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THE KINGSBRIDGE HEIGHTS COMMUNITY CENTER, INC.

Audited Financial Statements

June 30, 2019

Independent Auditor's Report

To the Board of Directors of
The Kingsbridge Heights Community Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Kingsbridge Heights Community Center, Inc. (the "Center"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 organization'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 organization'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

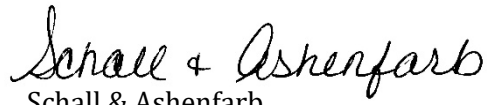
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Kingsbridge Heights Community Center, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Center adopted Accounting Standards Update No. 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*" Topic (958). Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Center's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.


Schall & Ashenfarb
Certified Public Accountants, LLC

November 15, 2019

THE KINGSBRIDGE HEIGHTS COMMUNITY CENTER, INC.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2019
(With comparative totals at June 30, 2018)

	<u>6/30/19</u>	<u>6/30/18</u>
Assets		
Cash	\$27,746	\$78,537
Government grants receivable	920,065	550,322
Other receivables	120,048	60,460
Prepaid expenses and other assets	9,705	7,811
Fixed assets, net (Note 3)	<u>1,004,195</u>	<u>986,901</u>
Total assets	<u><u>\$2,081,759</u></u>	<u><u>\$1,684,031</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$715,715	\$735,198
Accrued payroll and payroll related liabilities	284,514	593,796
Government grant advances	1,039	30,656
Deferred revenue	45,175	31,395
Due to Administration for Children's Services (Note 4)	333,671	938,707
Line of credit (Note 5)	300,000	302,463
Capital leases	0	14,074
Loans payable (Note 6)	<u>216,828</u>	<u>261,065</u>
Total liabilities	<u>1,896,942</u>	<u>2,907,354</u>
Net assets:		
Without donor restrictions	(330,962)	(1,604,320)
With donor restrictions (Note 7)	<u>515,779</u>	<u>380,997</u>
Total net assets	<u>184,817</u>	<u>(1,223,323)</u>
Total liabilities and net assets	<u><u>\$2,081,759</u></u>	<u><u>\$1,684,031</u></u>

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, 2019
(With comparative totals for the year ended June 30, 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 6/30/19</u>	<u>Total 6/30/18</u>
Operating revenues and support:				
Government grant income	\$8,331,633		\$8,331,633	\$8,123,905
Contributions	122,000	\$532,388	654,388	538,550
Program fees	665,777		665,777	423,051
Special events (net of expenses with a direct benefit to donor) (Note 12)	354,057		354,057	277,422
Donated goods, services and in-kind rent (Notes 8 and 13)	850,784		850,784	837,044
Other income	177,909		177,909	69,384
Net assets released from restrictions	397,606	(397,606)	0	0
Total operating revenues and support	<u>10,899,766</u>	<u>134,782</u>	<u>11,034,548</u>	<u>10,269,356</u>
Operating expenses:				
Program services:				
Early childhood services	6,106,004		6,106,004	6,250,434
Youth and family services	2,894,002		2,894,002	2,881,848
Total program services	<u>9,000,006</u>	<u>0</u>	<u>9,000,006</u>	<u>9,132,282</u>
Supporting services:				
Management and general	1,225,124		1,225,124	1,124,951
Fundraising	235,437		235,437	179,679
Total supporting services	<u>1,460,561</u>	<u>0</u>	<u>1,460,561</u>	<u>1,304,630</u>
Total operating expenses	<u>10,460,567</u>	<u>0</u>	<u>10,460,567</u>	<u>10,436,912</u>
Change in net assets from operating activities	<u>439,199</u>	<u>134,782</u>	<u>573,981</u>	<u>(167,556)</u>
Non-operating activities:				
ACS adjustment (Note 4)	679,159		679,159	1,400,005
Head Start pension fund settlement (Note 8)	155,000		155,000	0
Total non-operating activities	<u>834,159</u>	<u>0</u>	<u>834,159</u>	<u>1,400,005</u>
Change in net assets	1,273,358	134,782	1,408,140	1,232,449
Net assets - beginning of year	<u>(1,604,320)</u>	<u>380,997</u>	<u>(1,223,323)</u>	<u>(2,455,772)</u>
Net assets - end of year	<u>(\$330,962)</u>	<u>\$515,779</u>	<u>\$184,817</u>	<u>(\$1,223,323)</u>

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, 2019

(With comparative totals for the year ended June 30, 2018)

	Program Services			Supporting Services			Total Expenses 6/30/19	Total Expenses 6/30/18*
	Early Childhood Services	Youth and Family Services	Total Program Services	Management and General	Fundraising	Direct Costs of Special Events		
Salaries	\$2,570,961	\$1,982,570	\$4,553,531	\$634,850	\$136,815		\$771,665	\$5,403,285
Payroll taxes and benefits	693,375	314,657	1,008,032	24,075	18,620		42,695	1,078,339
Total personnel services	3,264,336	2,297,227	5,561,563	658,925	155,435	0	814,360	6,481,624
Contractual child care	1,660,645		1,660,645				0	1,620,852
Professional fees (including in-kind of \$93,702) (Note 13)	13,757	83,264	97,021	402,766	17,334		420,100	583,577
Office and program supplies (including in-kind of \$4,866) (Note 13)	119,992	55,597	175,589	18,800	11,017		29,817	209,002
Occupancy (including in-kind of \$752,216) (Notes 8 and 13)	656,242	107,210	763,452	3,159	6,749		9,908	781,690
Telephone	19,095	8,088	27,183	683	437		1,120	25,182
Insurance	38,104	21,344	59,448	10,730	1,354		12,084	68,856
Training and conferences	51,457	53,451	104,908	1,708	29,377	57,384	31,085	97,874
Travel	22,757	103,047	125,804	536	2,819		3,355	89,065
Food	138,239	103,699	241,938	5,234	478		5,712	220,823
Repairs and maintenance	50,992	12,427	63,419	20,329	1,071		21,400	63,301
Participant costs		31,165	31,165	3,600	9,080		12,680	40,828
Interest expense			0	27,353			27,353	29,700
Bank fees		353	353	13,975			13,975	14,229
Other expenses	9,894	530	10,424	42,108			42,108	39,953
Depreciation	60,494	16,600	77,094	15,218	286		15,504	91,811
Total expenses	6,106,004	2,894,002	9,000,006	1,225,124	235,437	57,384	1,460,561	10,458,367
Less: direct costs of special events						(57,384)	(57,384)	(21,455)
Total expenses reported by function on the statement of activities	\$6,106,004	\$2,894,002	\$9,000,006	\$1,225,124	\$235,437	\$0	\$1,460,561	\$10,436,912

* Reclassified for comparative purposes

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, 2019
(With comparative totals for the year ended June 30, 2018)

	<u>6/30/19</u>	<u>6/30/18</u>
Cash flows from operating activities:		
Change in net assets	\$1,408,140	\$1,232,449
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation	92,598	91,811
Bad debt	0	10,462
Disposal of capital asset	4,575	0
Changes in assets and liabilities:		
Government grants receivable	(369,743)	(10,331)
Other receivables	(59,588)	(26,941)
Prepaid expenses and other assets	(1,894)	6,685
Accounts payable and accrued expenses	(19,483)	134,556
Accrued payroll and payroll related liabilities	(309,282)	(57,906)
Government grant advances	(29,617)	(47,942)
Deferred revenue	13,780	(12,195)
Due to Administration for Children's Services	<u>(605,036)</u>	<u>(1,474,128)</u>
Total adjustments	<u>(1,283,690)</u>	<u>(1,385,929)</u>
Net cash provided by/(used for) operating activities	<u>124,450</u>	<u>(153,480)</u>
Cash flows from investing activities:		
Purchases of fixed assets	(120,710)	(96,390)
Proceeds from sale of fixed assets	<u>0</u>	<u>2,280</u>
Net cash used for investing activities	<u>(120,710)</u>	<u>(94,110)</u>
Cash flows from financing activities:		
Repayment of line of credit and cash flow loan	(689,616)	(348,395)
Repayment of capital lease	(7,831)	(7,302)
Repayment of loans payable	(44,236)	(34,817)
Proceeds from line of credit and cash flow loan	<u>687,152</u>	<u>462,220</u>
Net cash (used for)/provided by investing activities	<u>(54,531)</u>	<u>71,706</u>
Net decrease in cash and cash equivalents	(50,791)	(175,884)
Cash - beginning of year	<u>78,537</u>	<u>254,421</u>
Cash - end of year	<u><u>\$27,746</u></u>	<u><u>\$78,537</u></u>
Supplemental information:		
Interest paid	<u>\$27,353</u>	<u>\$29,700</u>
Non-cash investing activities-fixed asset purchased with loan payable	<u>\$0</u>	<u>(\$19,166)</u>
Taxes paid	<u>\$0</u>	<u>\$0</u>

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, 2019

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, Youth and Family Services.

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

- **Early Childhood Services:** Our early childhood programs—including Early Head Start, 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 supports 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.

- KHCCConnect: Our unique case management unit, KHCCConnect 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, KHCCConnect 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 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 provide 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 Presentation

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.

Effective July 1, 2018, the Center adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 – Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 14).

Implementation of ASU 2016-14 did not require any reclassification or restatement of opening balances related to the periods presented.

The Center reports information regarding their 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* – represent 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.

b. Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Center's ongoing services. Non-operating activities are limited to settlement of disallowed expenses on government contracts and settlement of estimated pension liability.

c. Revenue Recognition

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to 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 were received, they are classified as without donor restrictions.

Contributions expected to be received within one year are recorded at net realizable value. Conditional contributions are recognized as income when the conditions have been substantially met.

Government grants are recognized as income when a reimbursable expense is incurred. The difference between revenue recognized and cash received is reflected as government grants receivable or refundable advances. Revenues from fee for service contracts are recorded based on established third party reimbursement rates for services provided.

d. Concentration of Credit

Financial instruments which potentially subject the Center to 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.

e. Allowance for Doubtful Accounts

At June 30, 2019, all pledges and grants receivable are due within one year. The Center reviews receivables that are unlikely to be collected based on historical experience and a review of activity subsequent to the date of the statement of financial position. No allowance for doubtful accounts has been recorded as of June 30, 2019. Write-offs will be made directly to operations in the period any receivable is deemed to be uncollectable.

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.

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. Deferred Revenue

The Center received advance payments for the summer camp program which commences in July 2019. Revenue will be recognized upon the camper attending the program.

h. In-Kind Rent

The Center occupies space for program and administrative services provided at no cost by the Parks Department of the City of New York and NYC Department of Citywide Admin Services. See Notes 8 and 13 for additional details.

i. Donated Services

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 13 for additional details.

j. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The following cost are allocated by time and effort reporting:

- Salaries
- Payroll taxes and benefits
- Office and program supplies
- Telephone
- Insurance

The following cost are allocated by square footage calculations:

- Occupancy
- Repairs and maintenance

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, 2016 and later are subject to examination by applicable taxing authorities.

n. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through November 15, 2019, the date the financial statements were available to be issued. All events that have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements have been made.

o. New Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU, which becomes effective for the June 30, 2020 year, provides guidance on whether a receipt from a third-party resource provider should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions.

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the June 30, 2020 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the June 30, 2021 year, requires all leases to be reflected as assets and liabilities on the statement of financial position.

The Center is in the process of evaluating the impact these standards will have on future financial statements.

Note 3 - Fixed Assets

Fixed assets consist of the following:

	<u>6/30/19</u>	<u>6/30/18</u>
Leasehold improvements	\$776,966	\$701,166
Building and improvements	1,218,340	1,218,340
Land	61,500	61,500
Furniture and equipment	776,242	767,392
Vehicles	<u>148,909</u>	<u>148,909</u>
	2,981,957	2,897,307
Less: accumulated depreciation	<u>(1,977,762)</u>	<u>(1,910,406)</u>
Total fixed assets, net	<u>\$1,004,195</u>	<u>\$986,901</u>

Note 4 - Due to Administration for Children's Services/ ACS Adjustment

Administration for Children's Services ("ACS") grant income is recorded based on estimated allowable costs and are subject to audit and adjustments by ACS. During the year ended June 30, 2018, ACS completed its review and reconciliation of the Center's fiscal years 2013-2017 Early Learn program activities and issued a final closeout report. Based on this report, the total due to ACS for all past years through year ended June 30, 2017 was determined to be \$938,707. During the year ended June 30, 2019 the Center appealed the closeout and was notified on October 10, 2019 that the balances relating to the fiscal year 2016 and 2017 close out were reduced to zero, leaving the balance of fiscal years 2013-2017 totaling \$333,671. As a result, an adjustment to reduce the liability was recorded during the years ended June 30, 2019 and 2018 totaling \$679,159 and \$1,400,005, respectively. The ACS adjustment is reflected as non-operating activity on the statement of activities as of June 30, 2019 and 2018.

Note 5 - Line of credit

The Center maintains a \$300,000 revolving line of credit with Chase Bank payable with annual interest of 8% plus LIBOR rate which at June 30, 2019 and 2018, was 10.60% and 9.85%, respectively. The line is secured by the Center's property and has no expiration date. As part of the terms of the line, the Center is required to have a fully restored balance every twelve months and refrain from drawing against the line for 30 days after the balance has been restored. The balance owed on the line of credit as of June 30, 2019 and 2018 is \$300,000 and \$302,463, respectively. The balance exceeded line of credit limit due as of June 30, 2018, due to accrued interest.

Note 6 - Loans Payable

Loans payable consist of the following:

	<u>6/30/19</u>	<u>6/30/18</u>
Loan Payable – JP Morgan Chase (a)	\$108,179	126,178
Loan Payable – JP Morgan Chase (b)	101,208	118,000
Loan Payable – Van financing (c)	<u>7,441</u>	<u>16,887</u>
Total	<u>\$216,828</u>	<u>\$261,065</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 for \$144,356 and requires payment of \$2,156 for seven years at 6.58%
- 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 for \$134,944 and requires payment of \$2,021 for seven years at 6.67%
- c) On April 10, 2018 the Center entered into a loan agreement to purchase a van totaling \$19,166 at an interest rate of 5.64% which is secured by the van and payable in twenty-four monthly installments of \$846.

Annual principal payments due on these loans is as follows:

Year ending:	June 30, 2020	\$44,606
	June 30, 2021	39,774
	June 30, 2022	42,529
	June 30, 2023	45,475
	June 30, 2024	<u>44,444</u>
Total		<u>\$216,828</u>

Note 7 - Net Assets With Donor Restrictions

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

	<u>June 30, 2019</u>			
	Beginning Balance <u>7/1/18</u>	Contributions	Released from Restrictions	Ending Balance <u>6/30/19</u>
Program restricted:				
College & teens	\$150,441	\$353,432	(\$282,492)	\$221,381
Changing futures	75,791	83,000	(25,073)	133,718
Capital campaign	50,000	0	0	50,000
Respite	14,609	35,000	(44,560)	5,049
Community gardens	41,396	20,956	(10,097)	52,255
Family empowerment	<u>48,760</u>	<u>40,000</u>	<u>(35,384)</u>	<u>53,376</u>
Total	<u>\$380,997</u>	<u>\$532,388</u>	<u>(\$397,606)</u>	<u>\$515,779</u>
	<u>June 30, 2018</u>			
	Beginning Balance <u>7/1/17</u>	Contributions	Released from Restrictions	Ending Balance <u>6/30/18</u>
Program restricted:				
College & teens	\$167,672	\$252,500	(\$269,731)	\$150,441
Changing futures	54,733	73,000	(51,942)	75,791
Capital campaign	50,000	0	0	50,000
Respite	2,832	35,000	(23,223)	14,609
Community gardens	15,639	46,730	(20,973)	41,396
Family empowerment	<u>0</u>	<u>48,760</u>	<u>0</u>	<u>48,760</u>
Total	<u>\$290,876</u>	<u>\$455,990</u>	<u>(\$365,869)</u>	<u>\$380,997</u>

The Center does not have the appropriate amount of cash on hand to comply with all donor-imposed restrictions.

Note 8 - Commitments

On September 28, 2010, the Center entered into a license agreement with the Parks Department of the City of New York (the “Department”) for the use of a building for one of its programs. This agreement expired on September 28, 2018 and was renewed on April 1, 2019. Under the terms of this agreement, the Center is entitled to operate its programs at The Kingsbridge Heights Community Center and is responsible for the maintenance of the building. The agreement is terminable 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 NYC Department of Citywide Admin Services (“DCAS”) for the second site of the Early Childhood program. DCAS has a licensing agreement with the landlord which states that the space is to be used by ACS. The Center is not a party to the license agreement; however, the Early Childhood program is funded by ACS. The license agreement expires on November 28, 2022.

In June 2017, the Center received a notice from the District Council 1707, Local 95 Head Start Employee Welfare Fund (the “Fund”) representing its Head Start Employees notifying them of potential arrearages of fringe benefits to the Fund on behalf of certain employees during the years 2012 through 2015. Based on the management assessment of the claim, contingency reserve was established that had a balance of \$200,000 as of June 30, 2018. During the year ended June 30, 2019, the Center entered into a settlement agreement with the Fund that reduced the total liability amount to \$45,000 to be paid in monthly installments of \$2,500. Reduction in liability resulted in gain on settlement in the amount of \$155,000 which was recorded in the statement of activities. As of June 30, 2019, a balance of \$30,000 was owed to the Fund, all of which is due during the year ended June 30, 2020.

Note 9 - Pension Plan

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 did not contribute to the plan during the years ended June 30, 2019 and 2018.

Note 10 - Multi-Employer Benefit Plan

The Center participates in a multi-employer plan that provide defined benefits to certain contract labor covered by collective bargaining agreements. 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 percent funded, plans in the yellow zone are less than 80 percent funded and plans in the green zone are more than 80 percent funded.

Information on the District Council 1707 Local 95 Head Start Employees Welfare Fund as of June 30, 2019 is as follows:

<u>EIN/Pension Plan Number</u>	<u>Plan End Date</u>	<u>PPA Zone Status</u>	<u>RP Status</u>	<u>Collective Bargaining Agreement Expiration Date</u>	<u>Contribution</u>
13-3819669/ 501	12/31/18	Green	N/A	1/31/19*	<u>\$97,175</u>

* A new collective bargaining agreement is currently under negotiation.

Note 11 - 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 50% and 51% of the Center's total public support and revenue during the years ended June 30, 2019 and 2018, respectively.

Note 12 - Special Events

The following summarizes special event income:

	<u>6/30/19</u>	<u>6/30/18</u>
Gross revenue	\$411,441	\$298,877
Less: expenses with a direct benefit to donor	<u>(57,384)</u>	<u>(21,455)</u>
	354,057	277,422
Less: other event expenses	<u>(29,377)</u>	<u>(6,246)</u>
Total	<u>\$324,680</u>	<u>\$271,176</u>

Note 13 - Donated Goods, Services and Occupancy

The following summarizes the allocation of the donated goods, services and in-kind rent:

	<u>June 30, 2019</u>				
	<u>Early Childhood Services</u>	<u>Youth and Family Services</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Total</u>
Occupancy	\$643,386	\$102,195	\$745,581	\$6,635	\$752,216
Equipment	0	0	0	4,866	4,866
Legal fees	<u>0</u>	<u>0</u>	<u>0</u>	<u>93,702</u>	<u>93,702</u>
Total	<u>\$643,386</u>	<u>\$102,195</u>	<u>\$745,581</u>	<u>\$105,203</u>	<u>\$850,784</u>

June 30, 2018

	Early Childhood Services	Youth and Family Services	Total Program Services	Management and General	Total
Occupancy	\$691,493	\$51,838	\$743,331	\$8,885	\$752,216
Legal fees	<u>0</u>	<u>0</u>	<u>0</u>	<u>84,828</u>	<u>84,828</u>
Total	<u>\$691,493</u>	<u>\$51,838</u>	<u>\$743,331</u>	<u>\$93,713</u>	<u>\$837,044</u>

Note 14 - 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	\$27,746	
Government grants receivable	920,065	
Other receivables	<u>120,048</u>	
Total financial assets		\$1,067,859
Less amounts not currently available for general expenditures:		
Donor restricted support		<u>(515,779)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$552,080</u>

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 \$300,000 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.