

The Kingsbridge Heights Community Center, Inc.

Audited Financial Statements

June 30, 2023

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Audited Financial Statements

June 30, 2023

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Independent Auditor's Report

Board of Directors
The Kingsbridge Heights Community Center, Inc.

Opinion

We have audited the financial statements of The Kingsbridge Heights Community Center, Inc. (the "Center"), which comprise the statement of financial position as of June 30, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

The financial statements of the Center as of and for the year ended June 30, 2022, were audited by other auditors whose report dated November 21, 2022, expressed an unmodified opinion on those statements.

Since that date, management has restated the 2022 financial statements to include certain account balances and transactions that were omitted from the June 30, 2022 financial statements. Those modifications are detailed in Note 14 of the 2023 financial statements. As part of our audit of the 2023 financial statements, we audited the adjustments described in Note 14 that were applied to restate the 2022 financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent in all material respects, with the audited financial statements from which it has been derived, after applying the adjustments disclosed in Note 14.

Sax CPAs LLP

New York, NY
November 20, 2023

The Kingsbridge Heights Community Center, Inc.

Statement of Financial Position

At June 30, 2023

(With comparative totals at June 30, 2022)

	<u>June 30,</u>	
	<u>2023</u>	<u>2022*</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 139,827	\$ 42,482
Government grant receivables	2,113,617	2,245,723
Contribution and other receivables	76,005	128,742
Prepaid expenses and other assets	26,061	43,581
Fixed assets, net	<u>1,050,687</u>	<u>1,039,492</u>
TOTAL ASSETS	<u>\$ 3,406,197</u>	<u>\$ 3,500,020</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 584,013	\$ 797,602
Accrued payroll and payroll related liabilities	354,513	352,063
Loans payable	200,381	89,919
Deferred revenue	206,750	291,502
Line of credit	500,000	249,612
Due to government agencies	<u>357,984</u>	<u>671,010</u>
Total liabilities	<u>2,203,641</u>	<u>2,451,708</u>
NET ASSETS		
Without donor restrictions	464,889	258,092
With donor restrictions	<u>737,667</u>	<u>790,220</u>
Total net assets	<u>1,202,556</u>	<u>1,048,312</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,406,197</u>	<u>\$ 3,500,020</u>

*Restated

The attached notes and auditor's report are an integral part of these financial statements.

The Kingsbridge Heights Community Center, Inc.

Statement of Activities

For the year ended June 30, 2023
(With comparative totals for the year ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 6/30/23	Total 6/30/22*
PUBLIC SUPPORT AND REVENUE:				
Government grants	\$ 12,519,022	\$ -	\$ 12,519,022	\$ 10,584,407
Contributions	346,139	631,000	977,139	727,678
Gain on extinguishment of liabilities	325,931	-	325,931	-
Program fees	755,667	-	755,667	754,320
Special events (net of expenses with a direct benefit to donor)	117,802	-	117,802	185,278
Donated goods, services, and space	993,594	-	993,594	1,006,181
Other income	54,357	-	54,357	28,819
Net assets released from restrictions	683,553	(683,553)	-	-
	<u>15,796,065</u>	<u>(52,553)</u>	<u>15,743,512</u>	<u>13,286,683</u>
EXPENSES				
Program services:				
Early childhood services	8,341,974	-	8,341,974	6,814,187
Youth and family services	4,930,535	-	4,930,535	4,665,896
Total program services	<u>13,272,509</u>	<u>-</u>	<u>13,272,509</u>	<u>11,480,083</u>
Supporting services:				
Management and general	1,998,281	-	1,998,281	1,414,520
Fundraising	318,478	-	318,478	363,165
Total supporting services	<u>2,316,759</u>	<u>-</u>	<u>2,316,759</u>	<u>1,777,685</u>
Total expenses	<u>15,589,268</u>	<u>-</u>	<u>15,589,268</u>	<u>13,257,768</u>
Change in net assets	206,797	(52,553)	154,244	28,915
NET ASSETS, beginning of year, restated	<u>258,092</u>	<u>790,220</u>	<u>1,048,312</u>	<u>1,019,397</u>
NET ASSETS, end of year	<u>\$ 464,889</u>	<u>\$ 737,667</u>	<u>\$ 1,202,556</u>	<u>\$ 1,048,312</u>

*Restated

The attached notes and auditor's report are an integral part of these financial statements.

The Kingsbridge Heights Community Center, Inc.

Statement of Functional Expenses

For the year ended June 30, 2023

(With comparative totals for the year ended June 30, 2022)

	Program Services			Supporting Services			Total Expenses 6/30/23	Total Expenses 6/30/22*
	Early Childhood Services	Youth and Family Services	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 2,956,505	\$ 3,142,682	\$ 6,099,187	\$ 1,360,933	\$ 197,008	\$ 1,557,941	\$ 7,657,128	\$ 6,860,068
Payroll taxes and benefits	877,837	622,729	1,500,566	28,424	21,096	49,520	1,550,086	1,490,938
Total personnel services	3,834,342	3,765,411	7,599,753	1,389,357	218,104	1,607,461	9,207,214	8,351,006
Contractual child care	2,685,849	127,741	2,813,590	-	-	-	2,813,590	1,470,657
Professional fees	170,719	135,540	306,259	374,234	71,071	445,305	751,564	564,717
Office and program supplies	245,634	142,260	387,894	6,833	5,731	12,564	400,458	550,205
Occupancy	803,970	60,698	864,668	35,764	1,621	37,385	902,053	857,116
Telephone	13,533	9,962	23,495	3,609	522	4,131	27,626	29,243
Insurance	41,793	43,817	85,610	19,568	2,774	22,342	107,952	108,591
Training and conferences	102,923	112,872	215,795	1,304	766	2,070	217,865	211,196
Travel	16,114	157,555	173,669	792	13	805	174,474	158,394
Food	85,148	213,773	298,921	493	72	565	299,486	274,910
Repairs and maintenance	246,112	32,612	278,724	11,949	701	12,650	291,374	296,653
Participant costs and parent activities	9,163	113,805	122,968	238	34	272	123,240	128,316
Event expenses	-	-	-	-	62,070	62,070	62,070	83,703
Interest expenses	-	-	-	13,955	-	13,955	13,955	15,492
Bank fees	-	-	-	9,958	-	9,958	9,958	6,711
Bad debt	-	-	-	69,285	-	69,285	69,285	-
Other expenses	-	-	-	52,409	-	52,409	52,409	65,862
Depreciation	86,674	14,489	101,163	8,533	427	8,960	110,123	112,471
Total expenses	8,341,974	4,930,535	13,272,509	1,998,281	363,906	2,362,187	15,634,696	13,285,243
Less: Direct costs of special events	-	-	-	-	(45,428)	(45,428)	(45,428)	(27,475)
Total expenses for statement of activities	\$ 8,341,974	\$ 4,930,535	\$ 13,272,509	\$ 1,998,281	\$ 318,478	\$ 2,316,759	\$ 15,589,268	\$ 13,257,768

*Restated

The attached notes and auditor's report are an integral part of these financial statements.

The Kingsbridge Heights Community Center, Inc.

Statement of Cash Flows

For the year ended June 30, 2023
(With comparative totals for the year ended June 30, 2022)

	June 30,	
	2023	2022*
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 154,244	\$ 28,915
Adjustments to reconcile change in net assets to net cash (used for)/provided by operating activities		
Depreciation	110,123	112,471
Gain on extinguishment	(325,931)	-
Changes in assets and liabilities:		
Government grant receivables	132,106	(881,605)
Contribution and other receivables	52,737	2,400
Prepaid expenses and other assets	17,520	(6,948)
Accounts payable and accrued expenses	(213,589)	184,746
Accrued payroll and payroll related liabilities	2,450	292,071
Deferred revenues	(84,752)	269,539
Due to government agencies	12,905	263,278
Total adjustments	(296,431)	235,952
Net cash (used for)/provided by operating activities	(142,187)	264,867
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(121,318)	(93,077)
Net cash used for investing activities	(121,318)	(93,077)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans payable	200,381	-
Repayment of loans payable	(89,919)	(42,529)
Proceeds from line of credit	1,400,000	1,338,000
Repayment of line of credit	(1,149,612)	(1,488,388)
Net cash provided by/(used for) financing activities	360,850	(192,917)
Net increase (decrease) in cash and cash equivalents	97,345	(21,127)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	42,482	63,609
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 139,827	\$ 42,482
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 13,955	\$ 15,492
Taxes paid	\$ -	\$ -

*Restated

The attached notes and auditor's report are an integral part of these financial statements.

The Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

June 30, 2023

Note 1 - Nature of the Organization

The Kingsbridge Heights Community Center, Inc. (the "Center") is a non-profit organization whose mission is to provide resources to empower Bronx residents from cradle to career to advance education and well-being for a vibrant community. The Center achieves this in an environment that fosters academic milestones, literacy, mental health support, nutrition, technology, and the arts. The Center serves 4,500 participants annually, a demographically diverse and socioeconomically vulnerable population. Families come from all parts of the borough with the majority being north and central Bronx residents. The Center has served an invaluable role in disrupting cycles of poverty, abuse, and lack of access within our community through education, support, and treatment and counseling services. This is achieved through the following areas: Early Childhood and Youth and Family Services.

The primary sources of revenue are grants from government agencies, private grants, contributions, and service fees.

Early Childhood Services: Our early childhood programs-including Early Head Start ("EHS"), Early Learn, Head Start, Universal Pre-Kindergarten ("UPK"), and Family Childcare Network-provide more than 500 children, birth-5, with nurturing, educational environments where they can learn, grow, and thrive. We help parents of the children we serve develop skills to become effective caregivers and create nurturing home environments.

Youth Services: We provide a safe, welcoming environment during afterschool hours where over 500 young people can socialize, learn, and grow. Our programs include elementary and middle school afterschool, summer day camp, Teen Center for high school aged youth to develop leadership skills, College Directions focused on post-secondary education success, and a Respite program for young people, up to age 25, with special needs.

Adult and Family Services: We provide a range of services and support to adults and families that help break generational cycles of abuse, neglect, and poverty. At the heart of this division is Changing Futures, an intervention for 300 survivors of child sexual abuse annually and their non-offending family members, and Parenting Journey that helps struggling parents at risk of having their children placed in foster care learn self-care and parenting skills. Other offerings include English for Speakers of Other Languages ("ESOL") classes and recreation.

Nutrition and Food Access Services: Participants in all programs receive nutrition education and opportunities to grow their own food in our thriving community garden. We offer a diverse array of programming such as internships, cook shops and chef battles, intergenerational gardening, and family cooking classes. To further support food access, we operate a seasonal food pantry and offer 30 garden plots for community members to grow their own vegetables.

KHC Connect: Our unique case management unit, KHC Connect, screens all participants enrolled in our programs for unaddressed needs and provides assistance addressing those needs in the form of referrals, intensive case management, or educational opportunities/workshops. Since its establishment two years ago, KHC Connect has become a critical part of the work we do and has had a deep impact on the lives of the families we serve.

The Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

June 30, 2023

Note 1 - Nature of the Organization - Continued

The Center also is deeply committed to creating a healthy green environment to escape the demands of city life, combating high rates of food related health disparities such as obesity, diabetes, and heart disease. The Center cultivates curiosity within children of all ages in the seed to plate process and provides an alternative source of fresh produce for our community, many of whom live on low incomes and often struggle to afford fresh fruits and vegetables.

The Center is an active member of United Neighborhood Houses of New York City and United Neighborhood Centers of America. From the adaptive reuse of our historic building to our responsive programs, the Center represents a crucial piece of the fabric of New York City.

The Center has been notified by the Internal Revenue Service that they are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements. The Center has not been designated as a private foundation.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

b. Recently Adopted Accounting Standards

Effective July 1, 2022, the Center adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Center elected transition relief that allows entities not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. The Center also elected to not report right-of-use ("ROU") assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. At June 30, 2023, the Center did not hold any long-term leases that were material to the financial statements. Additionally, the Center occupies space for program and administrative services provided by the Parks Department of the City of New York (the "Department") and the NYC Department of Education ("NYCDOE") at no charge. See Note 9 for additional details.

c. Basis of Presentation

The Center reports information regarding its financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* - represents all activity without donor-imposed restrictions.
- *Net Assets With Donor Restrictions* - represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

The Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

June 30, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

d. Revenue Recognition

The Center follows the requirements of the FASB's Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recorded at the time a contribution becomes unconditional in nature. Contributions are recorded in one of the classes of net assets described above, depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they are received, they are classified as without donor restrictions.

The Center records unconditional promises to give as revenue in the period received at net realizable value, if expected to be received within one year or at fair value based on market conditions using the income approach, if expected to be received in more than one year.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments, or release from obligations, and are recognized as income once the conditions have been substantially met.

The Center's government grants are primarily conditional non-exchange transactions and fall under the scope of FASB ASC 958-605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Payments received in advance of conditions being met are recorded as deferred revenue.

The Center follows FASB ASC 606 for recording program fees income which includes special needs program fees, childcare parent fees, summer camp and afterschool fees. The Center recognizes program fees revenue in the period in which it satisfies the performance obligations by providing services to program participants. Special needs program fees are paid by the governmental third-party payor that the Center has an agreement with based on determined rates per service provided.

Management assesses the collectability of all outstanding receivables based upon historical trends and experience with donors and grantors. Based on that review, management has concluded that all receivables are expected to be collected within one year. As such, no allowance for uncollectible accounts was deemed necessary at June 30, 2023 and 2022.

e. Concentration of Credit Risk

Financial instruments which potentially subject the Center to a concentration of credit risk consist of cash and money market accounts which have been placed with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits.

f. Fixed Assets

The Center capitalizes all purchases of property and equipment in excess of \$5,000 and a useful life of greater than one year. Fixed assets are recorded at cost or at the fair value at the date of gift. Depreciation is computed using the straight-line method over the estimated useful life of the respective asset. Leasehold improvements are amortized over the shorter of the remaining term or the useful life of the improvement.

The Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

June 30, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

f. Fixed Assets - Continued

Useful lives are as follows:

Leasehold improvements - *5-20 year life*
Buildings and improvements - *5-25 year life*
Furniture and equipment - *3-5 year life*
Vehicles – *5-year life*

Maintenance and repairs, which neither materially add to the value of the asset nor appreciably prolong its life are charged to expenses as incurred.

g. Donated goods, services, and space

Donated marketable securities and other non-cash donations are recorded as contributions at fair value on the date of donation. Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind. See Note 10 for additional details.

The Center occupies space for program and administrative services provided at no cost by the Department and NYCDOE. See Notes 9 and 10 for additional details.

Board members and other individuals volunteer their time and perform a variety of services that assist the Center. Other than services that involve specific professional skills, these volunteer activities do not meet the criteria to be recorded and have not been included in the financial statements.

h. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Expenses are recorded directly to either program, management and general, or fundraising whenever possible. However, certain categories of expenditures are attributable to more than one function and therefore, require allocation on a reasonable basis that is consistently applied. These expenditures are allocated on the basis of square footage and/or time and effort estimates made by management of the Center.

Occupancy and depreciation are allocated based on square footage. Office and program supplies and repairs and maintenance are allocated based on square footage and time and effort. All other expenses are allocated based on time and effort.

i. Advertising Costs

The cost of advertising is expensed as incurred.

The Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

June 30, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

j. Summarized Comparative Information

The 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. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2022, from which the summarized information was derived. Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets. Additionally, management has restated the 2022 financial statements to include certain account balances and transactions that were omitted from the June 30, 2022 financial statements. Those modifications are detailed in Note 14.

k. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

l. Contingencies

Government contracts are subject to audit by the grantor. Management does not believe that any audits, if they were to occur, would result in material disallowed costs, and has not established any reserves. Any disallowed costs would be recorded in the period notified, if it is probable that a liability has been incurred.

m. Accounting for Uncertainty of Income Taxes

The Center does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2020 and later are subject to examination by applicable taxing authorities.

n. New Accounting Pronouncements

FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which becomes effective for the December 31, 2023 year. This ASU requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The Center is in the process of evaluating the impact this standard will have on future financial statements.

The Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

June 30, 2023

Note 3 - Fixed Assets

Fixed assets consist of the following:

	June 30,	
	2023	2022
Leasehold improvements	\$ 979,607	\$ 979,607
Building and improvements	1,478,897	1,357,579
Land	61,500	61,500
Furniture and equipment	779,867	779,867
Vehicles	148,909	148,909
Total	<u>3,448,780</u>	<u>3,327,462</u>
Less accumulated depreciation	<u>(2,398,093)</u>	<u>(2,287,970)</u>
Total fixed assets, net	<u>\$ 1,050,687</u>	<u>\$ 1,039,492</u>

Note 4 - Loans Payable

Loans payable consist of the following:

	June 30,	
	2023	2022
Loan payable - JP Morgan Chase (a)	\$ -	\$ 46,428
Loan payable - JP Morgan Chase (b)	-	43,491
Loan payable - bridge loan (c)	200,381	-
Total	<u>\$ 200,381</u>	<u>\$ 89,919</u>

- a) On June 8, 2017, the Center refinanced a loan agreement with JP Morgan Chase as the balloon payment of their previous loan came due. The new loan was \$144,356 and required monthly installments of \$2,156 for seven years at an interest rate of 6.58% with unpaid principal and accrued interest due upon maturity. The balance on the loan was repaid in full during the year ended June 30, 2023.
- b) On June 8, 2017, the Center refinanced a second loan agreement with JP Morgan Chase as the balloon payment of this previous loan also came due. The new loan was \$134,944 and required monthly installments of \$2,022 for seven years at an interest rate of 6.67% with unpaid principal and accrued interest due upon maturity. The balance on the loan was repaid in full during the year ended June 30, 2023.
- c) On June 14, 2023, the Center obtained an interest-free loan from another non-profit organization in the amount of \$200,381 to fund additional operating expenses due to a delay in payment from a government agency. As of June 30, 2023, the full balance of the loan is outstanding and is due July 14, 2023. Subsequent to year-end the total balance was repaid.

The Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

June 30, 2023

Note 5 - Line of Credit

The Center maintains a \$500,000 revolving line of credit with Chase Bank, which is payable with annual interest of 2.65% above the Prime rate which at June 30, 2023 and 2022, was 8.8% and 7.4%, respectively. The line is secured by the Center's assets and matures on March 12, 2026. The balance owed on the line of credit was \$500,000 and \$249,612 as of June 30, 2023 and 2022, respectively.

Note 6 - Due to Government Agencies

Certain government grant income is recorded based on estimated allowable costs and is subject to audit and adjustments by the appropriate government agency. As of June 30, 2023, a review and reconciliation of the Center's fiscal years through 2017 have been conducted. The Center's policy is to write-off old liabilities at the time the statute of limitations expires. During the year ended June 30, 2023, the statute of limitations expired for government liabilities due to government agencies in the amount of \$325,931 which is reflected as income on the statement of activities. The total due to government agencies as of June 30, 2023 is \$357,984 and represents activities for the fiscal years 2022 and prior.

Note 7 - Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions:

	June 30, 2023			Ending Balance 6/30/23
	Beginning Balance 7/1/22	Contributions	Released from Restrictions	
Program restricted:				
College and teens	\$ 221,862	\$ 293,000	\$ (252,013)	\$ 262,849
Changing futures	202,991	303,000	(367,055)	138,936
Capital campaign	65,000	-	-	65,000
Respite	20,417	35,000	(20,417)	35,000
Community gardens	175,086	-	-	175,086
Family empowerment	8,373	-	-	8,373
Total program restricted	693,729	631,000	(639,485)	685,244
Time restricted	96,491	-	(44,068)	52,423
Total	\$ 790,220	\$ 631,000	\$ (683,553)	\$ 737,667

The Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

June 30, 2023

Note 7 - Net Assets With Donor Restrictions - Continued

	June 30, 2022			
	Beginning Balance 7/1/21	Contributions	Released from Restrictions	Ending Balance 6/30/22
Program restricted:				
College and teens	\$ 222,059	\$ 173,500	\$ (173,697)	\$ 221,862
Changing futures	205,659	149,375	(152,043)	202,991
Capital campaign	65,000	-	-	65,000
Respite	19,400	35,000	(33,983)	20,417
Community gardens	175,086	-	-	175,086
Family empowerment	13,376	-	(5,003)	8,373
Total program restricted	700,580	357,875	(364,726)	693,729
Time restricted	-	100,000	(3,509)	96,491
Total	\$ 700,580	\$ 457,875	\$ (368,235)	\$ 790,220

The Center does not have sufficient cash on hand to comply with all donor-imposed restrictions. As of June 30, 2023, government grant receivables and contribution and other receivables amounted to \$2,189,622, which is expected to be collected within one year from year-end and fund expenditures related to net assets with program restrictions.

Note 8 - Special Events

The following summarizes special event income:

	June 30,	
	2023	2022
Gross revenue	\$ 163,230	\$ 212,753
Less: expenses with a direct benefit to donor	(45,428)	(27,475)
	117,802	185,278
Less; other event expenses	(16,642)	(1,525)
Total	\$ 101,160	\$ 183,753

Note 9 - Commitments

The Center has a license agreement with the Department for the use of a building for one of its programs at no cost to the Center. Under the terms of this agreement, the Center is only responsible for the maintenance of the building. The agreement can be terminated upon twenty-five days' notice at the discretion of the Department or the Center and expires March 31, 2034.

The Center receives donated space from the NYCDOE for the second site of the Early Childhood program. NYCDOE has a licensing agreement with the landlord, which states that the space is to be used by NYCDOE. The Center is not a party to the license agreement; however, the Early Childhood program is funded by NYCDOE. The license agreement expired on November 28, 2022 and was extended on a month-to-month basis through year-end. Subsequent to year-end, the Center entered into a new licensing agreement with the landlord for one year commencing July 1, 2023.

The Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

June 30, 2023

Note 10 - Donated Goods, Services and Space

The following summarizes the donated goods, services, and space as well as how the related expenses were allocated:

	Valuation Techniques and Inputs
Donated Space	In valuing the donated space with the Department, which is located in Bronx, NY, the Center estimated the fair value on the basis of recent comparable rental prices in Bronx, NY's real estate market. In valuing the donated space with NYCDOE, the Center estimated the fair value on the basis of rental fees paid by the NYCDOE to the landlord.
Legal fees and professional services	Contributed services from attorneys and consultants are valued at the estimated fair value based on current rates for similar services.
Goods	The Center estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

The following summarizes the donated goods, services, and space:

	June 30, 2023					
	Early Childhood Services	Youth and Family Services	Total Program Services	Management and General	Fundraising	Total
Donated space	\$ 784,346	\$ 54,888	\$ 839,234	\$ 32,328	\$ 1,617	\$ 873,179
Legal fees	-	-	-	60,011	-	60,011
Professional services	51,000	-	51,000	-	-	51,000
Goods	-	9,404	9,404	-	-	9,404
Total program	<u>\$ 835,346</u>	<u>\$ 64,292</u>	<u>\$ 899,638</u>	<u>\$ 92,339</u>	<u>\$ 1,617</u>	<u>\$ 993,594</u>

	June 30, 2022					
	Early Childhood Services	Youth and Family Services	Total Program Services	Management and General	Fundraising	Total
Donated space	\$ 718,854	\$ 74,188	\$ 793,042	\$ 28,033	\$ 13,241	\$ 834,316
Legal fees	-	-	-	74,837	-	74,837
Professional services	40,800	-	40,800	-	-	40,800
Goods	-	56,228	56,228	-	-	56,228
Total program	<u>\$ 759,654</u>	<u>\$ 130,416</u>	<u>\$ 890,070</u>	<u>\$ 102,870</u>	<u>\$ 13,241</u>	<u>\$ 1,006,181</u>

There were no donor restrictions associated with any of the donated goods, services, and space.

Note 11 - Pension Plans

The Center sponsors a 403(b) thrift plan and trust covering all employees who have attained 12 consecutive months of employment. Contributions are determined as a percentage of each eligible employee's base salary and all employees are fully vested in their contributions. The Center contributed \$44,176 and \$60,958 to the plan for the years ended June 30, 2023 and 2022, respectively.

The Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

June 30, 2023

Note 12 - Multi-Employer Pension Plan

The Center participates in a multi-employer pension plan ("MEPP") that provides defined benefits to certain contract labor covered by collective bargaining agreements. The risks of participating in MEPPs differ from single-employer plans. As one of many participating employers in this MEPP, the Center may be responsible with the other participating employers for any plan underfunding. The Center's contributions to the MEPP are established by the applicable collective bargaining agreements; however, its required contributions may increase based on the funded status of the MEPP and the legal requirements of the Pension Protection Act of 2006 (the "PPA"), which requires substantially underfunded MEPPs to implement a funding improvement plan ("FIP") or a rehabilitation plan ("RP") to improve their funded status. Factors that could impact the funded status of the MEPP include, without limitation, investment performance, changes in the participant demographics, decline in the number of contributing employers, changes in actuarial assumptions, and the utilization of extended amortization provisions.

In the event of the termination of a MEPP or if the Center were to withdraw from a MEPP, under current law, the Center would have material liabilities for its share of the unfunded vested liabilities of each such plan. The Center has not received notification of any plan termination, and the Center does not currently intend to withdraw from the plans. Therefore, the Center believes the occurrence of events that would require recognition of liabilities for its share of unfunded vested benefits is remote.

The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three-digit plan number. The zone status is based on information that the Center received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded and plans in the green zone are more than 80% funded.

Information on the District Council 37 Local 95 Head Start Employees Welfare Fund as of June 30, 2023 is as follows:

<u>EIN/Pension Plan Number</u>	<u>Plan End Date</u>	<u>PPA Zone Status</u>	<u>RP Status</u>	<u>Surcharge Imposed</u>	<u>Collective Bargaining Agreement Expiration Date</u>	<u>Contribution</u>	<u>More Than 5% of Employer Contributions</u>
13-3819669/501	12/31/2022	Green	N/A	No	1/31/2022*	<u>\$213,436</u>	No

* A new collective bargaining agreement is currently under negotiation.

Note 13 - Significant Concentrations

The Center derives its income primarily from reimbursements from government funding sources and from donations and grants. The two largest government funding sources provided approximately 52% and 41% of the Center's total public support and revenue during the years ended June 30, 2023 and 2022, respectively.

The Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

June 30, 2023

Note 14 - Prior Period Adjustments

A prior period adjustment was made to accrue vacation benefits omitted in the prior year. As a result, the beginning balances of the statement of financial position as of June 30, 2022, and the relevant balances of the related statements of activities, functional expenses, and cash flows for the year then ended June 30, 2022 were restated as follows:

	Balance (as originally stated)	Adjustments	Restated Balance
Accrued payroll and payroll related liabilities	\$ 153,416	\$ 198,647	\$ 352,063
Salaries	\$ 6,661,421	\$ 198,647	\$ 6,860,068
Total net assets	\$ 1,246,959	\$ (198,647)	\$ 1,048,312

Note 15 - Availability and Liquidity

Financial assets available within one year of the date of the statement of financial position for general expenditures are as follows:

Cash and cash equivalents	\$ 139,827	
Government grants receivable	2,113,617	
Contribution and other receivables	76,005	
Total financial assets		\$ 2,329,449

Less amounts not currently available for general expenditures:

Net assets with donor restrictions:		
Program restrictions		(685,244)
Time restrictions due after one year		(11,745)

Financial assets available to meet cash needs for
general expenditures within one year

\$ 1,632,460

The Center regularly monitors liquidity and strives to maintain cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management, the Center operates its programs within a board approved budget and relies on government grants and earned income to fund its operations and program activities.

The Center experiences uneven cash inflows throughout the fiscal year. As the Center's government contracts pay on a reimbursement basis, short-term cash needs will arise in anticipation of these reimbursements. In addition, many of the Center's government grants do not register and allow expenditure reimbursement well into the current contract year. In order to manage liquidity through these challenges, the Center maintains weekly, monthly, and annual cash projection reports. These reports are reviewed by the CFO and Executive Director, and disbursements are only approved after this review is concluded. The Center also maintains a line of credit of \$500,000 for short-term cash needs and utilizes short-term loans from the Fund for the City of New York to manage challenges related to the contract registration process.

The Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

June 30, 2023

Note 16 - Subsequent Events

Subsequent events have been evaluated through November 20, 2023, the date the financial statements were available to be issued. Adjustments and disclosures have been made for all subsequent events that have occurred.

Subsequent to year-end the Center received official notice from the United States Department of Health and Human Services ("HHS"), Administration for Children and Families ("ACF"), Office of Head Start ("OHS") regarding an emergency 30-day suspension related to one of their contracts. The suspension was the result of an incident with an independently owned and operated New York State licensed family daycare facility that was under agreement with the Center to adhere to the Early Head Start ("EHS") program's guidelines and procedures. OHS conducted a full review of health and safety protocols and the suspension was extended for another 30 days through November 28, 2023. Although the Center expects that funding will be restored sooner, the suspension of the EHS contract is expected to result in a reduction of approximately \$1.7 million, which is about 10% of the Center's fiscal year 2023-2024 agency budget, assuming that the funding will not be restored as of June 30, 2024. This reduction in funding may result in liquidity and cash flow issues.

In response to alleviating doubts that the Center can continue to operate as a going concern, it has implemented the following actions and intends to continue to implement additional processes and procedures on an ongoing basis:

The Center implemented a range of actions to immediately eliminate expenses for the EHS program and to reduce and control indirect expenses across the agency. Specifically, the Center immediately furloughed 21 staff members covered under the contract and eliminated all EHS spending. The Center also undertook additional steps to cut staffing and other than personnel service costs wherever possible. Several vacancies in the administrative departments and youth and family program areas were immediately frozen through the end of 2023, and several service contracts for discretionary work were reduced or postponed indefinitely. The Center was awarded \$1.3M for the year ended June 30, 2024 through Child Care Stabilization Funds from the NYCDOE. Furthermore, several new funding applications were submitted to foundations to support programming and indirect costs with additional proposals to be submitted.

Additionally, a separate early childhood education program of the Center operates out of a donated space that is leased directly by the NYCDOE. The Center was notified by the NYCDOE that their lease will expire on June 30, 2024. As the Center is contracted with NYCDOE through June 2026, a search for a new location of equal or smaller size is underway but has not yet been located. Consequently, the Center may be unable to continue running the program after June 30, 2024 and the funding agreement may have to be terminated. The termination of the contract with the NYCDOE would result in a decrease of the Center's revenue for the year ended June 30, 2025 of \$2.2M. To mitigate the potential financial impact of the contract termination, all staff working under this grant will be laid off by the end of June 2024, and all direct expenses related to this contract will cease, resulting in a reduction of expenses of approximately \$1.9M. The remaining \$300K is related to indirect costs covered under this contract. To cut those additional costs, the Center intends to make significant reductions in shared expenses by further reducing administrative staff, insurance costs, repair expenses, and other shared costs. Overall, the anticipated cost-saving measures will reduce shared indirect costs by approximately \$600K.