatment services with significant reach across Nassau and Suffolk Counties. The Roads to Recovery program, based out of Hicksville, deliver interventions that comprise the Personal Recovery-Oriented Services ("PROS") program. PROS is a structured, five-days-a-week recovery-focused program that assists adults in managing their psychiatric symptoms while developing the skills they need to improve emotional, cognitive, and social functioning. Mental health treatment interventions within PROS encompass clinical, case management, psychosocial, co-occurring services, and structured skill development.

Health Home Care Management ("HHCM"): This aspect of the Agency's work refers to comprehensive care management service model for patients/clients who have heavily complex medical, behavioral, and long-term care needs. As one of few "Health Home" providers in our region, the Agency has become the central point for directing patient-centered care, and as such is continually improving its leadership in the prioritized community objective of ensuring high-quality service while reducing avoidable health care costs, specifically preventable hospital admissions/readmissions and avoidable emergency room visits - for many of the dual-diagnosed clients whom the Agency serves.

Residential Services: The Agency provides a variety of housing settings for individuals who most urgently need reliable, long-term housing or shelter. As resources allow, the Agency is often able to provide permanent homes for vulnerable and at-risk adults, children, and families whose income has been impacted by serious medical conditions - including mental illness. In some cases, the Agency can also provide shorter term housing arrangements.

Drop-In Services: The Agency provides a safe, structured, nurturing environment for people diagnosed with serious mental illnesses. This center provides service recipients with a structured program three evenings per week, designed to offer these clients the opportunity to meet others, participate in recreational activities, learn computer skills, become knowledgeable of other resources in the community, and have a meal. The work of this Drop-In Center is geared toward enabling the participants to enhance their interpersonal relationships, increase their opportunities for socialization, and create stability and independence within their personal lives.

Fundraising expenses -

The proceeds from the Agency's special events are reflected in the Statements of Activities. Exchange transactions are reciprocal transfers in which each party receives and sacrifices something of approximately equal value.

The costs of the direct benefits to the donors attending special events and the indirect costs, including labor and other overhead expenses, associated with the Agency's fundraising activities are included as fundraising expenses in both the Statements of Activities and the Statements of Functional Expenses.

Revenue and expense recognition -

The Agency derives its income primarily from performance contracts with U.S. Department of Housing and Urban Development ("HUD"), New York State and Nassau County, special projects, United Way funding, memberships, fundraising activities and contributions. Contributions are recognized as income when received and are considered available for unrestricted use unless specifically restricted by the donor. Revenues under contracts for service are generally recognized as earned. Contract advances arise from payments received prior to services being rendered. Deferred revenue arises from payments received under contracts for service prior to revenue recognition. Expenses are recognized when incurred. The Agency allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with specific program and supporting services are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated by various rational bases.

Program service fees, including those paid by Medicaid and Medicare, and government contract revenue are recorded in the year earned.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. The Agency reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulation expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. As of December 31, 2017 and 2016, \$141,346 and \$141,318, respectively, have been restricted for specific purposes. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Bequests are recorded as revenue when a legally binding obligation is received and when a fair value can reasonably be determined.

Deferred rent -

For accounting purposes, the total rent payable over the life of the lease, which escalates over time, is recognized on the straight-line basis. Actual rent payments differ from these reported amounts; actual rent paid is less than reported amounts in the early years of the lease and exceeds the reported amounts in the later years. Deferred rent reflects the difference between the straight-line calculation reported and the actual rent expense paid.

Contributed services -

A number of volunteers have donated significant amounts of their time in the Agency's program services 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 consolidated financial statements.

Cash and cash equivalents -

All highly liquid financial instruments with an original maturity of three months or less, other than those held as part of the investment portfolio or restricted cash, are considered to be cash equivalents for financial statement purposes.

Restricted cash -

Capital reserve: The New York State Office of Mental Health ("OMH") requires the Agency to reserve, from its funding, an amount annually equal to 0.6% of the acquisition cost for each property that the Agency owns and uses to run a residency program; up to 10% of the acquisition cost. Expenditures from this account are restricted to repairs and maintenance on the respective facilities and require approval by OMH before disbursement.

Government contracts and program service fees receivables -

Accounts receivable are comprised of Federal, State, county grants and contracts, as well as Medicaid and Medicare expected to be received within the upcoming year. As of December 31, 2017 and 2016, the Agency has reserved a balance for potential uncollectible accounts amounting to \$718,165 and \$397,647, respectively. Such estimate is based on management's experience, the aging of receivables, subsequent receipts and current economic conditions.

Investments -

Investments are recorded at fair value. 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 Agency follows U.S. generally accepted accounting principles regarding fair value measurements which establish a fair value hierarchy requiring 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).

Investment income is recorded when earned and considered available for unrestricted use unless otherwise restricted by the donor. Realized and unrealized gains and losses are determined on the basis of specific identification.

Fixed assets -

Fixed assets are capitalized at cost or, if donated, at fair market value as of the date of receipt. Maintenance and repairs are expensed as incurred. The carrying amounts of fixed assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of, and any resulting gain or loss is recorded in the consolidated statement of activities and changes in net assets. The Agency capitalizes expenditures over \$3,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building	40 years
Building and improvements	15-30 years
Leasehold improvements	20 years or the life of the lease, whichever is less
Furniture, fixtures and equipment	5-7 years
Transportation equipment	5 years

Certain property and equipment assets acquired through contracts may revert upon termination of the contract to the contracting governmental agency at the end of the contract period.

Government agency payables -

The Agency owes money back to various government agencies as a result of overpayments from contracts due from services, treatments or programs.

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

The Agency follows the provision of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification on accounting for the impairment and disposal of long-lived assets. It requires 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 any impact on the Agency's consolidated financial position, results of activities or liquidity during the years ended December 31, 2017 and 2016.

Conditional asset retirement obligations -

The FASB Accounting Standards Codification on asset retirement and environmental obligations requires the Agency to recognize 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, 2017 and 2016, the Agency has met the provisions of and is in compliance with these requirements.

Vacation accrual policy -

Employees may be paid unused vacation pay up to their termination date, plus up to the maximum of ten days which might have been accrued from the previous year, provided that the employee has complied with notice of resignation requirements. An exception may be made for an employee to accrue more than ten days to the following year with the approval of the Chief Executive Officer.

Income taxes -

Central Nassau Guidance and Counseling Services, Inc. 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. The subsidiary, CNGCS Development Corporation, qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(2) of the Internal Revenue Code and applicable New York State tax laws as a holding corporation. Accordingly, no provision for Federal or State income taxes is required.

Uncertainty in income taxes -

The Agency has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Periods ending December 31, 2014 and subsequent remain subject to examination by the applicable taxing authorities.

The use of estimates in the preparation of consolidated financial statements -

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

Reclassifications -

Certain reclassifications of prior year balances of other income on the Statement of Activities and Changes in Net Assets 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, 2016.

(3) Restatement of previously reported amounts

Certain errors and material misstatements in previously reported amounts have been identified relating to contract funds received that are due to the government and recording of escalating rent payments on the straight-line basis. These errors have been corrected as of December 31, 2015 and for the year ended December 31, 2016.

The following table presents the impact on the financial statements as a result of the corrections:

	<u>Originally Reported</u>	<u>Effect of Change</u>	<u>As Adjusted</u>
As of December 31, 2015			
Liabilities	\$ 5,339,327	\$ 411,520	\$ 5,810,847
Unrestricted Net Assets	\$ 7,557,794	\$ (411,520)	\$ 7,146,274
For the Year Ended December 31, 2016			
Revenues	\$ 22,570,126	\$ (738,382)	\$ 21,831,744
Expenses	\$ 20,089,081	\$ 82,721	\$ 20,171,352
As of December 31, 2016			
Liabilities	\$ 5,655,048	\$ 1,232,173	\$ 6,887,221
Unrestricted Net Assets	\$ 10,357,971	\$ (1,232,173)	\$ 9,125,798

(4) Fair value measurements:

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 Agency has adopted the standard for their financial assets and liabilities measured on a recurring and nonrecurring basis (ASC 820-10).

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.
- Level 2 inputs are inputs other than quoted prices included within 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 methods and assumptions were used by the Agency in addressing the fair value of financial instruments.

Common stock -

Common stock are securities that represent equity ownership that also comes with voting rights in a company or organization.

Short-term investments -

Short-term investments held by the Agency consist of certificates of deposit. These investments consist of unrestricted and temporarily restricted funds and do not include any government grant or contract funds. The carrying amounts reported on the Statements of Financial Position approximate those assets' fair values.

The following table represents the Agency's fair value hierarchy for investments as of December 31, 2017:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stock	\$ 13,346	\$ 13,346	\$ -	\$ -
Certificates of deposit	<u>46,350</u>	<u>46,350</u>	<u>-</u>	<u>-</u>
	<u>\$ 59,696</u>	<u>\$ 59,696</u>	<u>\$ -</u>	<u>\$ -</u>

The following table represents the Agency's fair value hierarchy for investments as of December 31, 2016:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stock	\$ 10,526	\$ 10,526	\$ -	\$ -
Certificates of deposit	<u>45,853</u>	<u>45,853</u>	<u>-</u>	<u>-</u>
	<u>\$ 56,379</u>	<u>\$ 56,379</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2017 and 2016, the Agency did not possess any level 2 or level 3 type of investments.

(5) **Investments**

Investments as of December 31, 2017 and 2016 are as follows:

	2017		2016	
	Cost	Market Value	Cost	Market Value
Common stock	\$ 13,174	\$ 13,346	\$ 10,621	\$ 10,526
Certificates of deposit	40,000	46,350	40,000	45,853
	<u>\$ 53,174</u>	<u>\$ 59,696</u>	<u>\$ 50,621</u>	<u>\$ 56,379</u>

(6) **Fixed assets**

Fixed assets as of December 31, 2017 and 2016 are comprised of the following:

	2017	2016
Land	\$ 495,801	\$ 495,801
Construction-in-progress	402,030	159,190
Buildings and improvements	10,823,607	10,522,914
Furniture, fixtures and equipment	1,094,026	840,995
Transportation equipment	542,362	413,344
	<u>13,357,826</u>	<u>12,432,244</u>
Less: accumulated depreciation	<u>5,393,621</u>	<u>4,989,857</u>
	<u>\$ 7,964,205</u>	<u>\$ 7,442,387</u>

Depreciation expenses for the years ended December 31, 2017 and 2016 were \$480,572 and \$448,785 respectively. For the year ended December 31, 2017, the Agency disposed of \$168,319 in fixed assets, which attributed to the \$95,915 loss recorded in the consolidated Statement of Activities.

(7) **Line of credit**

The Agency has a \$3,000,000 revolving line of credit with a bank for general operations which was amended on July 1, 2017 for additional borrowing of up to \$5,000,000. The line of credit expires on June 30, 2018. Borrowings under this line are secured by essentially all of the Agency's assets. The interest rate on the line provides for certain minimum and maximum rate limitations. Interest on outstanding amounts under this agreement is at the prime rate (4.50% as of December 31, 2017 and 3.75% as of December 31, 2016). As of December 31, 2017 and 2016, the Agency did not draw on this line of credit.

(8) **Long-term debt:**

Mortgages payable

The mortgage held by the Dormitory Authority of the State of New York ("DASNY"), dated April 1997, in the amount of \$279,000, is payable over a 24 year period at an interest rate of 7.74%. This loan is payable in annual installments of principal and interest in the amount of \$23,900 through December 1, 2020. The funding for which is included in the Agency's contract with the New York State Office of Mental Health ("OMH"). The mortgage is secured by the premises and contents. As of December 31, 2017 and 2016, the balance of the mortgage payable was \$62,580 and \$80,586, respectively.

The mortgage held by the DASNY, dated March 2005 in the amount of \$528,000, was assumed by the Agency in January 2008 and had a balance of \$445,841. The mortgage is payable in annual installments of principal and interest of \$41,070 over a period of 15 years at an interest rate of 2.76% through December 1, 2020. The funding for which is included in the Agency's contract with OMH. The mortgage is secured by the premises. As of December 31, 2017 and 2016, the balance of the mortgage payable was \$117,454 and \$154,502, respectively.

The Agency issued a new mortgage to refund its outstanding tax-exempt Series 2000 A-F Civic Facility Revenue Bond (the "Bond") in January 2015 in the amount of \$2,370,000. The original proceeds of the Bond were used to purchase and renovate several properties owned by the Agency. The mortgage is payable over a 15 year period and bears interest at a rate of 4.50%, and is payable in monthly installments of principal and interest in the amount of \$12,307 through February 1, 2030. As of December 31, 2017 and 2016, the balance of the mortgage payable was \$1,278,590 and \$1,351,376, respectively, (net of debt issuance costs of \$98,157).

Vehicle loans

The Agency capitalized vehicles under various vehicle loan agreements with maturities dated through 2022. As of December 31, 2017 and 2016, the balance of the vehicle loans payable was \$111,575 and \$110,839, respectively.

Scheduled future principal payments on all long-term debt are as follows:

For the Year Ended	
<u>December 31,</u>	
2018	\$ 193,180
2019	192,258
2020	168,393
2021	109,302
2022	103,983
2023 and thereafter	<u>901,240</u>
	1,668,356
Less: issuance costs	<u>(98,157)</u>
	<u>\$ 1,570,199</u>

(9) Commitments and contingencies:

Contract funding considerations

Reimbursement contracts are often subject to audit by applicable granting agencies. The possible disallowances by the granting agencies of any item charged to the program cannot be determined until such time when and if any audit occurs. Therefore, no provision for any potential disallowances that may result from such audits has been made in the accompanying consolidated financial statements. Management is of the opinion that any potential disallowances will not be material to the accompanying consolidated financial statements.

Reimbursement of expenditures

Contracts, grants and fees applicable to program and community services are reported in the year earned at net realizable amounts for services rendered under contracts and reimbursement agreements. Certain contracts and grants provide for reimbursement rates that are subject to potential changes based on periodic reviews by the funding agencies. Such rates are either adjusted prospectively through future reimbursement rates or are adjusted retroactively. Prospective rate adjustments are generally insignificant and are reflected in the revenues of the future periods based on when the adjusted reimbursement rates are determined. Retroactive rate adjustments are recorded as adjustments to revenues in the period that the amounts are determinable and are reasonably measurable.

Some of the Agency's contracts and grants do not provide for rate adjustments although they may be subject to audits. It has been the experience of the Agency that adjustments as a result of audits have been insignificant. Management of the Agency is not aware of any potential material liabilities as of December 31, 2017 resulting from any audits.

As of December 31, 2017 and 2016, the Agency recorded unearned revenue for grants in the amount of \$388,523 and \$475,273, respectively, for potential disallowed claims for reimbursement. Disallowed claims arise principally due to amounts claimed in excess of final amounts reconciled on the Consolidated Fiscal Report ("CFR"). It is the opinion of management that disallowances, if any, in excess of amount recorded for unearned revenue would not have a material effect on the combined financial position of the Agency.

As of December 31, 2017 and 2016, the Agency recorded amounts due to governments in the amount of \$2,044,301 and \$2,031,029, respectively, for contract amounts received in excess of expenditures.

Operating leases

The Agency, as part of the Residential Services Program, leases several apartments, with lease terms generally for one or two year periods. Residents of the program are responsible for a portion of the minimum annual rental. The minimum annual rental has not been reduced by the residents' portion because of the variability in occupancy levels and reimbursement rates.

In March 1998, the Agency, as part of its Residential Services Program, entered into a lease with DASNY for use of space in Building 71 of the Pilgrim Psychiatric Center located in Brentwood, NY. The modified term of the lease is currently April 1, 2001 to March 31, 2031 for an annual rental amount of \$162,624.

The rental payments associated with this building are reimbursed to the Agency as a direct pass-through. These funds are paid, on behalf of the Agency, directly to the DASNY by OMH.

In December 2015, the Agency entered into a 10 year lease with 55 Ames Court LLC for use of the space to provide outpatient treatment services. The agreement expires in 2026 with annual rent expense escalations of 3% each year. The Agency is responsible for utilities and maintenance.

On August 1, 2017, the Agency entered into a 2 year lease agreement with 245 Newtown Road LLC for use of space to provide administrative office space for the Residential Services Program. The agreement expires on September 30, 2019 with annual rent escalations of 3% each year and has option to renew for additional two year terms. The Agency is responsible for utilities and maintenance.

Future minimum annual lease payments for all leases are summarized as follows:

<u>For the Year Ended December 31,</u>	<u>Total</u>
2018	\$ 1,603,522
2019	642,278
2020	425,891
2021	425,891
2022	425,891
2023 and thereafter	<u>2,131,448</u>
	<u>\$ 5,654,921</u>

Rent expense amounted to \$2,888,193 and \$2,456,965 for the years ended December 31, 2017 and 2016, respectively.

(10) Pension and retirement plans:

401(k) Plan

In 1999, the Agency adopted a 401(k) plan for eligible union employees to facilitate elective salary deferrals as defined by the plan. Effective July 1, 2017, the union 401(k) Plan was terminated. The Agency did not contribute to the 401(k) plan in fiscal years 2017 and 2016, respectively.

403(b) Plan

The Agency has a 403(b) Thrift Plan (the "Plan") for eligible non-union employees. Non-union employees may elect to defer compensation and make voluntary contributions to the plan. Voluntary contributions to the Plan amounted to approximately \$111,000 and \$136,000 for the years ended December 31, 2017 and 2016, respectively. The Agency may make discretionary contributions to the plan each year, however no discretionary contributions were made to the Plan for each of the years ended December 31, 2017 and 2016.

Certain eligible non-union employees are given a set fringe rate as part of their compensation package to be used for health benefit or retirement purposes at their election. Any unspent fringe benefits are contributed to the employee's 403(b) Thrift Plan account. Fringe benefits which were contributed to the plan amounted to approximately \$260,000 and \$266,000 for the years ended December 31, 2017 and 2016, respectively.

457(b) Plan

The Agency provides a defined contribution retirement plan under Section 457(b) (the "457(b) Plan") of the IRC. The 457(b) Plan became effective on December 1, 2008. The 457(b) Plan is available for the benefit of a select group of highly compensated management employees. The 457(b) Plan allows eligible employees to contribute up to the lesser of 100% of their salary for the year or the applicable dollar amount for a year as set by the Internal Revenue Service. There are no matching contributions. Employee contributions are remitted to an insurance company and are used to purchase annuities and other investments. For the years ended December 31, 2017 and 2016, contributions to the 457(b) Plan amounted to approximately \$51,000 and \$35,000, respectively.

Multi-employer defined benefit pension plan

The Agency contributes to a multi-employer defined benefit pension plan (the "Plan") under the terms of a collective bargaining agreement that covers its union represented employees. The risk of participating in a multi-employer plan is different from a single-employer plan in the following aspects:

- Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be borne by the participating employers.
- If the Agency chooses to stop participating in the multi-employer plan, the Agency may be required to pay the Plan an amount based on the underfunded status of the Plan, referred to as a withdrawal liability.

The Agency's participation in the Plan for the year ended December 31, 2017, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three-digit plan number. The next column lists the expiration date of the collective-bargaining agreement to which the Plan is subject. Unless otherwise noted, the most recent Pension Protection Act ("PPA") zone status available in 2017 and 2016 is for the Plan's year end at December 31, 2017 and 2016, respectively. The zone status is based on information that the Agency received from the Plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented.

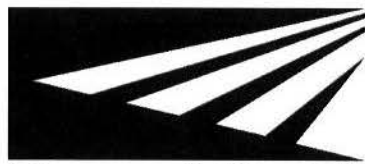
EIN/Pension Plan Number	Expiration Date of Collective Bargaining Agreement	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Surcharge Imposed	Contributions To the Plan	
		2017	2016			2017	2016
13-3604862-001	10/31/2017	Green	Green	No	No	<u>\$ 92,484</u>	<u>\$ 62,971</u>

(11) Concentrations of credit risk

The Agency maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Agency has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

(12) Subsequent events

The Agency has evaluated subsequent events through April 18, 2018, which is the date these financial statements were available to be issued, noting no matters requiring financial statement disclosure.



NawrockiSmith
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of
Central Nassau Guidance and Counseling
Services, Inc. and Subsidiary:

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 consolidated financial statements of Central Nassau Guidance and Counseling Services, Inc. and Subsidiary (collectively, the "Agency", a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to consolidated financial statements, and have issued our report thereon dated April 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Agency'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 opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 consolidated 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.

NawrockiSmith

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's consolidated financial statements are free from 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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Melville, New York
April 18, 2018

A handwritten signature in cursive script that reads "Nawrocki Smith" followed by a stylized flourish.

CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.
THE UNIFORM GUIDANCE
SUPPLEMENTARY FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.
THE UNIFORM GUIDANCE
SUPPLEMENTARY FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

I N D E X

	<u>Page</u>
Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	2
Independent Auditor's Report on Compliance For Its Major Programs and on Internal Control Over Compliance Required by the Uniform Guidance and the Schedule of Expenditures of Federal Awards	3
Schedule of Findings and Questioned Costs	5
Summary Schedule of Prior Audit Findings	6

CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Federal Grantor/ Pass-Through Grantor/ Cluster Title/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
<u>Direct Programs:</u>			
Continuum of Care Program - Nassau	14.267	NY0513L2T031609	\$ 650,551
Continuum of Care Program - Nassau	14.267	NY0513L2T031508	439,604
Continuum of Care Program - Suffolk	14.267	NY0737L2T031506	72,304
Continuum of Care Program - Suffolk	14.267	NY0737L2T031607	<u>40,366</u>
Total Direct Programs			1,202,825
<u>Passed-through Program from:</u>			
New York State Department of Mental Health: Shelter Plus Care	14.238	C020183	<u>66,741</u>
Total U.S. Department of Housing and Urban Development			<u>1,269,566</u>
<u>U.S. Department of Agriculture</u>			
<u>Passed-through Program from:</u>			
New York State Department of Mental Health: Child and Adult Care Food Program	10.558	4116	<u>58,627</u>
<u>U.S. Department of Health and Human Services</u>			
<u>Direct Programs:</u>			
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FM0072-02-00	744,477
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FM0072-03-00	154,977
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	1H79SM062238-01	477,467
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	1H79SP021578-01	<u>149,849</u>
Total U.S. Department of Health and Human Services			<u>1,526,770</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 2,854,963</u>

CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by Central Nassau Guidance and Counseling Services, Inc. (the "Agency"), a nonprofit entity as defined in Note 1 to the Agency's financial statements. Federal awards received directly from Federal agencies, as well as federal awards passed-through from other government agencies, are included on the Schedule of Expenditures of Federal Awards. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, change in net assets or cash flows of the Agency.

(2) Summary of Accounting Policies:

Basis of Accounting

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the general purpose financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Disallowances/adjustments

Negative amounts shown on the Schedule of Expenditures of Federal Awards (when applicable) represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Costs

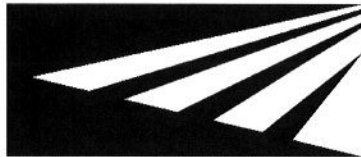
Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source of the data presented. Under the Uniform Guidance, absent to an agreed upon indirect cost rate, the Agency must elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Matching Costs

Matching costs (i.e. the Agency's share of certain program costs) are not included in the reported expenditures.

(3) Major Program Determination

The Agency has determined that all federal programs with expenditures of \$750,000 or more are Type A Programs and deemed Major Programs for purposes of the Schedule of Expenditures of Federal Awards.



NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR ITS MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Board of Directors of
Central Nassau Guidance and
Counseling Services, Inc.:

Report on Compliance for Its Major Federal Programs

We have audited the Central Nassau Guidance and Counseling Services, Inc.'s (the "Agency", a nonprofit organization) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Agency's major federal programs for the year ended December 31, 2017. The Agency'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Agency'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 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 Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Its Major Federal Programs

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2017.

NawrockiSmith

Report on Internal Control Over Compliance

Management of the Agency 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 the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal programs and to test and report on internal control over compliance in accordance with 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 the Agency'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 a 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 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Agency as of and for the year ended December 31, 2017, and have issued our report thereon dated April 18, 2018, which contained an unmodified opinion on those financial statements. 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 purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Melville, New York
June 12, 2018

CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No deficiencies or material weaknesses were disclosed during the audit of the financial statements.
3. No instances of noncompliance were disclosed during the audit of the financial statements.
4. No deficiencies or material weaknesses were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for Central Nassau Guidance and Counseling Services, Inc., that are required to be reported in accordance with 2 CFR 200.16(a) of the Uniform Guidance, were disclosed during the audit.
7. The programs tested as a major program were as follows:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.086	<u>U.S. Department of Health and Human Services</u> Healthy Marriage Promotion and Responsible Fatherhood Grants
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance

8. The threshold for distinguishing between Types A and B programs was \$750,000.
9. Auditee was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None reported.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported.

CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE: There were no audit findings in the prior year's audit Schedule of Findings and Questioned Costs relative to federal awards.