

PORT CHESTER CARVER CENTER, INC.

**Financial Statements
for the year ended
June 30, 2016
(with Summarized Comparative
Information for the Year Ended
June 30, 2015)**

**CONDON
O'MEARA
MCGINTY &
DONNELLY LLP**

Certified Public Accountants

One Battery Park Plaza
New York, NY 10004-1405
Tel: (212) 661 - 7777
Fax: (212) 661 - 4010

Independent Auditor's Report

To the Board of Directors of the
Port Chester Carver Center, Inc.

We have audited the accompanying financial statements of Port Chester Carver Center, Inc. which comprise the statement of financial position as of June 30, 2016 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 in the first paragraph on the previous page present fairly, in all material respects, the financial position of Port Chester Carver Center, Inc. as of June 30, 2016 and the results of its activities 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 Port Chester Carver Center's 2015 financial statements, and our report dated September 15, 2015, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Condon O'Meara McQuinty & Donnelly LLP

PORT CHESTER CARVER CENTER, INC.

Statement of Financial Position

Assets

	June 30	
	2016	2015
Current assets		
Cash	\$ 111,000	\$ 58,057
Investments, at fair value	1,097,080	1,025,291
Pledges and accounts receivable	229,620	333,937
Prepaid expenses and other	45,450	22,244
Total current assets	1,483,150	1,439,529
Property and equipment, net	2,914,028	3,027,297
Investments – permanently restricted	1,404,000	1,404,000
Total assets	\$5,801,178	\$5,870,826

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 196,829	\$ 108,118
Deferred revenue	122,616	115,000
Current portion of capital leases payable	-	12,542
Total current liabilities	319,445	235,660
Net assets		
Unrestricted	3,216,149	3,406,117
Temporarily restricted	861,584	825,049
Permanently restricted	1,404,000	1,404,000
Total net assets	5,481,733	5,635,166
Total current liabilities and net assets	\$5,801,178	\$5,870,826

See notes to financial statements.

PORT CHESTER CARVER CENTER, INC.

Statement of Activities
For the year ended June 30, 2016
(with Summarized Comparative Information for the Year Ended June 30, 2015)

	<u>2016</u>			<u>2015</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
Support and revenue					
Contributions	\$ 498,203	\$ 1,837,139	\$ -	\$ 2,335,342	\$ 1,798,815
Fundraising events	392,836	-	-	392,836	459,078
Government grants	460,637	-	-	460,637	139,048
Program fees	449,277	-	-	449,277	302,579
Interest and dividends, net	-	48,189	-	48,189	44,235
Net realized and unrealized gain (loss) on investments	-	103,697	-	103,697	(40,342)
Donated supplies	69,501	-	-	69,501	24,957
Other	36,906	-	-	36,906	1,919
Rental revenue	284,253	-	-	284,253	256,835
Net assets released from restrictions	<u>1,952,490</u>	<u>(1,952,490)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>4,144,103</u>	<u>36,535</u>	<u>-</u>	<u>4,180,638</u>	<u>2,987,124</u>
Expenses					
Program services	3,720,170	-	-	3,720,170	2,817,821
Management and general	233,248	-	-	233,248	197,101
Fundraising	<u>380,653</u>	<u>-</u>	<u>-</u>	<u>380,653</u>	<u>298,831</u>
Total expenses	<u>4,334,071</u>	<u>-</u>	<u>-</u>	<u>4,334,071</u>	<u>3,313,753</u>
Increase (decrease) in net assets	(189,968)	36,535	-	(153,433)	(326,629)
Net assets, beginning of year	<u>3,406,117</u>	<u>825,049</u>	<u>1,404,000</u>	<u>5,635,166</u>	<u>5,961,795</u>
Net assets, end of year	<u>\$ 3,216,149</u>	<u>\$ 861,584</u>	<u>\$ 1,404,000</u>	<u>\$ 5,481,733</u>	<u>\$ 5,635,166</u>

See notes to financial statements.

PORT CHESTER CARVER CENTER, INC.

Statement of Functional Expenses
Year Ended June 30, 2016
(with Summarized Comparative Information for the
Year Ended June 30, 2015)

	<u>2016</u>			<u>2015</u>	
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Expenses					
Salaries, benefits and taxes	\$2,657,899	\$ 180,599	\$ 171,478	\$3,009,976	\$2,202,762
Occupancy, building and grounds	203,344	14,354	21,530	239,228	234,728
Professional fees	151,413	10,688	16,032	178,133	127,206
Supplies	106,473	7,516	11,273	125,262	102,400
Program expense					
Food	237,707	-	-	237,707	133,004
Field trips	35,792	-	-	35,792	25,861
Staff development	28,369	-	-	28,369	11,774
Transportation	11,496	-	-	11,496	37,314
Community activities	2,733	-	-	2,733	5,341
Scholarships	333	-	-	333	500
Fundraising events	-	-	130,205	130,205	160,708
Advertising	1,038	74	110	1,222	574
Insurance	82,194	5,802	8,703	96,699	79,716
Bad debt	-	-	-	-	4,627
Donated supplies	59,076	4,170	6,255	69,501	24,957
Total expenses before depreciation	3,577,867	223,203	365,586	4,166,656	3,151,472
Depreciation	142,303	10,045	15,067	167,415	162,281
Total expenses	<u>\$3,720,170</u>	<u>\$ 233,248</u>	<u>\$ 380,653</u>	<u>\$4,334,071</u>	<u>\$3,313,753</u>

See notes to financial statements.

PORT CHESTER CARVER CENTER, INC.

Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
(Decrease) in net assets	\$ (153,433)	\$ (326,629)
Adjustments to reconcile (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	167,415	162,281
Net realized and unrealized (gain) loss on investments	(103,697)	40,342
Increase (decrease) in pledges and accounts receivable	104,317	(107,616)
(Increase) decrease in prepaid expenses and other	(23,206)	11,551
Increase in accounts payable and accrued expenses	88,711	3,144
Increase in deferred revenue	<u>7,616</u>	<u>28,075</u>
Net cash provided by (used in) operating activities	<u>87,723</u>	<u>(188,852)</u>
Cash flows from investing activities		
Proceeds from the sale of investments	309,604	623,664
Purchases of investments	(277,696)	(582,636)
Acquisition of property and equipment	<u>(54,146)</u>	<u>(66,910)</u>
Net cash (used in) investing activities	<u>(22,238)</u>	<u>(25,882)</u>
Cash flows from financing activities		
Payments on capital leases payable	(12,542)	(12,869)
Proceeds from line of credit	235,000	-
Repayment of line of credit	<u>(235,000)</u>	<u>-</u>
Net cash (used in) financing activities	<u>(12,542)</u>	<u>(12,869)</u>
Net increase (decrease) in cash	52,943	(227,603)
Cash, beginning of year	<u>58,057</u>	<u>285,660</u>
Cash, end of year	<u>\$ 111,000</u>	<u>\$ 58,057</u>

See notes to financial statements.

PORT CHESTER CARVER CENTER, INC.**Notes to Financial Statements
June 30, 2016****Note 1 – Nature of organization**

Port Chester Carver Center, Inc. (the “Center”) was incorporated in 1949 to provide education programs and services which help children and youth maximize their potential for growth and self-sufficiency as well as to build support and resources for families and individuals in need. The Center has become a full community center; serving children, youth and their families by offering various education, head start/day care, sports and employment training programs.

Note 2 – Significant accounting policies**Basis of presentation**

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America. In accordance with these standards, the Center is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets

These are net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets represent resources that are available for the support of the Center’s operations.

Temporarily restricted net assets

These net assets contain donor-imposed stipulations that will be met by actions of the Center or the passage of time. The activity in the temporarily restricted net assets is reflected on page 4 of these financial statements.

Permanently restricted net assets

These net assets contain donor-imposed stipulations that the principal of the net assets be maintained in perpetuity by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on related investments for general or specific purposes.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence of any donor-imposed restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

PORT CHESTER CARVER CENTER, INC.**Notes to Financial Statements (continued)****June 30, 2016****Note 2 – Significant accounting policies (continued)****Tax status**

The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, the Center has been classified by the Internal Revenue Service as an organization, which is not a private foundation within the meaning of Section 509(a)(1) of the Code. The Center qualifies for the maximum charitable contribution deduction by donors.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents

The Center considers all highly liquid investments with original maturities of ninety days or less to be cash equivalents, unless such assets are held as part of its investment strategy, in which case these assets are included in investments.

Concentrations of credit risk

The Center’s financial instruments that are potentially exposed to concentrations of credit risk consist of cash, cash equivalents, investments, pledges and accounts receivable. The Center places its cash and cash equivalents with what it believes to be quality financial institutions and the Center has not incurred any losses in such accounts to date. The Center’s investments consist of money market funds, an exchange traded fund, a mutual fund, real estate investment trusts, common stocks, United States government and agency obligations and corporate bonds. Investments are exposed to various risks such as interest rate, market volatility, liquidity and credit. Due to the level of uncertainty related to the foregoing risks, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position at June 30, 2016. The Center routinely assesses the financial strength of its cash, cash equivalents and investment portfolio. Management of the Center monitors the collectibility of its receivables. As a consequence, concentrations of credit risk are limited.

PORT CHESTER CARVER CENTER, INC.**Notes to Financial Statements (continued)****June 30, 2016****Note 2 – Significant accounting policies (continued)****Investments**

The Center accounts for its investments in accordance with accounting principles generally accepted in the United States of America. Accordingly, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities.

Fair value measurements

Fair value refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). Fair value measurements are required to be separately disclosed by level within the fair value hierarchy. At June 30, 2016, all of the Center's investments are deemed to be Level 1; their fair values are measured using quoted prices in active markets.

Allowance for doubtful accounts

As of June 30, 2016, the Center does not believe an allowance for doubtful accounts for any potentially uncollectible pledges and accounts receivable is necessary. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

Property and equipment

Property and equipment are recorded at cost. Donations of property and equipment are recorded at fair value on the date of receipt. The Center capitalizes, as property and equipment, expenditures for such assets in excess of a nominal amount with an estimated useful life of greater than one year. Depreciation is computed on the straight-line method over the estimated useful lives of the depreciable assets, which range from 5 to 39 years.

Deferred revenue

Summer Camp and Sport Camp fees paid in advance of the statement of financial position date are reported as deferred revenue. Such fees are recognized as revenue when these programs are held during July and August.

Functional allocation of expenses

The Center allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting activity are allocated directly to that activity. Other expenses that are common to several functions are allocated among the program and supporting services benefitted based upon management's estimates.

PORT CHESTER CARVER CENTER, INC.**Notes to Financial Statements (continued)****June 30, 2016****Note 2 – Significant accounting policies (continued)****Volunteer time**

A substantial number of volunteers made significant contributions of their time to the Center's programs. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurements or valuation.

Donated supplies

During 2016, the Center received donations of clothing, food, toys, and household supplies with an estimated fair value of \$69,501 which are to be used in the Center's programs. These donated supplies were recorded at their fair value based on what it would have cost the Center to purchase them independently and have been reflected as support and expenses in the accompanying statements of activities and functional expenses.

Comparative financial information

The statements of activities and functional expenses in the accompanying financial statements include certain prior-year summarized comparative information, in total but not by net asset class or by functional classification, respectively. Therefore, to compare 2016 to 2015 at the net asset class and functional level, the June 30, 2015 financial statements should be read in conjunction with the 2016 statements of activities and functional expenses.

Reclassification

Certain items in the 2015 financial statements have been reclassified for comparative purposes only.

Subsequent events

The Center has evaluated events and transactions for potential recognition or disclosure through September 7, 2016, which is the date the financial statements were available to be issued.

Note 3 – Line of credit

The Center has available a \$350,000 unsecured line of credit with a bank which is subject to renewal on October 8, 2016. Borrowings under this line bear interest at the bank's prime rate plus 1% with a floor of 4.25%. At June 30, 2016, there were no borrowings outstanding under this agreement.

PORT CHESTER CARVER CENTER, INC.

Notes to Financial Statements (continued)

June 30, 2016

Note 4 – Investments

The Center's investments, including those classified as permanently restricted, at June 30, 2016 and June 30, 2015, are as follows:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 593,904	\$ 593,904	\$ 522,718	\$ 522,718
Precious metal exchange traded fund	57,007	56,912	57,007	50,567
Equity mutual fund	61,518	66,587	61,518	78,884
Real estate investment trusts	34,197	76,140	33,427	42,929
Common stocks	849,311	1,198,763	882,737	1,175,246
U.S. Government and agency obligations	172,327	176,277	189,096	192,020
Corporate bonds	321,512	332,497	353,055	361,968
CMO and asset backed securities	-	-	6,704	4,959
Totals	\$ 2,089,776	\$ 2,501,080	\$ 2,106,262	\$ 2,429,291

Note 5 – Property and equipment

At June 30, 2016, and 2015 property and equipment consisted of the following:

	2016	2015
Building	\$ 705,000	\$ 705,000
Building improvements	3,895,981	3,856,713
Furniture and equipment	393,477	378,599
Sub-total	4,994,458	4,940,312
Less: accumulated depreciation	2,080,430	1,913,015
Property and equipment, net	\$ 2,914,028	\$ 3,027,297

Note 6 – Rental revenue

The Center leased a portion of its facility to various not-for-profit organizations on a month-to-month basis. Additionally, the Center leased portions of its facility on a temporary basis for specific events.

Rental revenue received in connection with these agreements totaled \$284,253 and \$256,835 for the fiscal years ended June 30, 2016 and June 30, 2015, respectively.

PORT CHESTER CARVER CENTER, INC.

Notes to Financial Statements (continued)

June 30, 2016

Note 7 – Equipment leases

During the 2011 fiscal year, the Center entered into two capital lease agreements for gym equipment and telephone equipment which expired May 15, 2016. Both leases were paid in full during the 2016 fiscal year.

Note 8 – Permanently restricted net assets

Effective September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA), the provisions of which apply to endowment funds existing on or established after that date. The Center's endowment consists of various funds established for specific purposes. The Center is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds. The Center classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as unrestricted or temporarily restricted net assets based on donor stipulations.

Permanently restricted net assets as of June 30, 2016 are restricted to investments in perpetuity. Investment return on the endowment funds is available to support programs and activities of the Center at the direction of the Executive Director and the Board of Directors, including the Board's Program Committee. The Center's Board of Directors has adopted a policy whereby interest, dividends and net realized and unrealized gains and losses on investments are considered part of the Center's total investment return. The Center's long-term spending rate, designated by the Board, permits the Center to use up to a maximum of 7% of the rolling twenty-quarter average of the total investment portfolio's fair value to support its operations annually. During the 2016 fiscal year, the Board of Directors approved the withdrawal of approximately \$80,000 from its investment portfolio to support its programs and activities, which represents less than 5% of the rolling twenty-quarter average of the investment portfolio's fair value.

Program Endowment Fund	\$ 750,000
Endowment Fund	<u>654,000</u>
Total	<u>\$1,404,000</u>

There were no endowment funds with deficiencies as of June 30, 2016.

Note 9 – Retirement plan

The Center maintains a Simple IRA Retirement Plan (the "Plan") for eligible employees. Employees may defer a portion of their compensation to the Plan subject to the annual limits established by the Internal Revenue Service. The Center makes matching contributions to the Plan as defined in the Plan document. The Center's contributions to the Plan totaled \$19,210 for the 2016 fiscal year.

PORT CHESTER CARVER CENTER, INC.**Notes to Financial Statements (continued)****June 30, 2016****Note 10 – Funding source audits**

Pursuant to the Center's contractual relationships with certain funding sources, outside agencies have the right to examine the books and records of the Center involving transactions relating to these contracts. The accompanying financial statements have made no provisions for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of management, any actual disallowances would be immaterial.

**CONDON
O'MEARA
MCGINTY &
DONNELLY LLP**

Certified Public Accountants

One Battery Park Plaza
New York, NY 10004-1405
Tel: (212) 661 - 7777
Fax: (212) 661 - 4010

September 7, 2016

Mr. Richard Lawrence
Chair of Audit Committee
Port Chester Carver Center, Inc.
400 Westchester Avenue
Port Chester, NY 10573

Dear Mr. Lawrence:

In planning and performing our audit of the financial statements of Port Chester Carver Center, Inc. (the "Center") as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Center's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all control deficiencies that might be significant deficiencies or material weaknesses.

Although our consideration would not necessarily disclose all matters that concern the internal control, we submit, for your consideration, certain comments and recommendations, which we believe are opportunities for strengthening the internal control.

This report is intended solely for the information and use of management of the Center and is not intended to be used and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the cooperation and courtesies extended to our representatives during the audit. We would be pleased to discuss our comments with you further, should you so desire.

Very truly yours,

Condon O'Meara McQuinty & Donnelly LLP

cc: Ms. Maureen Gomez, President
Mr. Robert Kost, Treasurer
Mr. John Condon, Jr., Audit Committee Member
Mr. Joseph P. Kwasniewski, Executive Director

Cyber-crime

We recommend the Center consider a network vulnerability assessment to ensure its security from data breach. The study is comprehensive in nature and touches on areas such as antivirus software and firewall programs and keeping these software programs up-to-date, educating employees how to stay safe while using the Center's computer network and making sure employees aren't accessing the wrong kind of websites, implementing formal software security policies (password protections) and action plans in the event of a data breach.

Payroll

Due to recent changes in labor laws and regulations, we recommend that the Center review its current employment practices with labor counsel to ensure compliance with all applicable wage and hour laws and regulations.

General

1. The allocation of expenses between programs, management and general and fundraising is not being done during the year. We assisted management in preparation of the statement of functional expenses during the year-end audit. To prepare a more meaningful analysis of the Center's operations, as well as to monitor the ratio of fundraising and management and general expenses to total expenses, we again recommend that all allocations be made on a monthly basis or, if that is not feasible, at least quarterly. We again recommend that the Center establish written procedures for estimating the allocation of expenses and that such allocations be reviewed periodically by management.
2. In order to adequately safeguard all computer-processed data, we again recommend that the Center establish a written disaster recovery plan related to such information. This plan would incorporate procedures for backing up all computer-processed data, appropriate storage procedures for such backup as well as an appropriate schedule for maintaining backup copies of computer data off-premises. This plan should be incorporated into the accounting and internal control procedures manual.
3. The Center utilizes a third-party service organization (the "service organization") for its payroll processing. We again recommend that the Center review the service organization's internal control reporting (commonly referred to as SOC 1 or SSAE 16 reports). This report allows the Center to assess and address the risks associated with the outsourced service.