



ASTOR SERVICES FOR CHILDREN & FAMILIES

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

AND

SINGLE AUDIT REPORTS AND
SCHEDULE REQUIRED BY OFFICE OF
MANAGEMENT AND BUDGET UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2017

AND

ADMINISTRATION FOR CHILDREN'S SERVICES
SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2017

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

ASTOR SERVICES FOR CHILDREN & FAMILIES
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

AND

SINGLE AUDIT REPORTS AND
SCHEDULE REQUIRED BY OFFICE OF
MANAGEMENT AND BUDGET UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2017

AND

ADMINISTRATION FOR CHILDREN'S SERVICES
SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2017

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-14
Single Audit:	
Schedule of Expenditures of Federal Awards	15
Notes to Schedule of Expenditures of Federal Awards	16
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by Uniform Guidance	18-19
Schedule of Findings and Questioned Costs	20
Summary Schedule of Prior Audit Findings.....	21
ACS Supplementary Schedules:	
Preventive Services:	
Schedule of Revenues and Expenditures	22
Schedule of Salaries	23
Schedule of Fringe Benefits	24
Schedule of Fixed Assets Inventory	24
Schedule of Questioned Costs	24
Schedule of Quantitative Program Results	25

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Astor Services for Children & Families

Report on Financial Statements

We have audited the accompanying financial statements of Astor Services for Children & Families ("Astor"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Astor Services for Children & Families as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards ("SEFA") for the year ended June 30, 2017, (shown on page 15) as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and the supplementary schedules (shown on pages 22-25) as required by the City of New York, Administration for Children's Services ("ACS") 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 audits 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2018 on our consideration of Astor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Astor's internal control over financial reporting and compliance.



New York, NY

January 8, 2018, except for the SEFA and the ACS schedules of Astor as to which date is January 31, 2018.

ASTOR SERVICES FOR CHILDREN & FAMILIES
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents (Notes 2D and 9)	\$ 332,261	\$ 719,757
Accounts receivable, net (Note 2G)	9,645,316	8,716,464
Contribution in-kind - rent, current, net (Notes 2F, 2J and 3)	514,944	514,944
Prepaid expenses, deposits and other assets	261,624	344,437
Due from Foundation (Note 6)	<u>245,089</u>	<u>154,498</u>
 Total current assets	 10,999,234	 10,450,100
Contribution in-kind - rent, non-current, net (Notes 2F, 2J and 3)	6,472,103	6,660,674
Property and equipment, net (Notes 2I, 4 and 5)	11,764,025	12,580,716
Beneficial interest in Foundation (Note 10)	<u>500,000</u>	<u>500,000</u>
 TOTAL ASSETS	 <u>\$ 29,735,362</u>	 <u>\$ 30,191,490</u>
 LIABILITIES		
Accounts payable and accrued expenses	\$ 3,201,637	\$ 2,153,560
Accrued salaries, vacation and benefits	1,880,001	3,031,779
Due to funding sources and deferred revenue (Note 2E)	3,567,468	3,693,636
Bank line of credit (Note 5)	1,448,024	1,700,000
Pension withdrawal liability, current (Note 7)	1,264,024	1,175,836
Debt, current - net (Note 5)	<u>512,846</u>	<u>485,993</u>
 Total current liabilities	 11,874,000	 12,240,804
Pension withdrawal liability, noncurrent (Note 7)	3,073,455	4,337,479
Debt, noncurrent - net (Note 5)	<u>8,519,548</u>	<u>9,010,789</u>
 TOTAL LIABILITIES	 <u>23,467,003</u>	 <u>25,589,072</u>
 COMMITMENTS AND CONTINGENCIES (Note 8)		
 NET ASSETS (DEFICIT) (Note 2B)		
Unrestricted (Note 11):		
Net investment in property and equipment	2,731,631	2,996,480
Pension liability	(4,337,479)	(5,513,315)
Operations	<u>265,774</u>	<u>(642,673)</u>
Total unrestricted	(1,340,074)	(3,159,508)
Temporarily restricted (Note 12)	7,108,433	7,261,926
Permanently restricted (Note 10)	<u>500,000</u>	<u>500,000</u>
 TOTAL NET ASSETS	 <u>6,268,359</u>	 <u>4,602,418</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 29,735,362</u>	 <u>\$ 30,191,490</u>

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

ASTOR SERVICES FOR CHILDREN & FAMILIES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	For the Year Ended June 30, 2017				For the Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016	Unrestricted	Temporarily Restricted	Permanently Restricted
REVENUE AND SUPPORT:								
Revenue								
Government contracts and grants (Note 2E)	\$ 35,654,689	\$ -	\$ -	\$ 35,654,689	\$ 31,775,015	\$ 31,775,015	\$ -	\$ -
Contracts with non-governmental entities	1,794,192	-	-	1,794,192	1,688,162	1,688,162	-	-
Medicaid (Note 2E)	18,537,027	-	-	18,537,027	18,981,912	18,981,912	-	-
Private and insurance fees	5,049,824	-	-	5,049,824	4,252,883	4,252,883	-	-
Support								
Donated services and facilities (Notes 2F, 2J, 3 and 6)	769,159	326,373	-	1,095,532	1,047,885	712,704	335,181	-
Other (Note 6)	293,163	-	-	293,163	213,393	213,393	-	-
Grants								
United Way, Catholic Charities	90,000	-	-	90,000	130,000	130,000	-	-
Grants from Foundation	40,000	-	-	40,000	185,429	185,429	-	-
Other grants	453,367	71,737	-	525,104	705,434	681,008	24,426	-
Net assets released from restrictions (Note 2B)	551,603	(551,603)	-	-	-	2,098,392	(2,098,392)	-
TOTAL REVENUE AND SUPPORT	63,233,024	(153,493)	-	63,079,531	58,980,113	60,718,898	(1,738,785)	-
EXPENSES (Note 2H):								
Program services:								
Care Management	4,436,420	-	-	4,436,420	3,807,257	3,807,257	-	-
Crisis Response	1,054,780	-	-	1,054,780	1,027,530	1,027,530	-	-
Early Childhood	11,323,983	-	-	11,323,983	11,408,566	11,408,566	-	-
Education/ School Based Programs	11,442,010	-	-	11,442,010	10,911,338	10,911,338	-	-
Out of Home Placement	13,952,479	-	-	13,952,479	13,999,782	13,999,782	-	-
Outpatient	10,304,659	-	-	10,304,659	8,505,561	8,505,561	-	-
Placement Prevention	2,803,984	-	-	2,803,984	2,524,360	2,524,360	-	-
Total program services	55,318,315	-	-	55,318,315	52,184,394	52,184,394	-	-
Support services:								
Management and administration	6,011,357	-	-	6,011,357	5,799,115	5,799,115	-	-
Fundraising	83,918	-	-	83,918	106,503	106,503	-	-
Total support services	6,095,275	-	-	6,095,275	5,905,618	5,905,618	-	-
TOTAL EXPENSES (Note 2H)	61,413,590	-	-	61,413,590	58,090,012	58,090,012	-	-
CHANGE IN NET ASSETS	1,819,434	(153,493)	-	1,665,941	890,101	2,628,886	(1,738,785)	-
Net assets (deficit) - beginning of year	(3,159,508)	7,261,926	500,000	4,602,418	3,712,317	(5,788,394)	9,000,711	500,000
NET ASSETS (DEFICIT) - END OF YEAR	\$ (1,340,074)	\$ 7,108,433	\$ 500,000	\$ 6,268,359	\$ 4,602,418	\$ (3,159,508)	\$ 7,261,926	\$ 500,000

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

ASTOR SERVICES FOR CHILDREN & FAMILIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

For the Year Ended June 30, 2017

	Program services								Supporting Services			
	Care Management	Crisis Response	Early Childhood	Education/ School Based Programs	Out of Home Placement	Outpatient	Placement Prevention	Total Program Services	Fundraising	Management and Administration	Total 2017	Total 2016
Salaries and related expenses:												
Salaries	\$ 2,696,448	\$ 604,625	\$ 6,113,199	\$ 7,061,575	\$ 6,980,261	\$ 6,504,140	\$ 1,787,716	\$ 31,747,964	\$ -	\$ 2,748,379	\$ 34,496,343	\$ 32,253,243
Employee health and retirement benefits (Note 7)	730,423	140,387	1,385,748	1,607,940	1,342,988	1,146,974	306,269	6,660,729	-	626,976	7,287,705	7,304,501
Payroll taxes and other benefits	239,466	67,896	652,043	632,441	635,392	597,917	160,990	2,986,145	-	352,342	3,338,487	3,362,650
Total salaries and related expenses	3,666,337	812,908	8,150,990	9,301,956	8,958,641	8,249,031	2,254,975	41,394,838	-	3,727,697	45,122,535	42,920,394
Professional services	83,993	26,117	588,515	598,489	804,739	1,039,877	123,220	3,264,950	10,278	671,014	3,946,242	3,912,749
Supplies	24,348	9,465	277,361	141,410	567,961	72,800	16,437	1,109,782	-	56,876	1,166,658	1,198,982
Telephone	63,528	32,717	146,620	137,000	178,451	224,826	40,705	823,847	2,764	752,276	1,578,887	1,068,672
Occupancy (Note 8)	191,493	63,391	291,694	456,412	371,377	259,378	63,279	1,697,024	-	78,690	1,775,714	1,759,434
Travel & related expenses	117,813	24,235	103,490	19,815	158,278	35,651	84,772	544,054	-	96,797	640,851	627,338
Training & conferences	2,613	9,031	22,501	43,585	39,859	58,924	107,178	283,691	-	47,160	330,851	165,198
Specific assistance	107,576	16	2,120	171	15,910	-	33,295	159,088	-	-	159,088	148,021
Foster boarding home	-	-	-	-	1,159,364	-	-	1,159,364	-	-	1,159,364	1,190,551
Children's activities	1,338	379	28,361	14,034	65,159	189	376	109,836	4,124	-	113,960	100,871
Insurance	62,904	13,872	149,034	161,922	193,733	150,576	40,942	772,983	-	-	772,983	753,494
Food	293	101	230,988	53,004	232,688	78	-	517,152	-	7,092	524,244	531,390
Furniture and equipment	38,545	4,496	95,736	67,196	75,964	65,061	6,575	353,573	-	48,794	402,367	381,679
Grant expense	-	-	-	-	-	-	-	-	38,376	-	38,376	47,359
Interest (Note 5)	-	-	-	82,627	456,449	-	-	539,076	-	110,254	649,330	643,702
Depreciation and amortization (Note 4)	8,654	4,359	206,390	139,077	507,154	35,385	10,976	911,995	18,471	180,432	1,110,898	1,096,996
Bad debt expense (Note 2G)	28,500	49,500	9,900	71,805	17,700	35,500	5,000	217,905	-	-	217,905	-
Donated services and facilities (Note 2F)	12,517	2,760	998,792	123,044	108,915	29,925	8,147	1,284,100	-	-	1,284,100	1,227,649
Miscellaneous	25,968	1,433	21,491	30,463	40,137	47,458	8,107	175,057	9,905	234,275	419,237	315,533
Total expenses before allocation	4,436,420	1,054,780	11,323,983	11,442,010	13,952,479	10,304,659	2,803,984	55,318,315	83,918	6,011,357	61,413,590	58,090,012
Allocation of central administration	513,518	113,247	688,859	1,321,855	1,552,056	1,229,230	334,230	5,752,995	-	(5,752,995)	-	-
Total expenses after allocation	\$ 4,949,938	\$ 1,168,027	\$ 12,012,842	\$ 12,763,865	\$ 15,504,535	\$ 11,533,889	\$ 3,138,214	\$ 61,071,310	\$ 83,918	\$ 258,362	\$ 61,413,590	\$ 58,090,012

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

ASTOR SERVICES FOR CHILDREN & FAMILIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

For the Year Ended June 30, 2016											
	Program services							Supporting Services			Total 2016
	Care Management	Crisis Response	Early Childhood	Education/ School Based Programs	Out of Home Placement	Outpatient	Placement Prevention	Total Program Services	Fundraising	Management and Administration	
Salaries and related expenses:											
Salaries	\$ 2,301,841	\$ 644,650	\$ 6,052,813	\$ 6,681,358	\$ 6,914,393	\$ 5,260,877	\$ 1,706,788	\$ 29,562,720	\$ -	\$ 2,690,523	\$ 32,253,243
Employee health and retirement benefits (Note 7)	596,527	133,502	1,579,066	1,582,353	1,494,782	1,014,725	295,003	6,695,958	-	608,543	7,304,501
Payroll taxes and other benefits	224,646	62,223	707,280	658,077	684,418	509,942	165,290	3,011,876	-	350,774	3,362,650
Total salaries and related expenses	3,123,014	840,375	8,339,159	8,921,788	9,093,593	6,785,544	2,167,081	39,270,554	-	3,649,840	42,920,394
Professional services	104,097	18,889	608,353	582,465	827,642	835,768	89,530	3,066,744	36,098	809,907	3,912,749
Supplies	23,798	5,872	222,147	181,327	618,387	80,234	14,277	1,146,042	-	52,940	1,198,982
Telephone	63,770	28,928	30,276	49,470	68,232	201,005	33,215	474,896	485	593,291	1,068,672
Occupancy (Note 8)	185,130	68,501	338,533	445,412	333,881	252,567	54,026	1,678,050	-	81,384	1,759,434
Travel & related expenses	112,575	27,279	149,073	17,517	166,545	35,329	54,732	563,050	-	64,288	627,338
Training & conferences	3,718	9,090	26,566	37,101	26,916	20,779	13,771	137,941	-	27,257	165,198
Specific assistance	84,394	-	11,551	42	25,383	619	26,032	148,021	-	-	148,021
Foster boarding home	-	-	-	13,431	1,177,120	-	-	1,190,551	-	-	1,190,551
Children's activities	3,122	99	13,702	17,963	56,159	373	280	91,698	9,173	-	100,871
Insurance	55,766	14,638	156,199	159,839	200,672	128,085	38,295	753,494	-	-	753,494
Food	56	-	247,693	50,609	227,538	-	153	526,049	1,915	3,426	531,390
Furniture and equipment	17,978	3,814	82,241	65,568	66,538	70,910	9,105	316,154	-	65,524	381,678
Grant expense	-	-	-	-	-	-	-	-	47,360	-	47,360
Interest (Note 5)	-	-	-	92,572	458,651	-	-	551,223	-	92,479	643,702
Depreciation and amortization (Note 4)	6,593	4,692	210,488	123,919	505,279	31,704	9,239	891,914	6,270	198,812	1,096,996
Donated services and facilities (Note 2F)	11,383	2,987	944,537	123,458	111,315	26,150	7,819	1,227,649	-	-	1,227,649
Miscellaneous	11,863	2,366	28,048	28,857	35,931	36,494	6,805	150,364	5,202	159,967	315,533
Total expenses before allocation	3,807,257	1,027,530	11,408,566	10,911,338	13,999,782	8,505,561	2,524,360	52,184,394	106,503	5,799,115	58,090,012
Allocation of central administration	458,529	120,366	708,728	1,314,312	1,620,363	1,053,206	314,901	5,590,405	-	(5,590,405)	-
Total expenses after allocation	<u>\$ 4,265,786</u>	<u>\$ 1,147,896</u>	<u>\$ 12,117,294</u>	<u>\$ 12,225,650</u>	<u>\$ 15,620,145</u>	<u>\$ 9,558,767</u>	<u>\$ 2,839,261</u>	<u>\$ 57,774,799</u>	<u>\$ 106,503</u>	<u>\$ 208,710</u>	<u>\$ 58,090,012</u>

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

ASTOR SERVICES FOR CHILDREN & FAMILIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,665,941	\$ 890,101
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,110,898	1,096,996
Reduction of contribution in-kind - rent receivable	514,944	514,938
Amortization of deferred financing costs	13,431	13,431
Bad debt	217,905	-
Amortization of discount on contribution in-kind receivable	<u>(326,373)</u>	<u>(335,181)</u>
Subtotal	3,196,746	2,180,285
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(1,146,757)	(1,284,449)
Prepaid expenses, deposits and other assets	82,813	(10,749)
Due from the Foundation	(90,591)	1,808,688
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,048,077	280,554
Accrued pension obligation - Archdiocese of New York	-	(407,243)
Accrued salaries, vacation and benefits	(1,151,778)	496,799
Due to funding sources and deferred revenue	(126,168)	783,968
Due to the Foundation	-	(1,803,829)
Pension withdrawal liability	<u>(1,175,836)</u>	<u>(839,908)</u>
Net Cash Provided by Operating Activities	<u>636,506</u>	<u>1,204,116</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(294,207)</u>	<u>(622,407)</u>
Net Cash Used in Investing Activities	<u>(294,207)</u>	<u>(622,407)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments of debt	(477,819)	(468,736)
Principal payments of line of credit	<u>(251,976)</u>	<u>(600,000)</u>
Net Cash Used in Financing Activities	<u>(729,795)</u>	<u>(1,068,736)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(387,496)	(487,027)
Cash and cash equivalents - beginning of year	<u>719,757</u>	<u>1,206,784</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 332,261</u>	<u>\$ 719,757</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 635,899</u>	<u>\$ 643,702</u>

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

ASTOR SERVICES FOR CHILDREN & FAMILIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1—ORGANIZATION AND NATURE OF ACTIVITIES

Astor Services for Children & Families ("Astor") is a not-for-profit membership corporation whose sole member is the Catholic Charities Alliance (the "Alliance"). The Alliance oversees the Board of Directors, including the election of Directors, determination of the size of the Board, approval of the Board's choice of Executive Director and approval of certain transactions, such as large loans. Astor is a child care agency serving emotionally disturbed and mentally ill children from throughout New York State through various sites in Dutchess County, Orange County and the Bronx. Astor provides residential, educational and clinical services to these children and provides community-based, family-oriented services for children and adolescents who are experiencing difficulty at home, in school or in the community. In addition, other programs are provided in preventive, day care, special education programs for children with learning disabilities and educational formats. Astor's major sources of revenue come from federal, New York State and local agencies.

Astor is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and accordingly is not subject to federal and state income taxes.

Astor is the sole member of The Children's Foundation of Astor ("Foundation") which was incorporated in 1990 under the Not-For-Profit Corporation Law of the State of New York. The Foundation has been granted exemption from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. The Foundation was formed to raise funds and provide grants as well as support the activities of Astor. The financial statements for Astor do not consolidate the Foundation since the Foundation is controlled by the Alliance.

Programs operated by Astor are summarized below.

- **Care Management:** The provision of support and linkages to programs/services in the home, school and community.
- **Crisis Response:** Immediate home and school response in times of crisis for the purpose of stabilizing a situation and minimizing the child's disruption. Partial Hospitalization program is for adolescents needing the highest level of clinical support without a residential component.
- **Early Childhood:** Head Start education programs, and Clinical Day-Treatment programs (Day Treatment) for young children ages 3-5 years.
- **Education/School Based Programs:** Schools and Day Treatment programs in a variety of educational settings with any combination of education, behavioral and clinical support including direct clinical care and classroom consultative arrangements.
- **Out of Home Placement:** Therapeutic foster families, and congregate residential care for young children in a Residential Treatment Center. Specialized, high-level clinically based residential care in a Residential Treatment Facility.
- **Outpatient:** An array of outpatient clinics for children, adolescents and young adults in the community. This includes therapy services using evidence-based practices, psychiatry, and tele-psychiatry services.
- **Placement Prevention:** Individualized services provided at home, school and community for children at risk of residential placement including the Prevention programs, Functional Family Therapy, juvenile justice prevention, and more. The program also includes innovative cross-systems integration to serve children who are at high risk in the community.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Astor prepares its financial statements using the accrual basis of accounting. Astor adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").
- B. Revenue and support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Astor and changes therein are classified and reported as follows:
 - **Unrestricted Net Assets** – Represents resources available for support of Astor's operations, over which the Board of Directors has discretionary control.

ASTOR SERVICES FOR CHILDREN & FAMILIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Temporarily Restricted Net Assets – Astor reports contributions of cash and other assets as unrestricted support unless they are received with donor stipulations that limit the use of the donated asset; such assets are considered temporarily or permanently restricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, Astor reports the contribution as unrestricted. Astor has purpose and time restricted temporarily restricted net assets of \$7,108,433 and \$7,261,926 as of June 30, 2017 and 2016, respectively.
 - Permanently Restricted Net Assets – Represents assets subject to donor-imposed stipulations that they be maintained permanently by Astor. Astor has permanently restricted net assets of \$500,000 as of June 30, 2017 and 2016.
- C. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that 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.
- D. Cash and cash equivalents consist of: cash, money market accounts and securities backed by the U.S. Government with maturities, when purchased, of three months or less.
- E. Contracts and grants consist of revenue received through various federal, state and local governmental agencies. Astor also receives residential, day treatment, medical and tuition support from various New York State counties and school districts. Reimbursement rates are preliminarily based upon prior years' actual cost data provided to the Department of Social Services ("DSS"), the State Education Department ("SED") and the Office of Mental Health ("OMH"). Final determination of rates is based upon DSS, SED and OMH's review and audit of actual expenditures for the applicable year. Government contracts and grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, Astor establishes refundable advances from governmental sources. Any revenue for contracts that have not yet been earned are reclassified as deferred revenue in the statements of financial position. Revenue from fees for service programs are recognized as they are earned (services are provided daily and/or monthly).

Due to funding sources and deferred revenue includes advances paid from Medicaid programs in excess of allowable amounts. Such amounts may be required to be repaid to funding sources through the Medicaid recoupment process. Provisions for amounts due to or from funding sources based on estimated financial rates have been made in the financial statements. Differences between estimated and actual financial rates will be reflected in the statements of activities in the year the final rates are approved. In the opinion of management, no material adjustments are expected from these audits. Due to funding sources also includes excess reimbursements made to Astor by the funding sources for the educational program. Most of these amounts will be recovered by the funding sources over time as future services are billed.

Approximately 86% of Astor's unrestricted revenues were provided by Medicaid reimbursement and government contracts and grants during each of the years ended June 30, 2017 and 2016.

There are occasions when funding source reimbursements received in prior years are adjusted in the current year. Such adjustments may be due to funding source audit findings, additional monies available over and above original contract amounts, rate appeal results, etc. Included in the change in net assets for the years ended June 30, 2017 and 2016 was approximately \$79,000 and (\$93,000), respectively, of prior year increases (decreases), relating to such adjustments.

Astor estimates the effect of SED's reconciliation process and records increases or decreases in tuition revenue for that year. The purpose is to more closely match reimbursable expenses with tuition revenue. For the years ended June 30, 2017 and 2016, Astor recognized an estimated increase of \$115,819 and \$185,829, respectively, for tuition revenue based on SED's reconciliation process. These amounts are reflected in service fees and grants from governmental agencies and accounts receivable.

ASTOR SERVICES FOR CHILDREN & FAMILIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- F. Astor receives donated services, equipment, supplies and other items which supplement the efforts of Astor's professional staff in providing services. Astor records these contributions in the accompanying financial statements as support and expenses at the estimated value of the donated goods and services. In addition, Astor receives contributed space as further described in Note 3.
- G. As of June 30, 2017 and 2016, Astor determined that an allowance for doubtful accounts of approximately \$250,000 and \$32,000, respectively, was necessary for accounts receivable. Such estimates are based on a combination of factors, such as management's assessment of the aged basis of its government funding sources, creditworthiness of funders and its donors, current economic conditions and historical experience. A significant portion of accounts receivable consists of amounts due from federal and New York State sources.
- H. Astor allocates certain expenses among the various program and supporting services categories. The expense allocated to a particular category is based on a number of factors. Salary expense is based on the estimated time spent on each program and certain other expenses are allocated based on the ratio-value method (a NYS government accepted allocation method) for each program.
- I. Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. Astor capitalizes property and equipment with a cost of \$1,000 or more and a useful life of greater than one year. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease.
- J. Pledges of contributions-in-kind rent are recorded as revenue when made. Astor considers these pledges to be received in future periods as implicitly time restricted. Astor discounts long-term pledges using a risk-free interest rate for the expected term of the promise to give applicable to the years in which the pledges are received.
- K. Pledges are recorded as income when Astor is formally notified of the grants or contributions by the respective donors. Unless material, Astor does not discount multiyear pledges.
- L. Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2015-03, "*Interest – Imputation of Interest, Simplifying the Presentation of Debt Issuance Costs*" is applicable for the year ended June 30, 2017. This update requires that debt issuance costs related to a liability be reported as a deduction from that liability on the statements of financial position. Accordingly, Astor has presented notes payable net of debt issuance costs in the accompanying statements of financial position. Amortization of the debt issuance costs of \$13,431 is reported as interest expense in the statements of activities and was previously presented as amortization expense for the year ended June 30, 2016. This change had no impact on the change in net assets for the year ended June 30, 2016.
- M. Certain line items in the June 30, 2016 financial statements have been reclassified to conform to the June 30, 2017 presentation.

NOTE 3—CONTRIBUTION IN-KIND RECEIVABLE

The contribution in-kind rent receivable consists of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Amount due in less than one year	\$ 514,944	\$ 514,944
Amount due from one to five years	2,059,776	2,059,776
Amount due in greater than five years	<u>8,239,104</u>	<u>8,754,048</u>
	10,813,824	11,328,768
Less: Unamortized discount to present value	<u>(3,826,777)</u>	<u>(4,153,150)</u>
	<u>\$ 6,987,047</u>	<u>\$ 7,175,618</u>

ASTOR SERVICES FOR CHILDREN & FAMILIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 3—CONTRIBUTION IN-KIND RECEIVABLE (Continued)

Astor has a 40-year lease agreement, effective October 1, 1998, with the Archbishop of New York for the use of the land and improvements at the Rhinebeck location. Astor is required to pay a nominal rent of \$1 per year. Astor has estimated the fair value of the annual lease payment to be approximately \$515,000. The fair value associated with the use of the property is amortized over the term of the lease.

Amortization of the discount on the contribution-in-kind amounted to \$326,373 and \$335,181 for the years ended June 30, 2017 and 2016, respectively.

NOTE 4—PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Lives</u>
Land	\$ 117,993	\$ 117,993	-
Buildings	16,518,680	16,518,680	40 years
Furniture and equipment	3,817,814	3,503,298	3-10 years
Leasehold improvements	7,615,902	7,569,525	Lease term
Construction in progress (see below)	<u>155,366</u>	<u>222,052</u>	-
Total cost	28,225,755	27,931,548	
Accumulated depreciation and amortization	<u>(16,461,730)</u>	<u>(15,350,832)</u>	
Net book value	<u>\$ 11,764,025</u>	<u>\$ 12,580,716</u>	

Depreciation and amortization expense for the years ended June 30, 2017 and 2016 amounted to \$1,110,898 and \$1,096,996, respectively.

As of June 30, 2017, construction in progress primarily consists of the Managed Care readiness project which will be funded by grants from the NYS Department of Health and the Office of Mental Health. It is expected to be completed in 2018 and the expected future cost will be approximately \$75,000.

NOTE 5—DEBT

Debt consists of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Note payable to a bank, due June 2019, payable in monthly installments of \$4,981 (principal and interest). The interest rate is fixed at 4.89%; collateralized by certain property and equipment.	\$ 127,405	\$ 179,329
Note payable to a bank, due January 2025, payable in monthly installments of \$17,283 (principal and interest). The interest rate is fixed at 5.45% for the first ten years (ending January 2022), after which the rate is reset; collateralized by certain property and equipment.	1,282,354	1,414,808
Note payable to a bank, due January 2033, payable in monthly installments of principal and interest. The interest rate is fixed at 5.45% for the first ten years (ending January 2022), after which the rate is reset; collateralized by certain property and equipment.	<u>7,696,658</u>	<u>7,990,099</u>
Total Debt	9,106,417	9,584,236
Less: Unamortized debt issue costs	(74,023)	(87,454)
Less: Current portion	<u>(512,846)</u>	<u>(485,993)</u>
Debt, net of current portion	<u>\$ 8,519,548</u>	<u>\$ 9,010,789</u>

ASTOR SERVICES FOR CHILDREN & FAMILIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 5—DEBT (Continued)

Future principal payments (not net of issuance costs) for the fiscal years subsequent to June 30, 2017 are as follows:

2018	\$ 512,846
2019	556,586
2020	510,853
2021	539,401
2022	569,544
Thereafter (expiring January 2033)	<u>6,417,187</u>
	<u>\$ 9,106,417</u>

Astor has a line of credit with a bank capped at \$4,000,000, of which \$1,448,024 and \$1,700,000 was outstanding as of June 30, 2017 and 2016, respectively. The line of credit is secured by Astor's receivables and carries interest at three percentage points above the one month LIBOR rate (amounting to an interest rate of 4.23% and 3.47% as of June 30, 2017 and 2016, respectively). The line is payable on demand. As of January 8, 2018, there was \$1,948,024 borrowed.

As of June 30, 2017, approximately \$9,106,000 of the long-term debt and the line of credit of \$4,000,000 are held with one bank with cross default clauses whereby default on one obligation will trigger default on the other obligations. Astor must comply with certain administrative and financial covenants, which it has done.

Interest expense related to debt for the years ended June 30, 2017 and 2016 amounted to \$649,330 and \$643,702, respectively.

NOTE 6—TRANSACTIONS WITH THE FOUNDATION AND RELATED PARTIES

- A. Astor conducts its residential programs and has its administrative offices in facilities owned by the Archdiocese of New York. No rent is paid for the use of these facilities. The estimated value of such contributed rent was \$515,000 for each of the years ended June 30, 2017 and 2016. See Note 3.

Astor is the sole member of the Foundation. Astor is a tenant in buildings owned by the Foundation. Rental expense paid to the Foundation amounted to \$31,845 and \$47,490 for the years ended June 30, 2017 and 2016, respectively. Astor charges the Foundation for certain administrative expenses incurred, which amounted to \$360,743 and \$193,215 for the years ended June 30, 2017 and 2016, respectively. Such amounts are included in other support in the accompanying statements of activities. Astor has a receivable from the Foundation amounting to \$245,089 and \$154,498 as of June 30, 2017 and 2016, respectively. For the years ended June 30, 2017 and 2016, the Foundation contributed \$40,000 and \$185,429, respectively, to Astor, which is reflected as grant income in the accompanying financial statements.

- B. Astor has a Board member whose firm is its insurance broker, which receives commission income from various insurance companies providing coverage to Astor. For the years ended June 30, 2017 and 2016, the insurance brokerage commissions paid to the Board member's firm amounted to \$325,459 and \$371,610, respectively. Also, Astor has a Board member who is a partner in a law firm that provides legal services to Astor. For the years ended June 30, 2017 and 2016, Astor paid legal fees to the Board member's law firm amounting to \$852 and \$5,446, respectively. In addition, Astor maintains certain cash accounts and loans with a bank that employs an Astor Board member. Astor has conflict of interest policies and disclosures that are regularly reviewed by the Board. In addition, it is the policy of Astor to ensure that any person in a conflict of interest position recuses themselves from voting on business transactions in which the individual has a conflict of interest. Astor routinely evaluates the pricing of the services rendered for purposes of determining that they are at or below fair market value.

ASTOR SERVICES FOR CHILDREN & FAMILIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7—PENSION PLANS

- A. Astor previously participated in the Archdiocesan Pension Plan (the “Plan”), a defined benefit multiemployer plan. All employees who met the age and years of service requirements were noncontributory participants in the Plan. Astor withdrew from the Plan as of December 31, 2014. As a result of withdrawing from the Plan, the Archdiocese required that Astor pay an employer liability and administration charge of approximately \$6,353,000 payable in 60 monthly installments of approximately \$128,000 starting September 1, 2015 and ending August 1, 2020. This amount represents Astor’s calculated share overall multi-employer of the underfunding of the Plan at the withdrawal date. As of June 30, 2017 and 2016, the accrued pension withdrawal liability for the Plan was \$4,337,479 and \$5,513,315, respectively. Payments made by Astor to reduce the liability amounted to \$1,175,836 and \$839,908 for the years ended June 30, 2017 and 2016, respectively.

Future payments for the years subsequent to June 30, 2017 are as follows:

2018	\$ 1,264,024
2019	1,358,825
2020	1,460,737
2021	<u>253,893</u>
	<u>\$ 4,337,479</u>

- B. Effective January 1, 2015, Astor implemented a defined contribution 403(b) Thrift Plan (“403(b) Plan”) covering all eligible employees. The 403(b) Plan is a calendar December 31st plan. Astor’s contribution into the 403(b) Plan ranges from 2.75% to 12% of the employee’s salary depending on years of completed service. Pension expense for the years ended June 30, 2017 and 2016 amounted to \$1,389,712 and \$1,163,775, respectively.

NOTE 8—COMMITMENTS AND CONTINGENCIES

- A. Astor has operating lease commitments for certain facilities, vehicles and equipment expiring on various dates through 2020. Aggregate minimum rentals for the fiscal years ending after June 30, 2017 are as follows:

	<u>Facilities</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
2018	\$ 803,910	\$ 206,652	\$ 121,646	\$ 1,132,208
2019	654,108	192,165	81,202	927,475
2020	278,809	161,619	23,669	464,097
2021	-	11,590	3,947	15,537
2022	-	3,180	329	3,509
	<u>\$ 1,736,827</u>	<u>\$ 575,206</u>	<u>\$ 230,793</u>	<u>\$ 2,542,826</u>

Rent expense for the facilities, vehicles and equipment amounted to \$1,008,749, \$300,772 and \$248,254, respectively and \$1,010,712, \$301,514 and \$245,341, respectively for the years ended June 30, 2017 and 2016, respectively.

- B. Pursuant to Astor’s contractual relationships with certain funding sources, outside governmental agencies have the right to examine Astor’s books and records involving transactions relating to those contracts. The accompanying financial statements make no provision for possible disallowances, although such possible disallowances could be substantial in amount. In the opinion of management, any actual disallowances would be immaterial.
- C. Astor believes it has no uncertain income tax positions as of June 30, 2017 and 2016 in accordance with Accounting Standards Codification (“ASC”) Topic 740 (“Income Taxes”), which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

ASTOR SERVICES FOR CHILDREN & FAMILIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 9—CONCENTRATIONS

A. *Concentration of Credit Risk*

Cash and cash equivalents that potentially subject Astor to a concentration of credit risk include cash accounts with various financial institutions that exceeded the Federal Deposit Insurance Coverage ("FDIC") insurance limits (\$250,000) by approximately \$640,000 and \$1,202,000 as of June 30, 2017 and 2016, respectively.

B. *Concentration of Labor*

Certain of Astor's employees have formed collective bargaining units. During the year ended June 30, 2016, Astor signed amendments to the collective bargaining agreements with the units. The collective bargaining units are subject to the work rules and policies of Astor.

NOTE 10—BENEFICIAL INTEREST IN RELATED PARTY

In 1997, the Foundation received a grant of \$500,000 for the establishment of an endowment fund for Astor. Astor recorded its interest in the net assets of the Foundation as permanently restricted net assets.

NOTE 11 – DEFICIT UNRESTRICTED NET ASSETS

As of June 30, 2017 and 2016, Astor has a deficit unrestricted net asset balance of \$1,340,074 and \$3,159,508, respectively. These deficits are strengthened by the fact that the Foundation, which was formed to raise funds and provide grants as well as support the activities of Astor, has approximately \$2.8 million and \$3 million of operating net assets (after subtracting its investment in property and equipment) as of June 30, 2017 and 2016, respectively. It is conceivable that all or a portion of such amount could be used to alleviate Astor's deficit if necessary.

For the years ended June 30, 2017 and 2016, Astor had increases in unrestricted net assets amounting to \$1,819,434 and \$2,628,886, respectively, and generated cash flow from operations amounting to approximately \$637,000 and \$1,204,000, respectively.

NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Contribution in kind rent (see Note 3 for details)	\$ 6,987,047	\$ 7,175,618
Other	<u>121,386</u>	<u>86,308</u>
	<u>\$ 7,108,433</u>	<u>\$ 7,261,926</u>

Net assets were released from donor restrictions during the years ended June 30, 2017 and 2016, by incurring expenses satisfying the restricted purpose or occurrence specified by the donors.

NOTE 13—SUBSEQUENT EVENTS

Management has evaluated for potential recognition and disclosure, events subsequent to the date of the statement of financial position through January 8, 2018, the date the financial statements were available to be issued.

**ASTOR SERVICES FOR CHILDREN & FAMILIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity/Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Health and Human Services:				
Head Start	93.600		\$ 4,809,098	
Head Start	93.600		<u>1,570,701</u>	
Total Head Start			\$ 6,379,799	\$ -
Block Grant for Community Mental Health Services (Passed-through from the New York City Department of Health and Mental Hygiene)	93.958	001 & 097	<u>231,877</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>6,611,676</u>	<u>-</u>
U.S. Department of Agriculture:				
Child Nutrition Cluster				
School Breakfast Program	10.553	502728	11,634	
National School Lunch Program (Passed-through from the New York State Department of Education)	10.555	502728	<u>17,817</u>	
Total Child Nutrition Cluster			29,451	-
Child and Adult Care Food Program (Passed-through from New York State Department of Health)	10.558	2150	<u>337,229</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>366,680</u>	<u>-</u>
Amounts Provided to Subrecipients				<u>\$ -</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,978,356</u>	

ASTOR SERVICES FOR CHILDREN & FAMILIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Astor under programs of the federal government for the year ended June 30, 2017. The information in this 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* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Astor, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Astor.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures on the Schedule are reported using the accrual basis of accounting. 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.

NOTE 3 – INDIRECT COST RATES

Astor has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**INDEPENDENT AUDITORS' 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
Astor Services for Children & Families

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 Astor Services for Children & Families ("Astor"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Astor'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 Astor's internal control. Accordingly, we do not express an opinion on the effectiveness of the Astor'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Astor'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 Astor'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.

Marks Paneth LLP

New York, NY
January 8, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the Board of Directors
Astor Services for Children & Families

Report on Compliance for Each Major Federal Program

We have audited Astor Services for Children & Families' ("Astor") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget Compliance Supplement* that could have a direct and material effect on Astor's major federal programs for the year ended June 30, 2017. Astor's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Astor'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* (the "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 major federal programs occurred. An audit includes examining, on a test basis, evidence about Astor'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 each major federal program. However, our audit does not provide a legal determination of Astor's compliance.

Opinion on Each Major Federal Program

In our opinion, Astor 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 June 30, 2017.

Report on Internal Control Over Compliance

Management of Astor 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 Astor's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Astor'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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



New York, NY
January 31, 2018

**ASTOR SERVICES FOR CHILDREN & FAMILIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? Yes X No

Identification of major programs:

- U.S. Department of Health and Human Services Head Start (CFDA # 93.600)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

Section II—Financial Statement Findings

No matters were reported.

Section III—Federal Award Findings and Questioned Costs

No matters were reported.

**ASTOR SERVICES FOR CHILDREN & FAMILIES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no prior year audit findings.