

Long Island Advocacy Center, Inc.
(A Not-for-Profit Organization)
Financial Statements
Years ended December 31, 2018 and 2017

Long Island Advocacy Center, Inc.
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December 31, 2018 and 2017

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Report of Independent Auditors

The Board of Directors
Long Island Advocacy Center, Inc.
New York, NY

Report on the Financial Statements

We have audited the accompanying financial statements of Long Island Advocacy Center, Inc., which include the statement of financial position as of December 31, 2018 and 2017, 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.

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 audit 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 Long Island Advocacy Center, Inc. as of December 31, 2018 and 2017, and the change 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.

Lehman Flynn Vollaro

Melville, NY
May 3, 2019

Long Island Advocacy Center, Inc.
Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 935,709	\$ 963,786
Accounts receivable	370,843	385,998
Rent security deposit	2,831	2,831
Total assets	<u>\$ 1,309,383</u>	<u>\$ 1,352,615</u>
Liabilities and net assets		
Accrued expenses	\$ 42,081	\$ 95,565
Deferred revenue - program advances	177,267	250,264
Total liabilities	<u>\$ 219,348</u>	<u>\$ 345,829</u>
Net assets		
Unrestricted	1,090,035	1,006,786
Total unrestricted	<u>1,090,035</u>	<u>1,006,786</u>
Total net assets	<u>1,090,035</u>	<u>1,006,786</u>
Total liabilities and net assets	<u>\$ 1,309,383</u>	<u>\$ 1,352,615</u>

Long Island Advocacy Center, Inc.
Statement of Activities
Year Ended December 31,

	2018	2017
Support and revenue		
Grants and contracts	\$ 1,702,061	\$ 1,671,192
Fees	67,819	42,375
Contributions	11,502	4,313
Interest	657	518
Fundraising	3,271	3,590
	<u>1,785,310</u>	<u>1,721,988</u>
Expenses and losses		
Program services expense	1,593,887	1,559,263
Total program expenses	<u>1,593,887</u>	<u>1,559,263</u>
Supporting services expense		
Management and general	107,511	111,251
Fundraising	663	678
Total supporting services expense	<u>108,174</u>	<u>111,929</u>
Total expenses and losses	<u>1,702,061</u>	<u>1,671,192</u>
Change in net assets	83,249	50,796
Net assets, beginning of year	1,006,786	955,990
Net assets, end of year	<u>\$ 1,090,035</u>	<u>\$ 1,006,786</u>

Long Island Advocacy Center, Inc.
Statement of Functional Expenses
Years Ended December 31, 2018

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 1,161,491	\$ 64,391	\$ -	\$ 1,225,882
Payroll taxes and related benefits	251,541	13,945	-	265,486
	<u>1,413,032</u>	<u>78,336</u>	-	<u>1,491,368</u>
Legal and accounting	-	16,000	-	16,000
Supplies	19,120	1,942	374	21,436
Telephone	11,021	611	-	11,632
Occupancy	67,422	3,738	-	71,160
Consultants	13,834	767	-	14,601
Equipment and maintenance repair	14,624	811	-	15,435
Travel	23,734	-	-	23,734
Conferences, meetings and development	12,273	3,393	-	15,666
Insurance	5,118	873	-	5,991
Bank charges	-	127	-	127
Postage	859	698	289	1,845
Dues and subscriptions	12,850	216	-	13,066
Total expenses by function	<u>\$ 1,593,887</u>	<u>\$ 107,511</u>	<u>\$ 663</u>	<u>\$ 1,702,061</u>

Long Island Advocacy Center, Inc.
Statement of Functional Expenses
Years Ended December 31, 2017

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,155,688	\$ 64,069	\$ -	\$ 1,219,757
Payroll taxes and related benefits	226,470	12,555	-	239,025
	<u>1,382,158</u>	<u>76,624</u>	-	<u>1,458,782</u>
Legal and accounting	-	16,000	-	16,000
Supplies	14,989	6,725	237	21,951
Telephone	11,184	620	-	11,804
Occupancy	65,985	3,658	-	69,643
Consultants and bookkeeping	12,651	1,877	-	14,528
Equipment and maintenance repair	14,425	800	-	15,225
Travel	28,768	-	-	28,768
Conferences, meetings and development	9,836	2,719	-	12,555
Insurance	4,948	844	-	5,792
Bank charges	-	103	-	103
Postage	1,307	1,062	441	2,810
Dues and subscriptions	13,012	219	-	13,231
Total expenses by function	<u>\$ 1,559,263</u>	<u>\$ 111,251</u>	<u>\$ 678</u>	<u>\$ 1,671,192</u>

Long Island Advocacy Center, Inc.
 Statements of Cash Flows
 Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 83,249	\$ 50,796
Changes in operating assets and liabilities		
Accounts receivable	15,155	(47,756)
Rent security deposit	-	-
Accrued expenses	(53,484)	24,266
Deferred revenue - program advances	(72,997)	11,240
Net cash from (used for) operating activities	(28,077)	38,546
 Net change in cash and cash equivalents	 (28,077)	 38,546
Cash and cash equivalents, beginning of year	963,786	925,240
Cash and cash equivalents, end of year	\$ 935,709	\$ 963,786
 Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	\$ -	\$ -
Unrelated business income taxes	-	-
	\$ -	\$ -

See notes to financial statements

Long Island Advocacy Center, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

Note 1 - Principal activity and significant accounting policies

Organization

Long Island Advocacy Center, Inc. (the "Organization") is a private not-for-profit agency dedicated to protecting the legal rights of students and individuals with disabilities. The Organization offers students solutions to problems such as discipline, truancy, suspensions, residency disputes and inappropriate placements. Individuals with disabilities are assisted in obtaining vocational rehabilitation services, benefits, appropriate educational programs and are provided with service coordination.

The Organization is funded through grants from the New York State Commission on Quality of Care, the Office of People with Developmental Disabilities, Suffolk County Department of Probation, N.Y.S Interest on Lawyers Account Fund (IOLA), N.Y.S Office of Children and Family Services, The Nassau County Youth Board, The Office of Mental Health and The Suffolk County Youth Board. In addition, the Organization receives client fees and Medicaid income for billable client services.

Comparative financial information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Cash and cash equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Receivables and credit policies

Accounts receivable are stated at unpaid balances and consist primarily of program fees and awarded grants. We determine the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At December 31, 2018 and 2017, there was no allowance.

Property and equipment

The Organization follows the practice of capitalizing all expenditures in excess of \$5,000 with a useful life of 5 years or more. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. The Organization has no property and equipment as of December 31, 2018.

Long Island Advocacy Center, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

Contributions receivable

We record contributions receivable that are expected to be collected within one year at net realizable value. Contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectable contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectable. At December 31, 2018 and 2017, there was no allowance.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and revenue recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Deferred revenue

Revenue related to receipts collected prior to incurring matching expenses for the funding source's program is deferred and recognized in the period in which the expenses are incurred. At December 31, 2018, the organization recorded deferred revenue of \$177,267.

Donated services and in-kind contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted

Long Island Advocacy Center, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

accounting principles. Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended December 31, 2018 and 2017, respectively.

Functional allocation of expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes

The Organization is organized as a New York nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and has been determined not to be a private foundation under IRC Sections 509(a)(1). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that is unrelated to its exempt purpose. We have determined that the Organization is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. We believe we have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

Financial instruments and credit risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates.

Long Island Advocacy Center, Inc.
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December 31, 2018 and 2017

Recent accounting guidance

To improve information presented in a not-for-profit entity's financial statements and to provide more useful information to users of those statements, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, on August 18, 2016. The new standard includes qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for fiscal years beginning after December 15, 2017, with early adoption permitted. We have elected to adopt ASU 2016-14 early with full retrospective application.

Subsequent events

We have evaluated subsequent events through May , the date the consolidated financial statements were available to be issued.

Note 2 - Liquidity and availability

We regularly monitor the availability of resources required to meet our operating needs and other contractual commitments.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, consists of the following:

Cash and cash equivalents	\$ 935,709
Accounts receivable	<u>370,843</u>
	<u>\$ 1,306,552</u>

Note 3 - Functionalized expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

Note 4 - Summary of grants/contracts funding:

The Organization is primarily funded through grants and contracts from the following sources:

Long Island Advocacy Center, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

Funding Source	Recognized Support	
	2018	2017
Interest on Lawyer Account State of New York Contract #C15050	\$ 100,000	\$ 100,000
New York Office of People with Developmental Disabilities Contract #C024648	94,284	91,959
New York State Office of People with Developmental Disabilities Contract #C024362	55,683	53,750
New York State Office of Children and Family Services Contract #T011934	12,168	36,832
Parent Training and Information Center	80,000	79,503
Judiciary Civil Legal Service Contract #C250522 and #C250466	85,500	85,500
Nassau County Office of Mental Health Contract #CQHS17000097 and #CQHS150000113	101,472	97,184
Nassau County Department of Social Services Contract #CLSS17000003 and #CQSS14000002	125,568	123,860
Nassau Educational Advocacy Contract #CQHS17000067 and #CQHS16000058	107,027	107,027
Suffolk County Office of Mental Health	23,315	23,517
Department of Probation County of Suffolk - AFY Contract #001-3193-4980 (HTZ1)-00001	166,172	192,913
Department of Probation County of Suffolk - PINS Contract #001-3145-4980 (HTY1)-53-001	236,411	226,881
Department of Probation County of Suffolk - JD Contract #001-3142-4980 (JEB1)-00001	175,131	174,876
Medicaid	339,330	277,390
Total grants and contracts	<u>1,702,061</u>	<u>1,671,192</u>

Long Island Advocacy Center, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

Note 5 - Employee benefits

The Organization offers a 403(b) plan to eligible employees. In order to be eligible, an employee must be employed with the Organization for at least one year and work a minimum of 1,000 hours. Participating employees contribute to the plan in the form of semi-monthly contributions (subject to annual Internal Revenue Service limitations). Through May 31, 2017, the plan provided for a 3% employer contribution regardless of whether the employee was contributing. Effective June 1, 2017, the Organization amended the plan to provide for a 5% employer contribution regardless of whether the employee was contributing. In addition, the Organization provided for a matching contribution up to 3%. The employer contributions for the years ended December 31, 2018 and 2017 were \$91,509 and \$76,053 respectively.

Note 6 - Commitments

The organization rents its Nassau and Suffolk facilities. The Herricks facility located in Nassau County is rented through June 30, 2018 with annual escalations. LIAC is in the process of negotiating a new lease. The Hauppauge facility located in Suffolk County is rented through December 14, 2022, with annual escalations. Recognizing rental payments on a straight-line basis is not material to the accompanying financial statements.

Approximate future minimum annual rentals payable under the two operating leases are as follows:

<u>Years Ending December 31,</u>	<u>Herricks (Nassau)</u>	<u>Hauppauge (Suffolk)</u>
2019	\$ -	\$ 40,612
2020	-	41,526
2021	-	42,463
2022	-	39,721
2023	-	-
	<u>-</u>	<u>\$ 164,322</u>

Rental expense for the Herricks and Hauppauge locations charged to occupancy on the Statement of Activities for the year ended December 31, 2018 were \$14,310 and \$39,722, respectively.

The Organization also rents an office in the Touro Law Center building in Central Islip. The office is leased until June 2018. Approximate future minimum annual rentals payable under the operating lease is as follows:

Rental expense charged to occupancy on the Statement of Activities for the year ended December 31, 2018 was \$2,592.