



**CENTRAL NASSAU GUIDANCE AND  
COUNSELING SERVICES, INC.  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2019 AND 2018  
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, 2019 AND 2018**

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**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

## **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, 2019 and 2018, 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.

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.

# NawrockiSmith

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, 2019 and 2018, 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.

May 15, 2020  
Melville, New York

A handwritten signature in black ink that reads "Nawrocki Smith LLP". The signature is written in a cursive, flowing style.

**CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2019 AND 2018**

	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,320,603	\$ 5,699,194
Investments	69,412	65,479
Government contracts receivable	2,374,217	1,814,601
Program service fees receivable, net of allowance for doubtful accounts of \$693,650 and \$912,693, respectively	3,012,676	2,773,809
Prepaid expenses	119,345	106,137
Total current assets	10,896,253	10,459,220
NON-CURRENT ASSETS:		
Fixed assets, net of accumulated depreciation and amortization of \$6,677,752 and \$5,990,873, respectively	7,980,998	8,461,783
Investment in Recovery Health Solutions IPA, LLC	17,000	-
Security deposits	129,902	158,145
Restricted cash - capital reserve	155,280	147,738
Total non-current assets	8,283,180	8,767,666
Total assets	\$ 19,179,433	\$ 19,226,886
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Trade payables	\$ 572,152	\$ 778,408
Government agency payables	1,349,590	1,643,642
Accrued expenses	1,106,266	1,233,366
Deferred rent payable	126,152	118,910
Unearned revenue	1,710,317	1,211,710
Current portion of long-term debt	168,392	192,258
Total current liabilities	5,032,869	5,178,294
NON-CURRENT LIABILITIES:		
Long-term debt, net of deferred issuance costs of \$78,101 and \$88,129, respectively	1,036,425	1,194,789
Due to governments	1,705,872	1,966,583
Total liabilities	7,775,166	8,339,666
NET ASSETS:		
Without donor restriction:		
Undesignated	11,248,987	10,739,482
With donor restriction:		
Purpose restricted	155,280	147,738
Total net assets	11,404,267	10,887,220
Total liabilities and net assets	\$ 19,179,433	\$ 19,226,886

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, 2019 AND 2018**

	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUES:</b>						
Program service fees	\$ 16,884,676	\$ -	\$ 16,884,676	\$ 16,468,216	\$ -	\$ 16,468,216
Grants from governmental and other agencies	12,225,943	-	12,225,943	9,654,367	-	9,654,367
Rental	508,545	-	508,545	446,268	-	446,268
Contributions	33,619	-	33,619	53,606	8,500	62,106
Special events	199,962	-	199,962	211,395	-	211,395
United Way	11,050	-	11,050	10,142	-	10,142
Other	281,187	-	281,187	119,708	-	119,708
Investment earnings, net	46,659	7,542	54,201	30,751	28	30,779
Net assets released from restrictions	-	-	-	9,649	(9,649)	-
<b>Total revenues</b>	<b>30,191,641</b>	<b>7,542</b>	<b>30,199,183</b>	<b>27,004,102</b>	<b>(1,121)</b>	<b>27,002,981</b>
<b>EXPENSES:</b>						
Program services	26,462,087	-	26,462,087	23,683,266	-	23,683,266
Management and general	3,011,284	-	3,011,284	2,734,295	-	2,734,295
Fundraising	112,461	-	112,461	151,333	-	151,333
Facilities management	96,304	-	96,304	185,159	-	185,159
<b>Total expenses</b>	<b>29,682,136</b>	<b>-</b>	<b>29,682,136</b>	<b>26,754,053</b>	<b>-</b>	<b>26,754,053</b>
<b>CHANGE IN NET ASSETS</b>	<b>509,505</b>	<b>7,542</b>	<b>517,047</b>	<b>250,049</b>	<b>(1,121)</b>	<b>248,928</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>10,739,482</b>	<b>147,738</b>	<b>10,887,220</b>	<b>10,489,433</b>	<b>148,859</b>	<b>10,638,292</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 11,248,987</b>	<b>\$ 155,280</b>	<b>\$ 11,404,267</b>	<b>\$ 10,739,482</b>	<b>\$ 147,738</b>	<b>\$ 10,887,220</b>

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, 2019 AND 2018**

	2019											Support Services				
	Program Services										Management and General	Fundraising	Facilities Management	Total	Total	
	Community Residence	Drop-In Center/Starry Night Café	Health Home Care Management	ACT/FACT Teams	SAMHSA Integrated Care	CCBHC	Services to Deaf Mentally Ill	OFA Project Forward	PROS	Other						Total
Contracted personnel services	\$ 3,483,093	\$ 141,560	\$ 2,239,293	\$ 1,172,152	\$ 175,953	\$ 6,326,452	\$ -	\$ 376,171	\$ 992,298	\$ 601,141	\$ 15,508,113	\$ 1,912,251	\$ 34,900	\$ 79,971	\$ 2,027,122	\$ 17,535,235
Payroll taxes and benefits	807,524	22,867	598,547	202,622	37,114	1,043,972	-	71,470	244,902	116,808	3,145,826	358,975	8,368	15,276	382,619	3,528,445
Rent	2,686,076	21,800	89,555	46,039	5,672	29,718	-	18,918	194,501	16,413	3,110,692	3,920	-	-	3,920	3,114,612
Repairs and maintenance	396,837	27,463	98,917	25,734	13,190	222,444	-	13,195	50,391	4,295	842,466	65,117	-	576	68,126	910,592
Supplies, medical testing and activities	343,070	13,356	96,941	63,454	18,114	42,788	-	96,748	53,281	40,675	768,627	58,791	54,147	-	112,938	881,585
Depreciation	343,316	17,387	50,357	48,821	5,737	140,653	-	2,802	20,652	8,407	638,132	46,615	-	2,132	48,747	686,879
Consultants	3,041	471	9,016	5,850	91,277	102,676	19,357	138,813	4,033	179,874	554,408	69,930	14	-	69,944	624,352
Utilities	304,248	15,905	23,502	11,923	2,971	105,835	-	6,285	36,079	4,174	510,922	45,282	2,364	-	47,646	558,568
Miscellaneous	17,386	(469)	14,151	10,308	7,468	112,106	-	92,828	10,217	51,605	315,600	36,775	2,250	-	39,025	354,625
Insurance	84,512	7,596	39,233	26,682	968	51,390	-	2,365	6,828	3,023	222,597	42,425	1,066	-	43,491	266,088
Professional fees	11,797	-	-	-	150	13,443	1,797	-	-	-	27,187	230,308	-	-	230,308	257,495
Dues and subscriptions	20,847	787	119,046	18,475	605	35,194	-	1,584	3,128	2,162	201,828	32,548	1,701	2	34,251	236,079
Transportation	68,269	2,418	43,023	23,006	941	29,104	-	24,874	1,177	8,807	20,619	12,528	999	478	14,005	215,624
Interest and financing	84,165	-	3,164	3,020	139	10,337	-	3,329	-	-	117,477	24,333	-	-	24,333	141,810
Staff training	10,106	-	12,015	11,167	41,366	6,618	-	3,731	6,202	2,938	94,143	37,149	1,582	-	38,731	132,874
Telephone	28,213	329	33,538	15,474	1,074	23,640	-	7,836	4,543	10,882	125,529	6,154	12	-	6,166	131,695
Moving and storage	14,239	-	2,724	-	-	-	-	30	-	-	16,993	13,458	-	-	13,458	30,451
Data processing	-	-	-	-	-	19,551	-	392	4	497	20,444	3,226	219	-	2,445	23,889
Postage	3,755	108	1,695	666	97	5,120	-	248	1,554	87	13,330	5,360	274	1	5,635	18,965
Printing and publications	261	-	-	-	777	7,298	-	79	69	1,992	10,476	6,139	-	-	6,139	16,619
Bad debt	(22,812)	-	71,656	(795)	-	(41,627)	-	-	8,682	574	15,678	-	-	-	-	15,678
<b>Total expenses</b>	<b>\$ 8,677,943</b>	<b>\$ 271,578</b>	<b>\$ 3,546,373</b>	<b>\$ 1,686,598</b>	<b>\$ 403,613</b>	<b>\$ 8,286,712</b>	<b>\$ 21,154</b>	<b>\$ 861,698</b>	<b>\$ 1,651,864</b>	<b>\$ 1,054,554</b>	<b>\$ 26,462,087</b>	<b>\$ 3,011,284</b>	<b>\$ 112,461</b>	<b>\$ 96,304</b>	<b>\$ 3,220,049</b>	<b>\$ 29,682,136</b>

	2018											Support Services				
	Program Services										Management and General	Fundraising	Facilities Management	Total	Total	
	Community Residence	Drop-In Center/Starry Night Café	Health Home Care Management	ACT/FACT Teams	SAMHSA Integrated Care	CCBHC	Services to Deaf Mentally Ill	OFA Project Forward	PROS	Other						Total
Contracted personnel services	\$ 3,629,538	\$ 105,112	\$ 2,404,017	\$ 1,229,418	\$ 112,142	\$ 5,475,566	\$ (2,607)	\$ 343,430	\$ 1,007,105	\$ 234,003	\$ 14,537,724	\$ 1,903,349	\$ 77,116	\$ 93,402	\$ 2,073,867	\$ 16,611,591
Rent	2,736,316	22,556	96,973	46,345	5,359	18,680	-	34,009	182,041	1,297	3,145,576	3,293	-	-	3,293	3,148,869
Payroll taxes and benefits	514,876	15,746	385,117	156,305	14,750	643,552	-	41,882	138,158	33,280	1,943,666	241,409	8,462	20,911	270,782	2,214,448
Repairs and maintenance	338,712	17,396	77,768	26,297	6,435	185,353	-	9,840	66,506	2,548	720,855	32,302	1,355	53,574	87,231	808,086
Supplies, medical testing and activities	265,755	11,677	91,020	74,717	16,539	97,055	-	23,742	53,797	31,978	666,280	44,586	52,969	446	98,001	764,281
Consultants	2,274	-	2,323	3,726	88,163	47,036	4,116	204,035	281	123,573	475,527	150,198	-	-	150,198	625,725
Depreciation	345,859	15,942	40,078	40,250	5,840	92,001	-	1,283	15,333	7,956	564,542	30,589	1,775	346	32,710	597,252
Utilities	240,082	16,418	16,875	7,212	2,568	80,060	-	4,257	26,322	2,758	396,552	34,235	2,065	672	36,972	433,524
Dues and subscriptions	23,396	1,636	143,760	28,004	1,038	31,161	-	1,409	2,363	1,400	234,167	32,343	404	958	33,705	267,872
Insurance	63,102	4,568	44,254	25,119	1,596	38,937	-	2,437	7,800	3,582	191,395	42,855	724	829	44,408	235,803
Telephone	61,905	1,369	50,704	20,890	2,531	34,438	-	6,607	6,435	5,775	190,654	12,024	734	473	13,231	203,885
Professional fees	12,622	-	140	6,519	2,500	28,904	17,979	2,500	420	3,000	120,679	-	-	-	120,679	195,263
Transportation	61,595	1,004	39,144	27,552	941	12,511	-	22,554	1,821	2,332	169,454	4,091	1,198	11,606	16,895	186,349
Miscellaneous	24,406	46	10,777	8,784	3,000	23,686	(294)	22,217	11,399	5,275	109,296	24,158	3,412	819	28,389	137,685
Interest and financing	79,840	-	10,900	9,234	931	6,284	-	2,466	7,056	-	116,711	19,564	-	980	20,544	137,255
Staff training	9,833	-	7,432	4,838	30,467	42,382	-	5,248	2,687	4,921	107,808	8,402	25	-	8,427	116,235
Printing and publications	450	-	836	21	4,095	6,439	381	1,205	908	5,302	19,637	5,130	9	141	5,280	24,917
Postage	3,639	208	1,703	329	92	3,744	-	735	924	30	11,404	6,922	656	2	7,580	18,984
Moving and storage	1,742	-	-	-	-	-	-	-	-	-	1,742	15,961	-	-	15,961	17,703
Data processing	-	382	158	1	2	13,736	-	-	-	2	14,434	2,205	429	-	2,634	17,088
Bad debt	18,537	-	(4,125)	2,254	-	(30,264)	-	-	7,015	(2,159)	(8,742)	-	-	-	(8,742)	-
<b>Total expenses</b>	<b>\$ 8,436,861</b>	<b>\$ 213,836</b>	<b>\$ 3,419,697</b>	<b>\$ 1,717,815</b>	<b>\$ 298,989</b>	<b>\$ 6,851,261</b>	<b>\$ 19,575</b>	<b>\$ 729,856</b>	<b>\$ 1,528,523</b>	<b>\$ 466,853</b>	<b>\$ 23,683,266</b>	<b>\$ 2,734,295</b>	<b>\$ 151,333</b>	<b>\$ 185,159</b>	<b>\$ 3,070,787</b>	<b>\$ 26,754,053</b>

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, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 517,047	\$ 248,928
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	686,879	597,252
Decrease in unamortized mortgage costs	2,347	2,347
Decrease in unamortized bond costs	7,681	7,681
Provision for bad debt	15,678	(8,742)
Realized gain on investments	-	(200)
Unrealized gain on investments	(2,871)	(4,927)
Increase in government contracts receivable	(559,616)	(674,564)
Increase in program service fees receivable	(254,545)	(254,703)
Decrease in other receivables	-	1,500
(Increase) decrease in prepaid expenses	(13,208)	9,486
(Increase) decrease in security deposits	28,243	(32,498)
Increase (decrease) in trade payables	(206,256)	163,495
Decrease in government agency payables	(294,052)	(32,342)
Decrease in accrued expenses	(127,100)	(88,111)
Increase in deferred rent payable	7,242	14,700
Increase (decrease) in unearned revenue	498,607	(21,447)
Increase (decrease) in due to governments	(260,711)	766,916
Net cash provided by operating activities	<u>45,365</u>	<u>694,771</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Decrease (increase) in restricted cash - capital reserve	(7,542)	1,121
Dividends reinvested	(797)	(656)
Purchase of investments	(17,265)	-
Purchase of fixed assets	(206,094)	(1,094,830)
Net cash used by investing activities	<u>(231,698)</u>	<u>(1,094,365)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on long-term debt	(192,258)	(193,180)
Net cash used by financing activities	<u>(192,258)</u>	<u>(193,180)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(378,591)	(592,774)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,699,194</u>	<u>6,291,968</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,320,603</u>	<u>\$ 5,699,194</u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid for interest	<u>\$ 71,873</u>	<u>\$ 93,124</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**

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**(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 \$122,168 and \$114,205 for the years ended December 31, 2019 and 2018, 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 those with and without donor restricted net assets and changes in net assets. The Agency’s net assets consist of the following:

Without donor restrictions - 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.

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

**CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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Functional expenses -

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

**CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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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 Consolidated 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 Consolidated Statements of Activities and the Consolidated Statements of Functional Expenses.

Revenue recognition -

Effective January 1, 2019, the Agency adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The new guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Agency applied the modified retrospective method of adoption, which resulted in no adjustment to net assets as of January 1, 2019.

**CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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Effective January 1, 2019, the Agency adopted FASB ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The new guidance clarifies and improves guidance on whether a transfer of assets is a contribution or an exchange and whether a contribution is conditional. The Agency applied the modified retrospective method of adoption, which resulted in no adjustment to net assets as of January 1, 2019.

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

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

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

Third party reimbursements: Third party reimbursements are reported at an amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing housing to eligible families. These amounts are due from third party payors, as applicable, and include variable consideration and price concessions due to coverage. Revenue is recognized as performance obligations are satisfied based on actual charges incurred in relation to total expected collections.

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

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.

**CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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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, 2019 and 2018, the Agency has reserved a balance for potential uncollectible accounts amounting to \$693,650 and \$912,693, 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.

**CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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Liquidity considerations -

Quantitative

As of December 31, 2019 and 2018, the Agency has \$10,776,908 and \$10,353,083, respectively, of financial assets available to meet cash needs for program and supporting services expenditures within one year of the Consolidated Statement of Financial Position date, as noted in the current assets section. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for expenditures within one year of the Consolidated Statement of Financial Position date.

Qualitative

As of December 31, 2019 and 2018, the Agency has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 2 months of normal operating expenses, which are, on average, approximately \$4.9 million and \$4.5 million, respectively.

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.

**CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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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, 2019 and 2018.

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, 2019 and 2018, 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, 2016 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

**CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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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 on the Consolidated Statements of Financial Position 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, 2018.

**(3) 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 funds with and without donor restrictions 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.

Investment in LLC -

Investments held by the Agency consist of an investment in a limited liability corporation amounts to \$17,000 at December 31, 2019. The carrying amount reported is valued according to the valuation policy of the partnership, subject to prevailing accounting and other regulatory guidelines. The Agency has no ability to influence the operating or financial policies.

**CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stock	\$ 21,570	\$ 21,570	\$ -	\$ -
Certificates of deposit	47,842	47,842	-	-
Investment in LLC	17,000	-	-	17,000
	<u>\$ 86,412</u>	<u>\$ 69,412</u>	<u>\$ -</u>	<u>\$ 17,000</u>

The following table represents the Agency's fair value hierarchy for investments as of December 31, 2018:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stock	\$ 18,434	\$ 18,434	\$ -	\$ -
Certificates of deposit	47,045	47,045	-	-
	<u>\$ 65,479</u>	<u>\$ 65,479</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2019 and 2018, the Agency did not possess any level 2 type of investments.

**(4) Investments**

Investments as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Common stock	\$ 13,344	\$ 21,570	\$ 13,344	\$ 18,434
Certificates of deposit	40,000	47,842	40,000	47,045
	<u>\$ 53,344</u>	<u>\$ 69,412</u>	<u>\$ 53,344</u>	<u>\$ 65,479</u>

**(5) Fixed assets**

Fixed assets as of December 31, 2019 and 2018 are comprised of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 495,801	\$ 495,801
Construction-in-progress	1,918	324,891
Buildings and improvements	11,699,939	11,538,287
Furniture, fixtures and equipment	1,532,783	1,499,446
Transportation equipment	928,309	594,231
	<u>14,658,750</u>	<u>14,452,656</u>
Less: accumulated depreciation	<u>6,677,752</u>	<u>5,990,873</u>
	<u>\$ 7,980,998</u>	<u>\$ 8,461,783</u>

**CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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**(6) Line of credit**

The Agency had a \$5,000,000 revolving line of credit with a bank for general operations which was amended on February 28, 2019 for additional borrowings of up to \$8,000,000. Borrowings under this line were secured by essentially all of the Agency's assets. The interest rate on the line provided for certain minimum and maximum rate limitations. Interest on outstanding amounts under this agreement are at the prime rate (5.5% as of February 28, 2019). There were no borrowings on this line of credit.

**(7) 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, 2019 and 2018, the balance of the mortgage payable was \$22,196 and \$43,155, 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, 2019 and 2018, the balance of the mortgage payable was \$40,232 and \$79,374, 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, 2019 and 2018, the balance of the mortgage payable was \$1,121,262 and \$1,201,945, respectively (net of debt issuance costs of \$78,101 and \$88,129, respectively).

Vehicle loans

The Agency capitalized vehicles under various vehicle loan agreements with maturities dated through 2022. As of December 31, 2019 and 2018, the balance of the vehicle loans payable was \$21,127 and \$62,574, respectively.

**CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

For the Year Ended	
<u>December 31,</u>	
2020	\$ 168,392
2021	109,302
2022	103,983
2023	108,827
2024	113,798
2025-2029	654,146
2030	<u>24,470</u>
	1,282,918
Less: issuance costs	<u>(78,101)</u>
	<u>\$ 1,204,817</u>

**(8) With donor restrictions**

Net assets with donor restrictions are available for or relate to capital asset purchases. The donor restricted funds are kept within a separate bank account and are used accordingly.

**(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, 2019 resulting from any audits.

**CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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As of December 31, 2019 and 2018, the Agency recorded unearned revenue for grants in the amount of \$1,710,317 and \$367,076, 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, 2019 and 2018, the Agency recorded amounts due to governments in the amount of \$1,705,872 and \$2,811,217, 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 space 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, 2021 with annual rent escalations of 3% each year. The Agency is responsible for utilities and maintenance.

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

For the Year Ended December 31,		
2020	\$	586,115
2021		390,187
2022		393,995
2023		377,035
2024		296,802
2025 and thereafter		305,707
	<b>\$</b>	<b>2,349,841</b>

**CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.  
AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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Rent expense amounted to \$3,108,261 and \$3,144,104 for the years ended December 31, 2019 and 2018, respectively.

**(10) Pension and retirement plans:**

403(b) Plan

The Agency has a 403(b) Thrift Plan (the "Thrift 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 Thrift Plan amounted to approximately \$77,000 and \$162,000 for the years ended December 31, 2019 and 2018, respectively. The Agency may make discretionary contributions to the plan each year, however no discretionary contributions were made to the Thrift Plan for each of the years ended December 31, 2019 and 2018.

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 Thrift Plan amounted to approximately \$447,000 and \$374,000 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, contributions to the 457(b) Plan amounted to approximately \$61,000 and \$39,000, 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.

**CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

The Agency’s participation in the Plan for the year ended December 31, 2019, 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 2019 and 2018 is for the Plan’s year end at December 31, 2019 and 2018, 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	
		2019	2018			2019	2018
		13-3604862-001	10/31/2017			Green	Green

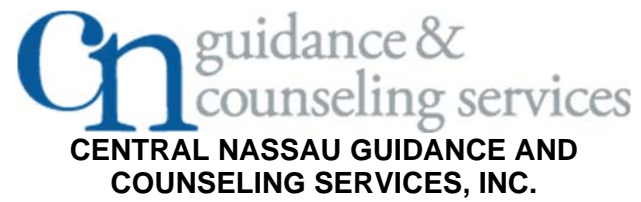
**(11) Concentrations of credit risk**

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 May 15, 2020, which is the date the financial statements were available to be issued. Based on this evaluation, the Agency has determined the following subsequent event has occurred, which requires disclosure in the financial statements:

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that the impact of COVID-19 will continue for some time. Currently, there has been no material adverse effect on the Agency’s operations. Future potential considerations may include disruptions or restrictions on the Agency’s employees’ ability to work, and disruptions to special events. Changes to the operating environment may increase operating costs. The future effects of COVID-19 on the Agency’s operational and financial performance, and cash flow needs are uncertain and cannot be predicted as of the date of these financial statements.



**THE UNIFORM GUIDANCE  
SUPPLEMENTARY FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.  
THE UNIFORM GUIDANCE  
SUPPLEMENTARY FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

<u>Federal Grantor/ Pass-Through Grantor/ Cluster Title/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<u>Direct Programs:</u>			
Continuum of Care Program - Nassau	14.267	NY0513L2T031710	\$ 521,602
Continuum of Care Program - Suffolk	14.267	NY0737L2T031708	57,067
Shelter Plus Care	14.238	NY0524L2T031710	<u>79,797</u>
Total U.S. Department of Housing and Urban Development			<u>658,466</u>
<b><u>U.S. Department of Agriculture</u></b>			
<u>Passed-through Program from:</u>			
New York State Department of Mental Health: Child and Adult Care Food Program	10.558	4116	<u>60,537</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
<u>Direct Programs:</u>			
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FM007204	727,852
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FM007205	211,754
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	15SM62238A	309,439
Drug-Free Communities Support Program	93.276	16SP21578A	75,570
Substance Abuse and Mental Health Services - Projects of Regional and National Significance - Mental Health Awareness	93.243	18SM80985A	<u>124,610</u>
Total Direct Programs			1,449,225
<u>Passed-through Program from:</u>			
New York State Department of Mental Health: Opioid STR	93.788	5H79TI080223-02	920,949
Medical Assistance Program	93.778	C34564GG	<u>209,442</u>
Total U.S. Department of Health and Human Services			<u>2,579,616</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<u><u>\$ 3,298,619</u></u>

**CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**(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.



**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.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central Nassau Guidance and Counseling Services, Inc. (the "Agency"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated July 23, 2020.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the 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 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 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 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Melville, New York  
July 23, 2020

A handwritten signature in black ink that reads "Nawrocki Smith LLP". The signature is written in a cursive, flowing style.



CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR ITS MAJOR FEDERAL PROGRAM 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 Program***

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 program for the year ended December 31, 2019. The Agency's major federal program is 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 program 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 program. However, our audit does not provide a legal determination of the Agency's compliance.

***Opinion on Its Major Federal Program***

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 program for the year ended December 31, 2019.

# 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 program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program 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, 2019, and have issued our report thereon dated July 23, 2020, 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  
July 23, 2020



**CENTRAL NASSAU GUIDANCE AND COUNSELING SERVICES, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**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 program.
5. The auditor's report on compliance for the major federal award program expresses an unmodified opinion.
6. No audit findings relative to the major federal award program 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 program tested as a major program was as follows:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.788	<u>U.S. Department of Health and Human Services</u> Opioid STR

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, 2019**

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