

**THE KINGSBRIDGE HEIGHTS
COMMUNITY CENTER, INC.**

Audited Financial Statements

June 30, 2020

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, 2020, 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 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.

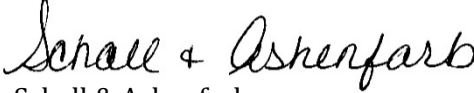
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Kingsbridge Heights Community Center, Inc. as of June 30, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the Center's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.


Schall & Ashenfarb
Certified Public Accountants, LLC

December 2, 2020

THE KINGSBRIDGE HEIGHTS COMMUNITY CENTER, INC.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2020
(With comparative totals at June 30, 2019)

	<u>6/30/20</u>	<u>6/30/19</u>
Assets		
Cash	\$453,222	\$27,746
Government grants receivable	1,372,799	920,065
Contributions and other receivables	72,548	120,048
Prepaid expenses and other assets	7,212	9,705
Fixed assets, net (Note 3)	<u>936,347</u>	<u>1,004,195</u>
Total assets	<u><u>\$2,842,128</u></u>	<u><u>\$2,081,759</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$364,290	\$715,715
Accrued payroll and payroll related liabilities	330,787	284,514
Government grant advances	651	1,039
Deferred revenue	6,165	45,175
Due to Administration for Children's Services (Note 4)	407,732	333,671
Paycheck Protection Program Loan (Note 5)	1,254,989	0
Line of credit (Note 6)	0	300,000
Loans payable (Note 7)	<u>172,222</u>	<u>216,828</u>
Total liabilities	<u>2,536,836</u>	<u>1,896,942</u>
Net assets:		
Without donor restrictions	(235,214)	(330,962)
With donor restrictions (Note 8)	<u>540,506</u>	<u>515,779</u>
Total net assets	<u>305,292</u>	<u>184,817</u>
Total liabilities and net assets	<u><u>\$2,842,128</u></u>	<u><u>\$2,081,759</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, 2020
(With comparative totals for the year ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 6/30/20	Total 6/30/19
Operating revenues and support:				
Government grant income	\$8,119,066		\$8,119,066	\$8,331,633
Contributions	250,996	\$521,073	772,069	654,388
Program fees	1,100,382		1,100,382	665,777
Special events (net of expenses with a direct benefit to donor) (Note 13)	163,665		163,665	354,057
Donated goods, services and in-kind rent (Notes 9 and 14)	919,424		919,424	850,784
Other income	7,623		7,623	177,909
Net assets released from restrictions	496,346	(496,346)	0	0
Total operating revenues and support	<u>11,057,502</u>	<u>24,727</u>	<u>11,082,229</u>	<u>11,034,548</u>
Operating expenses:				
Program services:				
Early childhood services	6,146,869		6,146,869	6,106,004
Youth and family services	3,298,175		3,298,175	2,894,002
Total program services	<u>9,445,044</u>	<u>0</u>	<u>9,445,044</u>	<u>9,000,006</u>
Supporting services:				
Management and general	1,091,406		1,091,406	1,225,124
Fundraising	425,304		425,304	235,437
Total supporting services	<u>1,516,710</u>	<u>0</u>	<u>1,516,710</u>	<u>1,460,561</u>
Total operating expenses	<u>10,961,754</u>	<u>0</u>	<u>10,961,754</u>	<u>10,460,567</u>
Change in net assets from operating activities	<u>95,748</u>	<u>24,727</u>	<u>120,475</u>	<u>573,981</u>
Non-operating activities:				
ACS adjustment (Note 4)			0	679,159
Head Start pension fund settlement (Note 9)			0	155,000
Total non-operating activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>834,159</u>
Change in net assets	95,748	24,727	120,475	1,408,140
Net assets - beginning of year	<u>(330,962)</u>	<u>515,779</u>	<u>184,817</u>	<u>(1,223,323)</u>
Net assets - end of year	<u>(\$235,214)</u>	<u>\$540,506</u>	<u>\$305,292</u>	<u>\$184,817</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, 2020

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

	Program Services			Supporting Services			Total Expenses 6/30/20	Total Expenses 6/30/19*	
	Early Childhood Services	Youth and Family Services	Total Program Services	Management and General	Fundraising	Direct Costs of Special Events			Total Supporting Services
Salaries	\$2,645,765	\$2,242,223	\$4,887,988	\$757,948	\$172,910		\$930,858	\$5,818,846	\$5,325,196
Payroll taxes and benefits	718,218	393,337	1,111,555	8,141	29,004		37,145	1,148,700	1,049,925
Total personnel services	3,363,983	2,635,560	5,999,543	766,089	201,914	0	968,003	6,967,546	6,375,121
Contractual child care	1,495,353		1,495,353				0	1,495,353	1,660,645
Professional fees (including in-kind of \$151,324) (Note 14)	165,477	204,423	369,900	198,660	38,376		237,036	606,936	517,121
Office and program supplies	110,425	63,255	173,680	16,326	48,669		64,995	238,675	200,540
Occupancy (including in-kind of \$752,216) (Notes 9 and 14)	638,785	124,519	763,304	3,105	6,521		9,626	772,930	773,360
Telephone	21,389	7,303	28,692	499	352		851	29,543	28,303
Insurance	37,981	26,711	64,692	11,541	1,451		12,992	77,684	71,532
Training and conferences	70,356	16,982	87,338	1,526	724		2,250	89,588	106,616
Travel	18,730	82,686	101,416	764	988		1,752	103,168	129,159
Food	90,431	73,514	163,945	7,408	85,777		93,185	257,130	247,650
Repairs and maintenance	45,784	8,169	53,953	18,396	100		18,496	72,449	84,819
Participant costs and parent activities	7,117	38,991	46,108		7,490		7,490	53,598	48,190
Events expenses (including in-kind of \$15,884) (Note 14)			0		32,289	47,058	79,347	79,347	91,627
Interest expense			0	20,506			20,506	20,506	27,353
Bank fees			0	10,975			10,975	10,975	14,328
Other expenses	224	530	754	32,420	536		32,957	33,711	48,989
Depreciation	80,834	15,532	96,366	3,191	117		3,307	99,673	92,598
Total expenses	6,146,869	3,298,175	9,445,044	1,091,406	425,304	47,058	1,563,768	11,008,812	10,517,951
Less: direct costs of special events						(47,058)	(47,058)	(47,058)	(57,384)
Total expenses reported by function on the statement of activities	\$6,146,869	\$3,298,175	\$9,445,044	\$1,091,406	\$425,304	\$0	\$1,516,710	\$10,961,754	\$10,460,567

* 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, 2020
(With comparative totals for the year ended June 30, 2019)

	6/30/20	6/30/19
Cash flows from operating activities:		
Change in net assets	\$120,475	\$1,408,140
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	99,673	92,598
Disposal of capital asset	0	4,575
Changes in assets and liabilities:		
Government grants receivable	(452,734)	(369,743)
Contributions and other receivables	47,500	(59,588)
Prepaid expenses and other assets	2,493	(1,894)
Accounts payable and accrued expenses	(351,425)	(19,483)
Accrued payroll and payroll related liabilities	46,273	(309,282)
Government grant advances	(388)	(29,617)
Deferred revenue	(39,010)	13,780
Due to Administration for Children's Services	74,061	(605,036)
Paycheck Protection Program Loan (Note 5)	1,254,989	0
Total adjustments	681,432	(1,283,690)
Net cash provided by operating activities	801,907	124,450
Cash flows from investing activities:		
Purchases of fixed assets	(31,825)	(120,710)
Net cash used for investing activities	(31,825)	(120,710)
Cash flows from financing activities:		
Repayment of line of credit and cash flow loan	(585,000)	(689,616)
Repayment of capital lease	0	(7,831)
Repayment of loans payable	(44,606)	(44,236)
Proceeds from line of credit and cash flow loan	285,000	687,152
Net cash used for investing activities	(344,606)	(54,531)
Net increase/(decrease) in cash and cash equivalents	425,476	(50,791)
Cash - beginning of year	27,746	78,537
Cash - end of year	\$453,222	\$27,746
Supplemental information:		
Interest paid	\$20,506	\$27,353
Taxes paid	\$0	\$0

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, 2020

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 January 1, 2019, the Center adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "Topic 606"). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price, and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective January 1, 2019, the Center adopted ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("Topic 605"). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, the Center evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transaction is determined to be an exchange transaction, the Center applies guidance under Topic 606. If the transaction is determined to be non-reciprocal, it is treated as a contribution under Topic 605.

Analysis of the various provisions of both of these standards resulted in no significant changes in the way the Center recognizes revenue.

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, which occurred during 2019.

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 that do not contain donor restrictions are recorded in the class of net assets without donor restrictions. Contributions that do contain donor restrictions are recorded in the class of net assets with donor restrictions. 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 in the class of net assets without donor restrictions.

Contributions may be subject to conditions which are defined under ASU No. 2018-08 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 Topic 605. Revenue from these transactions are 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.

Unconditional promises to give are recorded at net realizable value if expected to be received in less than one year, or at fair value using a risk-adjusted discount rate if expected to be received in greater than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Program fees income which includes special needs program fees, child care parent fees, summer camp and afterschool fees falls under Topic 606. 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, 2020 and 2019.

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. 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.

f. 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 9 and 14 for additional details.

g. 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 14 for additional details.

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. 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

i. 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.

j. 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.

k. 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, 2017 and later are subject to examination by applicable taxing authorities.

l. New Accounting Pronouncement

FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the June 30, 2023 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the June 30, 2022 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line item presentation on the statement of activities and additional disclosures.

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>6/30/20</u>	<u>6/30/19</u>
Leasehold improvements	\$790,367	\$776,966
Building and improvements	1,225,540	1,218,340
Land	61,500	61,500
Furniture and equipment	787,466	776,242
Vehicles	<u>148,909</u>	<u>148,909</u>
	3,013,782	2,981,957
Less: accumulated depreciation	<u>(2,077,435)</u>	<u>(1,977,762)</u>
Total fixed assets, net	<u>\$936,347</u>	<u>\$1,004,195</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 is subject to audit and adjustments by ACS. ACS completed its review and reconciliation of the Center's fiscal years 2013-2017 Early Learn and 2015 Preventive programs activities and issued final closeout reports that were appealed by the Center. As a result, an adjustment to reduce the liability was recorded during the year ended June 30, 2019 totaling \$679,159 which is reflected as non-operating activity on the statement of activities. Total due to ACS was \$407,732 and \$333,671 for the years ended June 30, 2020 and 2019, respectively.

Note 5 - Paycheck Protection Program Loan

During the year ended June 30, 2020, the Center obtained a loan from the SBA in the amount of \$1,254,989 through the Payroll Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during periods subsequent to receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. Portions that are not forgiven will be payable over a five-year period, with a six-month deferral of payments and interest will accrue at 1%. The loan forgiveness amount has not been determined as of the date of these financial statements.

The Center expects to recognize revenue from this loan consistent with ASU 2018-08, as it is considered to have traits similar to a conditional contribution, however will continue to review whether any new accounting pronouncements may be issued that will provide more definitive guidance.

Note 6 - 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, 2020 and 2019, was 8.35% 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 was \$300,000 at June 30, 2019. There was no outstanding amount at June 30, 2020.

Note 7 - Loans Payable

Loans payable consist of the following:

	<u>6/30/20</u>	<u>6/30/19</u>
Loan Payable – JP Morgan Chase (a)	\$88,960	108,179
Loan Payable – JP Morgan Chase (b)	83,262	101,208
Loan Payable – Van financing (c)	<u>0</u>	<u>7,441</u>
Total	<u>\$172,222</u>	<u>\$216,828</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. The loan was paid in full during 2020.

Annual principal payments due on these loans is as follows:

Year ending:	June 30, 2021	\$39,774
	June 30, 2022	42,529
	June 30, 2023	45,475
	June 30, 2024	<u>44,444</u>
Total		<u>\$172,222</u>

Note 8 - Net Assets With Donor Restrictions

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

	<u>June 30, 2020</u>			
	Beginning Balance <u>7/1/19</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Ending Balance <u>6/30/20</u>
Program restricted:				
College and teens	\$221,381	\$292,500	(\$293,020)	\$220,861
Changing futures	133,718	30,000	(111,372)	52,346
Capital campaign	50,000	0	0	50,000
Respite	5,049	35,000	(21,688)	18,361
Community gardens	52,255	163,573	(30,266)	185,562
Family empowerment	<u>53,376</u>	<u>0</u>	<u>(40,000)</u>	<u>13,376</u>
Total	<u>\$515,779</u>	<u>\$521,073</u>	<u>(\$496,346)</u>	<u>\$540,506</u>

	<u>June 30, 2019</u>			
	Beginning Balance <u>7/1/18</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Ending Balance <u>6/30/19</u>
Program restricted:				
College and 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>

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

Note 9 - 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 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 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 management's assessment of the claim, a 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 the liability resulted in a gain on the 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, which was paid in full during the year ended June 30, 2020.

Note 10 - 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, 2020 and 2019.

Note 11 - 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 12 - 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% of the Center’s total public support and revenue during the years ended June 30, 2020 and 2019.

Note 13 - Special Events

The following summarizes special event income:

	<u>6/30/20</u>	<u>6/30/19</u>
Gross revenue	\$210,723	\$411,441
Less: expenses with a direct benefit to donor	<u>(47,058)</u>	<u>(57,384)</u>
	163,665	354,057
Less: other event expenses	<u>(16,545)</u>	<u>(29,377)</u>
Total	<u>\$147,120</u>	<u>\$324,680</u>

Note 14 - Donated Goods, Services and Occupancy

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

	June 30, 2020					
	Early Childhood <u>Services</u>	Youth and Family <u>Services</u>	Total Program <u>Services</u>	Management and <u>General</u>	<u>Fundraising</u>	<u>Total</u>
Occupancy	\$627,065	\$118,634	\$745,699	\$0	\$6,517	\$752,216
Supplies	0	0	0	0	15,884	15,884
Legal fees	<u>0</u>	<u>0</u>	<u>0</u>	<u>151,324</u>	<u>0</u>	<u>151,324</u>
Total	<u>\$627,065</u>	<u>\$118,634</u>	<u>\$745,699</u>	<u>\$151,324</u>	<u>\$22,401</u>	<u>\$919,424</u>

	June 30, 2019				
	Early Childhood <u>Services</u>	Youth and Family <u>Services</u>	Total Program <u>Services</u>	Management and <u>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>

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	\$453,222
Government grants receivable	1,372,799
Other receivables	<u>72,548</u>
Total financial assets	\$1,898,569
Less amounts not currently available for general expenditures:	
Donor restricted support	<u>(540,506)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,358,063</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.

Note 16 – Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through December 2, 2020, 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.

Note 17 – Other Matters

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. It is unknown how long these conditions will last and what the complete financial effect will be. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact cannot be quantified.