

# **Family Guidance, Inc.**

## Financial Statements and Supplementary Information

For the Period January 1, 2016 through  
September 30, 2016 and for the  
Year Ended December 31, 2015  
with Independent Auditor's Report

**MaherDuessel**  
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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# **FAMILY GUIDANCE, INC.**

FOR THE PERIOD JANUARY 1, 2016 THROUGH SEPTEMBER 30, 2016  
AND FOR THE YEAR ENDED DECEMBER 31, 2015

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## Independent Auditor's Report

Board of Directors  
Family Guidance, Inc.

We have audited the accompanying financial statements of Family Guidance, Inc. (Family Guidance), which comprise the statements of financial position as of September 30, 2016 and December 31, 2015, and the related statements of activities and cash flows for the period January 1, 2016 through September 30, 2016, and for the year ended December 31, 2015, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Guidance as of September 30, 2016 and December 31, 2015, and the changes in its net assets and its cash flows for the period January 1, 2016 through September 30, 2016, and for the year ended December 31, 2015 in accordance with accounting principles generally accepted in the United States of America.

Board of Directors  
Family Guidance, Inc.  
Independent Auditor's Report

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 18-19 are presented for purposes of additional analysis and are 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

*Maher Duessel*

Pittsburgh, Pennsylvania  
April 7, 2017

# FAMILY GUIDANCE, INC.

## STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2016 AND DECEMBER 31, 2015

	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 743,226	\$ 180,977
Grants receivable	132,517	262,503
Prepaid expenses	13,009	20,355
Investments	187,118	178,169
Property and equipment, net	3,883,958	4,012,877
<b>Total Assets</b>	<b>\$ 4,959,828</b>	<b>\$ 4,654,881</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 53,550	\$ 96,050
Accrued expenses	-	28,220
Deferred revenue	25,451	40,722
Light of Life loan	149,615	-
Line of credit	-	167,530
<b>Total Liabilities</b>	<b>228,616</b>	<b>332,522</b>
<b>Net Assets:</b>		
Unrestricted	4,411,539	4,117,221
Temporarily restricted	219,673	25,138
Permanently restricted	100,000	180,000
<b>Total Net Assets</b>	<b>4,731,212</b>	<b>4,322,359</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,959,828</b>	<b>\$ 4,654,881</b>

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

# FAMILY GUIDANCE, INC.

## STATEMENT OF ACTIVITIES

FOR THE PERIOD JANUARY 1, 2016 THROUGH SEPTEMBER 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue:</b>				
Contributions	\$ 219,720	\$ 369,142	\$ -	\$ 588,862
Government grant revenue	7,765	-	-	7,765
Special events	196,737	-	-	196,737
Program revenue	24,684	-	-	24,684
Gain on sales of capital assets	559,218	-	-	559,218
Other revenue	53,070	-	-	53,070
Investment income (loss)	11,392	-	-	11,392
	1,072,586	369,142	-	1,441,728
Net assets released from restrictions:				
Capital campaign	143,022	(63,022)	(80,000)	-
Programs	111,585	(111,585)	-	-
Total net assets released from restrictions	254,607	(174,607)	(80,000)	-
Total support and revenue	1,327,193	194,535	(80,000)	1,441,728
<b>Expenses:</b>				
Program services	690,302	-	-	690,302
Management and general	151,397	-	-	151,397
Fundraising and development	191,176	-	-	191,176
Total expenses	1,032,875	-	-	1,032,875
<b>Change in Net Assets</b>	294,318	194,535	(80,000)	408,853
<b>Net Assets:</b>				
Beginning of period	4,117,221	25,138	180,000	4,322,359
End of period	\$ 4,411,539	\$ 219,673	\$ 100,000	\$ 4,731,212

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

# FAMILY GUIDANCE, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue:</b>				
Contributions	\$ 183,830	\$ 140,048	\$ -	\$ 323,878
Government grant revenue	1,079,435	-	-	1,079,435
Special events	227,951	10,000	-	237,951
Program revenue	22,555	-	-	22,555
Other revenue	118,587	-	-	118,587
Investment income (loss)	47	844	-	891
	<u>1,632,405</u>	<u>150,892</u>	<u>-</u>	<u>1,783,297</u>
Net assets released from restrictions:				
Capital campaign	691,684	(622,492)	(69,192)	-
Programs	183,708	(183,708)	-	-
Total net assets released from restrictions	<u>875,392</u>	<u>(806,200)</u>	<u>(69,192)</u>	<u>-</u>
Total support and revenue	<u>2,507,797</u>	<u>(655,308)</u>	<u>(69,192)</u>	<u>1,783,297</u>
<b>Expenses:</b>				
Program services	1,605,128	-	-	1,605,128
Management and general	276,773	-	-	276,773
Fundraising and development	160,319	-	-	160,319
Total expenses	<u>2,042,220</u>	<u>-</u>	<u>-</u>	<u>2,042,220</u>
<b>Change in Net Assets</b>	<u>465,577</u>	<u>(655,308)</u>	<u>(69,192)</u>	<u>(258,923)</u>
<b>Net Assets:</b>				
Beginning of year	<u>3,651,644</u>	<u>680,446</u>	<u>249,192</u>	<u>4,581,282</u>
End of year	<u>\$ 4,117,221</u>	<u>\$ 25,138</u>	<u>\$ 180,000</u>	<u>\$ 4,322,359</u>

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

# FAMILY GUIDANCE, INC.

## STATEMENTS OF CASH FLOWS

FOR THE PERIOD JANUARY 1, 2016 THROUGH SEPTEMBER 30, 2016  
AND FOR THE YEAR ENDED DECEMBER 31, 2015

	2016	2015
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 408,853	\$ (258,923)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	138,833	177,646
Net (appreciation) depreciation in fair value of investments	(9,871)	88,784
Gain on sale of property and equipment	(559,218)	-
Change in:		
Receivables	129,986	(157,028)
Prepaid expenses	7,346	377
Accounts payable and accrued expenses	(70,720)	(33,911)
Deferred revenue	(15,271)	(20,361)
Total adjustments	(378,915)	55,507
Net cash provided by (used in) operating activities	29,938	(203,416)
<b>Cash Flows From Investing Activities:</b>		
Purchase of property and equipment	(67,981)	(1,498,306)
Disposal of property and equipment	5,679	-
Proceeds from sale of property and equipment	611,606	-
Borrowings on loan	149,615	-
Borrowings on line of credit	81,085	167,530
Payments on line of credit	(248,615)	-
Gross purchases of investments	(5,678)	(84,980)
Proceeds from gross sales of investments	6,600	124,688
Net cash provided by (used in) investing activities	532,311	(1,291,068)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	562,249	(1,494,484)
<b>Cash and Cash Equivalents:</b>		
Beginning of year	180,977	1,675,461
End of year	\$ 743,226	\$ 180,977

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



# FAMILY GUIDANCE, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1, 2016 THROUGH SEPTEMBER 30, 2016  
AND FOR THE YEAR ENDED DECEMBER 31, 2015

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### 1. ORGANIZATION

Family Guidance, Inc. (Family Guidance) exists to bring hope and a future in Jesus Christ to vulnerable children and families of all cultures through western Pennsylvania. As part of this mission, Family Guidance conducts the following programs:

**One-to-One Program** - The One-to-One program is Pittsburgh's oldest youth mentoring program. One-to-One volunteers serve youth from urban and rural areas in Allegheny, Beaver, Butler, Washington, and Westmoreland counties.

**LAMP Program** - Learning Assistance and Mentoring Partnerships is a partnership between the Pittsburgh Public Schools, Family Guidance and local churches that provides mentors for at-risk students in the East End of Pittsburgh.

**Camping Program** - The Camping Program, located at Promise Camp, provides at-risk youth involved in Family Guidance's programs with break-through experiences each summer. Promise Camp is a 110-acre camp in Clinton, Pennsylvania with a faith-based camping program specifically designed to equip children with life skills, problem solving, and teamwork abilities and to help forge a positive self-concept within an intensive, residential setting.

**TWOgether Pittsburgh Program**- TWOgether Pittsburgh is a city-wide coalition, including the Center for Urban Biblical Ministry, Star Consultant LLC, The Women's Center and Shelter of Greater Pittsburgh, Dr. Jean Harvey and Smith Advertising that partners with local congregations to provide marriage enrichment, pre-marriage preparation, couple-to-couple mentoring, and divorce prevention to couples throughout the Pittsburgh area.

TWOgether Pittsburgh also provides education on marriage and families in high schools and a media campaign to help those seeking services connect with TWOgether programs. This program was originally funded through a five-year grant from the Administration of Children and Families of approximately \$7.5 million. On September 29, 2011, a new grant was secured for this program for approximately \$3.5 million for a three-year period ending September 30, 2014, which was extended for one year until September 30, 2015. This grant was not extended after September 30, 2015; however, there were minimal expenses incurred for the period January 1, 2016 through September 30, 2016.

# FAMILY GUIDANCE, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1, 2016 THROUGH SEPTEMBER 30, 2016  
AND FOR THE YEAR ENDED DECEMBER 31, 2015

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As of January 1, 2016, Family Guidance changed its fiscal year-end to September 30<sup>th</sup> from December 31<sup>st</sup>.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

Family Guidance considers all highly liquid investments with original maturities of less than three months as cash equivalents.

#### Revenue and Support

Revenue, which consists primarily of gain on sale of capital assets, is recognized when earned. Family Guidance recognizes revenue from government grants when the corresponding disbursement for the purpose of the grant is made.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction

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# FAMILY GUIDANCE, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1, 2016 THROUGH SEPTEMBER 30, 2016  
AND FOR THE YEAR ENDED DECEMBER 31, 2015

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expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

### Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period the promise is received as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. At September 30, 2016 and December 31, 2015, there was \$100,000 and \$0, respectively, in promises to give.

### Net Assets

Assets, liabilities, and net assets of Family Guidance are reported in three self-balancing net asset classes as follows:

Unrestricted - accounts for unrestricted and board-designated resources, which are not subject to restrictions imposed by contributors or grantors.

Temporarily Restricted - accounts for assets whose use is limited by stipulations imposed by contributors or grantors until those stipulations are fulfilled and removed by Family Guidance's actions.

Permanently Restricted - accounts for assets whose use of principal is restricted indefinitely by stipulations imposed by contributors or donors. Income earned on permanently restricted assets is recorded as temporarily restricted income.

### Investments

Investments are carried at their current fair value. Those investments received as gifts or donations are recorded at their fair value on the date received. Investment income includes unrealized and realized gains and losses on investments, interest, and dividends. Net appreciation or depreciation in the fair value of investments is reflected in unrestricted revenue unless the use of the assets received is limited by donor-imposed restrictions or law.

Investment income is recognized when earned.

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# FAMILY GUIDANCE, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1, 2016 THROUGH SEPTEMBER 30, 2016  
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The Board of Directors (Board) of Family Guidance follows the Commonwealth of Pennsylvania's Principal and Income Act (Act). The Act allows for spending of the permanently restricted endowment fund's income but not principal.

Family Guidance has investments in mutual funds and equity and bond securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statements of financial position.

### Property and Equipment

Property and equipment acquired are recorded at cost. Depreciation of property and equipment is provided by the straight-line method over the estimated useful lives of the assets. The lives used in computing depreciation range from 5 to 40 years.

Maintenance and repairs which are not considered to extend the useful lives of assets are charged to operations as incurred. Expenditures for additions and improvements are capitalized. Upon sale or retirement, the cost of assets and related allowances are removed from the accounts and any gains or losses are included in income (expense) for the year.

### In-kind Contributions

Donated materials and services which meet the criteria for recording under accounting principles generally accepted in the United States of America are reflected as contributions at their estimated values at date of receipt.

### Cost Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of full-time equivalents.

### Fair Value Measurements

Family Guidance applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring and non-recurring basis. Family Guidance

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# FAMILY GUIDANCE, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1, 2016 THROUGH SEPTEMBER 30, 2016  
AND FOR THE YEAR ENDED DECEMBER 31, 2015

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defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, Family Guidance considers the principal or most advantageous market in which Family Guidance would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

Family Guidance applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

### Income Taxes

Family Guidance was incorporated as a non-profit corporation and has been determined by the Internal Revenue Service to be an organization exempt from taxation under Sections 501(c)(3) of the Internal Revenue Code and is not a private foundation. Further, Family Guidance files a Form 990 annually.

### Pending Pronouncements

The Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, "*Leases (Topic 842)*," which is intended to increase transparency and comparability among entities that enter into leasing arrangements. This ASU requires recognition of lease assets and lease liabilities on the balance sheet for nearly all leases (other than short-term leases), as well as a retrospective recognition and measurement of

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# FAMILY GUIDANCE, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1, 2016 THROUGH SEPTEMBER 30, 2016  
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existing impacted leases. The requirements of the new standard will be effective for annual reporting periods beginning after December 15, 2019. The new standard is required to be applied with a modified retrospective approach to each prior reporting period with various optional practical expedients.

The FASB issued ASU No. 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* which aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification, how underwater donor-restricted endowment funds are treated, will increase the information available about liquidity and the availability of resources, requires financial statements for not for-profits to provide expenses both by nature and function, as well as an analysis of those expenses by both nature and function, along with disclosure of the methods used to allocate those costs among the various functions, and standardizes how organizations present investment returns and what expenses should be netted against those returns. There are qualitative and quantitative requirements in a number of areas, including net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The changes in the standard are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments in the ASU is allowed.

Family Guidance is in the process of determining the impact of the adoption of these standards on its financial statements.

### Subsequent Events

Subsequent events have been evaluated through the Independent Auditor’s Report date, which is the date the financial statements were available to be issued.

# FAMILY GUIDANCE, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1, 2016 THROUGH SEPTEMBER 30, 2016  
AND FOR THE YEAR ENDED DECEMBER 31, 2015

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### 3. GRANTS AND OTHER RECEIVABLES

Receivables consist of the following as of September 30, 2016 and at December 31, 2015:

	<u>2016</u>	<u>2015</u>
Grants receivable	\$ 125,715	\$ 250,000
Miscellaneous receivables	6,802	12,503
	<u>\$ 132,517</u>	<u>\$ 262,503</u>

### 4. INVESTMENTS

Investments consist of the following as of September 30, 2016 and at December 31, 2015:

	<u>2016</u>	<u>2015</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Endowment:		
Cash & deposit accounts	\$ -	\$ 189
Equity Mutual Funds:		
Foreign large blend	22,782	22,467
Mid-cap blend	49,247	45,223
Large blend	58,498	54,881
Total equities	<u>130,527</u>	<u>122,571</u>
Bond Mutual Funds:		
Intermediate-term bond	15,273	14,513
Short-term treasury	41,318	40,896
Total bonds	<u>56,591</u>	<u>55,409</u>
Total investments	<u>\$ 187,118</u>	<u>\$ 178,169</u>

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# FAMILY GUIDANCE, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1, 2016 THROUGH SEPTEMBER 30, 2016  
AND FOR THE YEAR ENDED DECEMBER 31, 2015

Investment income (loss) consists of the following for the period January 1, 2016 through September 30, 2016 and for the year ended December 31, 2015:

	<u>2016</u>	<u>2015</u>
Dividends and interest	\$ 1,458	\$ 4,742
Net realized and unrealized gain (loss)	<u>9,934</u>	<u>(3,851)</u>
	<u>\$ 11,392</u>	<u>\$ 891</u>

The fair value for all of Family Guidance's investments is determined by reference to quoted market prices and other relevant information generated by market transactions (Level 1 within the fair value hierarchy).

### 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30, 2016 and at December 31, 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 227,902	\$ 247,902
Buildings	170,775	703,228
Office furniture and equipment	81,922	81,922
Automobiles	30,356	39,308
Training materials	38,287	28,287
Camp facilities	4,560,454	4,545,454
Camp equipment	<u>164,288</u>	<u>139,248</u>
Total property and equipment	5,273,984	5,785,349
Less accumulated depreciation	<u>(1,390,026)</u>	<u>(1,772,472)</u>
	<u>\$ 3,883,958</u>	<u>\$ 4,012,877</u>

Depreciation expense for the period ended September 30, 2016 and the year ended December 31, 2015 was \$138,833 and \$177,646, respectively. Over the past three years, Family Guidance has fulfilled their ten-year commitment to previous campaign donors by constructing the dining hall.



# FAMILY GUIDANCE, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1, 2016 THROUGH SEPTEMBER 30, 2016  
AND FOR THE YEAR ENDED DECEMBER 31, 2015

### 6. NET ASSETS

Family Guidance's net assets consist of the following as of September 30, 2016 and at December 31, 2015:

	<u>2016</u>	<u>2015</u>
Unrestricted net assets:		
Property and equipment	\$ 3,883,958	\$ 4,012,877
Undesignated	447,581	104,344
Board-designated endowment	80,000	-
Total unrestricted net assets	<u>\$ 4,411,539</u>	<u>\$ 4,117,221</u>
Temporarily restricted net assets:		
Camp capital	\$ 25,000	\$ 25,000
Program restricted - other	194,673	138
Total temporarily restricted net assets	<u>\$ 219,673</u>	<u>\$ 25,138</u>
Permanently restricted net assets:		
Camp endowments	\$ -	\$ 100,000
Camp operating purposes	100,000	-
Telecommunication endowment	-	80,000
Total permanently restricted net assets	<u>\$ 100,000</u>	<u>\$ 180,000</u>

Net assets of \$174,607 and \$806,200 for the period January 1, 2016 through September 30, 2016 and December 31, 2015 were released from temporary restrictions by incurring expenses satisfying the restricted purposes. Net assets of \$80,000 for the period January 1, 2016 through September 30, 2016 were released from permanent restriction by obtaining a letter to release from the donor. The board approved setting this aside through board designation as of September 30, 2016. Net assets of \$100,000 for the period January 1, 2016 through September 30, 2016 were released from permanent restriction for camp endowments to permanent restriction for operating purposes by obtaining a letter to release from the donor.

During 2016, Family Guidance continued through efforts begun in 2015 to clarify the purpose for its permanently restricted net assets, through research and review of original grant documents, and discussions with the grantors. As a result of this effort, Family Guidance determined that approximately \$69,192 of net assets that were

# FAMILY GUIDANCE, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1, 2016 THROUGH SEPTEMBER 30, 2016  
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previously classified as permanently restricted were found to be board-designated and not permanently restricted and, as such, were released from restriction.

### 7. ENDOWMENT FUNDS

The endowment funds consist of donor-restricted funds. Net assets associated with endowment funds are classified based on the existence or absence of donor-imposed restrictions as required by accounting principles generally accepted in the United States of America.

#### Interpretation of Relevant Law

Family Guidance has interpreted Pennsylvania State Act 141 of 1998 (Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the Act.

Changes in endowment net assets for the period ended September 30, 2016 and for the year ended December 31, 2015 were as follows:

	<u>Unrestricted Board- Designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, 12/31/2014	\$ 10,011	\$ 249,192	\$ 259,203
Contributions	-	-	-
Expense	(10,011)	(69,192)	(79,203)
Endowment Net Assets, 12/31/2015	-	180,000	180,000
Transfer	80,000	(80,000)	-
Endowment Net Assets, 9/30/2016	<u>\$ 80,000</u>	<u>\$ 100,000</u>	<u>\$ 180,000</u>

# **FAMILY GUIDANCE, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

FOR THE PERIOD JANUARY 1, 2016 THROUGH SEPTEMBER 30, 2016  
AND FOR THE YEAR ENDED DECEMBER 31, 2015

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The investment activity on permanently restricted funds is presented as investment income (loss) in temporarily restricted funds. To satisfy its long-term rate-of-return objectives, Family Guidance relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Family Guidance established asset allocation percentages for its investment account. The target asset allocations are based on the investment objective, time horizon, and risk tolerance established for the account.

See disclosure in Note 6 on release of endowment funds.

### **8. RETIREMENT PLAN**

Under Family Guidance's 403(b) Plan, all employees can voluntarily participate and those who have completed 1,000 hours of service during any plan year are eligible to receive an employer contribution of 4% of eligible employee compensation. Employer contributions are vested after three or more years of service. The employer contribution was approximately \$12,000 for the period January 1, 2016 through September 30, 2016 and \$25,000 in 2015. Pension plan expense is considered an employee-related expense and has been recorded in salary expense of each of Family Guidance's programs.

### **9. OIL AND GAS AGREEMENT**

During 2013, Family Guidance entered into an agreement for the sub-surface lease of land for oil and gas drilling. The term of the lease is for a five-year period beginning in 2013 and ending in 2017, and for as long thereafter as oil or gas is produced. The lease called for an up-front payment of \$101,805, which Family Guidance received during 2013 and is being deferred and recognized over the five-year period. Of this amount, \$15,271 was recognized as revenue for the period January 1, 2016 through September 30, 2016 and \$20,361 was recognized as revenue in 2015. During the term of the lease, Family Guidance will receive royalties of 16% of the proceeds received for all oil and gas produced. There were no royalties received during 2016 or 2015.

### **10. NOTE PAYABLE**

At September 30, 2016 and December 31, 2015, Family Guidance had an outstanding balance relating to its line of credit of \$0 and \$167,530, respectively. As of

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# **FAMILY GUIDANCE, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

FOR THE PERIOD JANUARY 1, 2016 THROUGH SEPTEMBER 30, 2016  
AND FOR THE YEAR ENDED DECEMBER 31, 2015

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September 30, 2016, the line of credit was paid in full and closed. The line of credit was secured by Family Guidance's building and other security instruments as described in the promissory note agreement.

The Chairman of the Family Guidance Board is President of the banking organization through which Family Guidance obtained its line of credit. Such agreement was conducted as an arm's-length transaction. As part of the original approval process and to the extent that Family Guidance executed transactions in relation to the line of credit, the related Board member abstained from any votes taken on such matters.

On June 30, 2016, Family Guidance entered into a note payable with Light of Life Ministries, Inc. As of September 30, 2016, the loan had an outstanding balance of \$149,615. The loan had a maximum borrowing amount of \$300,000 at September 30, 2016. The loan was secured by Family Guidance's escrow account from the proceeds of the sales of capital assets as described in the credit and financial support agreement. See further discussion of the management agreement with Light of Life Ministries, Inc. at Note 13.

### **11. COMMITMENTS AND CONTINGENCIES**

Family Guidance receives a portion of its revenues from federal and state agencies. Any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by Family Guidance with the terms of the underlying grant agreement. Other than as discussed in Note 12 below, management is not currently aware of any proposed adjustments to its funding from any of its funding sources.

### **12. OPERATING RESULTS**

During the past four years, significant operating losses were incurred by Family Guidance. During the current 9-month period, Family Guidance had an increase in net asset balance of \$408,853, however, this net increase was due to a net payment of \$559,218 received from the sale of their building. As the TwoGether Pittsburgh Program Federal Grant ended in September 2015, there was been a significant decrease in both federal grant revenues and the related expenses after that date, and continuing to 2016. The loss of this grant represented a significant loss in operating revenue for Family Guidance under this program. Family Guidance is investigating ways to reduce expenses and generate revenue from other sources in order to continue its mission. During the current 9-month period, Family Guidance worked with

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# **FAMILY GUIDANCE, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1, 2016 THROUGH SEPTEMBER 30, 2016  
AND FOR THE YEAR ENDED DECEMBER 31, 2015**

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donors to release the restriction on permanently restricted funds as well as enter into an agreement with Light of Life Ministries, Inc. for administrative and fundraising services, as further discussed in Note 13.

### **13. TRANSACTIONS WITH LIGHT OF LIFE MINISTRIES, INC.**

On June 30, 2016, Family Guidance entered into a credit and financial support agreement with Light of Life Ministries, Inc., in which Family Guidance may obtain up to \$600,000 from Light of Life Ministries, Inc. to be split evenly between contributions and loans. As of September 30, 2016, the loan payable had a balance of \$149,615, which was paid December 14, 2016. This agreement will end on February 28, 2018, when all unpaid principal and interest on this agreement is due. The loan is secured by Family Guidance's escrow account from proceeds of the sale of capital assets as described in the credit and financial support agreement.

In addition, Light of Life Ministries, Inc. provides administrative and fundraising services to Family Guidance for expenses as incurred under a management agreement entered into on June 30, 2016. Family Guidance incurred approximately \$24,000 for the period June 30, 2016 through September 30, 2016 in expenses related to the management agreement. As of September 30, 2016, Family Guidance owed approximately \$2,500 for expenses incurred.

Family Guidance also entered into a lease agreement with Light of Life Ministries, Inc. beginning June 30, 2016 for the use of Light of Life Ministries, Inc.'s property. Lease rental expense for this operating lease is \$2,366 per month.

Family Guidance and Light of Life Ministries, Inc. remain two separate entities as of September 30, 2016.

## **Supplementary Information**

# FAMILY GUIDANCE, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

JANUARY 1, 2016 THROUGH SEPTEMBER 30, 2016

	Program Services					Total Program Services	Special Events Costs	Management and General	Fundraising and Development	Total
	One-to-One Program	Camping Program	Family Ministries	LAMP Program	TWOgether Pittsburgh Program					
Salaries and benefits	\$ 53,065	\$ 123,922	\$ 21,946	\$ 80,893	\$ 69,279	\$ 349,105	\$ -	\$ 88,605	\$ 66,483	\$ 504,193
Telephone	1,838	6,293	-	4,318	1,101	13,550	-	2,365	1,359	17,274
Postage	519	1,574	-	1,004	154	3,251	-	367	3,284	6,902
Printing	533	1,451	-	573	-	2,557	-	-	-	2,557
Supplies	419	10,213	-	821	322	11,775	-	480	1,390	13,645
Outside services	238	3,046	-	238	3,000	6,522	-	30,079	19,628	56,229
Miscellaneous	1,398	20,422	-	2,787	807	25,414	-	3,047	3,540	32,001
Automobile	2,564	12,107	-	2,533	68	17,272	-	369	137	17,778
Insurance	2,023	15,505	-	2,938	1,312	21,778	-	2,429	1,601	25,808
Utilities	656	24,211	-	1,315	475	26,657	-	999	885	28,541
Meetings	322	391	-	815	481	2,009	-	1,763	361	4,133
Maintenance	664	35,499	-	1,324	466	37,953	-	983	869	39,805
Training	613	755	-	546	666	2,580	-	-	1,250	3,830
Volunteer clearances	1,923	2,595	-	1,176	-	5,694	-	-	-	5,694
Food and banquets	-	34,989	-	-	-	34,989	-	-	-	34,989
Depreciation	-	119,490	-	-	-	119,490	-	19,343	-	138,833
Advertising	-	1,746	-	-	-	1,746	-	-	15,842	17,588
Events and activities	1,677	-	-	2,590	-	4,267	74,074	-	-	78,341
Rent	663	1,373	-	1,657	-	3,693	-	568	473	4,734
Subtotal	69,115	415,582	21,946	105,528	78,131	690,302	74,074	151,397	117,102	1,032,875
Management allocation	20,409	47,661	-	31,112	26,645	125,827	-	(151,397)	25,570	-
Total	<u>\$ 89,524</u>	<u>\$ 463,243</u>	<u>\$ 21,946</u>	<u>\$ 136,640</u>	<u>\$ 104,776</u>	<u>\$ 816,129</u>	<u>\$ 74,074</u>	<u>\$ -</u>	<u>\$ 142,672</u>	<u>\$ 1,032,875</u>

**FAMILY GUIDANCE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
YEAR ENDED DECEMBER 31, 2015

	Program Services					Total Program Services	Special Events Costs	Management and General	Fundraising and Development	Total
	One-to-One Program	Camping Program	Family Ministries	LAMP Program	TWOgether Pittsburgh Program					
Salaries and benefits	\$ 61,706	\$ 121,028	\$ 28,943	\$ 82,117	\$ 417,396	\$ 711,190	\$ -	\$ 202,447	\$ 17,530	\$ 931,167
Telephone	2,091	4,977	-	3,991	10,784	21,843	-	2,339	156	24,338
Postage	797	1,597	-	972	1,435	4,801	-	621	2,672	8,094
Printing	-	920	-	-	13,288	14,208	-	-	-	14,208
Supplies	1,226	9,626	-	2,790	56,431	70,073	-	1,947	1,171	73,191
Outside services	1,288	6,641	-	11,288	204,360	223,577	-	15,498	33,518	272,593
Miscellaneous	465	12,824	-	749	4,795	18,833	-	5,664	2,935	27,432
Automobile	3,545	13,363	-	2,120	7,877	26,905	-	896	35	27,836
Insurance	2,482	17,466	-	2,492	7,974	30,414	-	3,274	386	34,074
Utilities	1,107	25,258	-	1,576	4,121	32,062	-	1,750	212	34,024
Meetings	374	373	-	612	10,454	11,813	-	1,862	1,871	15,546
Maintenance	1,532	49,747	-	2,301	6,354	59,934	-	2,552	344	62,830
Training	277	3,424	-	257	16,087	20,045	-	-	-	20,045
Volunteer clearances	3,414	3,701	-	5,291	-	12,406	-	-	-	12,406
Food and banquets	-	45,357	-	-	-	45,357	-	-	-	45,357
Depreciation	-	139,723	-	-	-	139,723	-	37,923	-	177,646
Advertising	-	1,100	-	-	136,667	137,767	-	-	8,688	146,455
Events and activities	3,308	-	-	2,458	18,411	24,177	90,801	-	-	114,978
Rent	-	-	-	-	-	-	-	-	-	-
Subtotal	83,612	457,125	28,943	119,014	916,434	1,605,128	90,801	276,773	69,518	2,042,220
Management allocation	24,406	47,869	-	32,479	165,086	269,840	-	(276,773)	6,933	-
Total	<u>\$ 108,018</u>	<u>\$ 504,994</u>	<u>\$ 28,943</u>	<u>\$ 151,493</u>	<u>\$ 1,081,520</u>	<u>\$ 1,874,968</u>	<u>\$ 90,801</u>	<u>\$ -</u>	<u>\$ 76,451</u>	<u>\$ 2,042,220</u>