

9/7/2017

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**PORT CHESTER CARVER CENTER, INC.**

**Financial Statements  
for the year ended  
June 30, 2017  
(with Summarized Comparative  
Information for the Year Ended  
June 30, 2016)**

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## **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, 2017 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*****DRAFT**

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, 2017 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, Inc.'s 2016 financial statements, and our report dated September 7, 2016, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## PORT CHESTER CARVER CENTER, INC.

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## Statement of Financial Position

## Assets

	<u>June 30</u>	
	<u>2017</u>	<u>2016</u>
<b>Current assets</b>		
Cash	\$ 289,741	\$ 111,000
Investments, at fair value	1,189,547	1,097,080
Pledges and accounts receivable	211,709	229,620
Prepaid expenses and other	<u>48,395</u>	<u>45,450</u>
Total current assets	1,739,392	1,483,150
<b>Property and equipment, net</b>	3,105,685	2,914,028
<b>Investments – permanently restricted</b>	<u>1,404,000</u>	<u>1,404,000</u>
<b>Total assets</b>	<b><u>\$6,249,077</u></b>	<b><u>\$5,801,178</u></b>

## Liabilities and Net Assets

<b>Current liabilities</b>		
Line of credit	\$ 197,106	\$ -
Accounts payable and accrued expenses	286,778	196,829
Deferred revenue	100,213	122,616
Current maturities of loan payable	<u>6,202</u>	<u>-</u>
Total current liabilities	590,299	319,445
<b>Long-term liabilities</b>		
Loan payable, net of current maturities	<u>23,790</u>	<u>-</u>
Total liabilities	<u>614,089</u>	<u>319,445</u>
<b>Net assets</b>		
Unrestricted	2,930,300	3,216,149
Temporarily restricted	1,300,688	861,584
Permanently restricted	<u>1,404,000</u>	<u>1,404,000</u>
Total net assets	<u>5,634,988</u>	<u>5,481,733</u>
<b>Total liabilities and net assets</b>	<b><u>\$6,249,077</u></b>	<b><u>\$5,801,178</u></b>

See notes to financial statements.

## PORT CHESTER CARVER CENTER, INC.

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**Statement of Activities**  
**For the year ended June 30, 2017**  
**(with Summarized Comparative Information for the Year Ended June 30, 2016)**

	<u>2017</u>			<u>2016</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
<b>Support and revenue</b>					
Contributions	\$ 563,830	\$ 1,886,330	\$ -	\$ 2,450,160	\$ 2,335,342
Fundraising events	314,795	-	-	314,795	392,836
Government grants	446,643	-	-	446,643	460,637
Program fees	288,358	-	-	288,358	282,439
Food service	316,272	-	-	316,272	166,838
Interest and dividends, net	-	46,490	-	46,490	48,189
Net realized and unrealized gain on investments	-	136,989	-	136,989	103,697
Donated supplies	28,217	-	-	28,217	69,501
Other	46,993	-	-	46,993	36,906
Rental revenue	211,852	-	-	211,852	284,253
Net assets released from restrictions	<u>1,630,705</u>	<u>(1,630,705)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,847,665</u>	<u>439,104</u>	<u>-</u>	<u>4,286,769</u>	<u>4,180,638</u>
<b>Expenses</b>					
Program services	3,459,481	-	-	3,459,481	3,720,170
Management and general	219,233	-	-	219,233	233,248
Fundraising	454,800	-	-	454,800	380,653
Total expenses	<u>4,133,514</u>	<u>-</u>	<u>-</u>	<u>4,133,514</u>	<u>4,334,071</u>
<b>Increase (decrease) in net assets</b>	<b>(285,849)</b>	<b>439,104</b>	<b>-</b>	<b>153,255</b>	<b>(153,433)</b>
<b>Net assets, beginning of year</b>	<u>3,216,149</u>	<u>861,584</u>	<u>1,404,000</u>	<u>5,481,733</u>	<u>5,635,166</u>
<b>Net assets, end of year</b>	<u>\$ 2,930,300</u>	<u>\$ 1,300,688</u>	<u>\$ 1,404,000</u>	<u>\$ 5,634,988</u>	<u>\$ 5,481,733</u>

See notes to financial statements.

## PORT CHESTER CARVER CENTER, INC.

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**Statement of Functional Expenses**  
**Year Ended June 30, 2017**  
**(with Summarized Comparative Information for the**  
**Year Ended June 30, 2016)**

	2017			2016	
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
<b>Expenses</b>					
Salaries, benefits and taxes	\$2,382,291	\$ 168,162	\$ 252,243	\$2,802,696	\$3,009,976
Occupancy, building and grounds	222,459	15,703	23,554	261,716	239,228
Professional fees	128,361	9,061	13,591	151,013	178,133
Supplies	118,254	8,347	12,521	139,122	125,262
Program expense					
Food	274,735	-	-	274,735	237,707
Field trips	25,260	-	-	25,260	35,792
Staff development	31,277	-	-	31,277	28,369
Transportation	15,606	-	-	15,606	11,496
Community activities	6,797	-	-	6,797	2,733
Scholarships	-	-	-	-	333
Fundraising events	-	-	125,950	125,950	130,205
Advertising	1,931	136	205	2,272	1,222
Insurance	81,036	5,720	8,580	95,336	96,699
Donated supplies	23,984	1,693	2,540	28,217	69,501
Total expenses before depreciation	3,311,991	208,822	439,184	3,959,997	4,166,656
Depreciation	147,490	10,411	15,616	173,517	167,415
<b>Total expenses</b>	<b>\$3,459,481</b>	<b>\$ 219,233</b>	<b>\$ 454,800</b>	<b>\$4,133,514</b>	<b>\$4,334,071</b>

See notes to financial statements.

## PORT CHESTER CARVER CENTER, INC.

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## Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ 153,255	\$ (153,433)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	173,517	167,415
Net realized and unrealized (gain) on investments	(136,989)	(103,697)
Decrease in pledges and accounts receivable	17,911	104,317
(Increase) in prepaid expenses and other	(2,945)	(23,206)
Increase in accounts payable and accrued expenses	89,949	88,711
Increase (decrease) in deferred revenue	<u>(22,403)</u>	<u>7,616</u>
Net cash provided by operating activities	<u>272,295</u>	<u>87,723</u>
<b>Cash flows from investing activities</b>		
Proceeds from the sale of investments	385,575	309,604
Purchases of investments	(341,053)	(277,696)
Acquisition of property and equipment	<u>(365,174)</u>	<u>(54,146)</u>
Net cash (used in) investing activities	<u>(320,652)</u>	<u>(22,238)</u>
<b>Cash flows from financing activities</b>		
Proceeds from loan payable	33,000	-
Repayment of loan payable	(3,008)	-
Payments on capital leases payable	-	(12,542)
Proceeds from line of credit	754,000	235,000
Repayment of line of credit	<u>(556,894)</u>	<u>(235,000)</u>
Net cash provided by (used in) financing activities	<u>227,098</u>	<u>(12,542)</u>
<b>Net increase in cash</b>	<b>178,741</b>	<b>52,943</b>
<b>Cash, beginning of year</b>	<u>111,000</u>	<u>58,057</u>
<b>Cash, end of year</b>	<b>\$ 289,741</b>	<b>\$ 111,000</b>
<b>Supplemental disclosure of cash flows information:</b>		
Cash paid for interest	<u>\$ 4,960</u>	<u>\$ -</u>

See notes to financial statements.

**PORT CHESTER CARVER CENTER, INC.****DRAFT****Notes to Financial Statements  
June 30, 2017****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, 2017

**DRAFT****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, 2017. 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, 2017

**DRAFT****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, 2017, 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, 2017, 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, 2017****DRAFT****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 the 2017 fiscal year, the Center received donations of clothing, food, toys, and household supplies with an estimated fair value of \$28,217 which are to be used in the Center's programs. These donated supplies were recorded at the estimated fair value of 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 2017 to 2016 at the net asset class and functional level, the June 30, 2016 financial statements should be read in conjunction with the 2017 statements of activities and functional expenses.

**Reclassifications**

Certain items in the 2016 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 6, 2017, 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, 2017. Borrowings under this line bear interest at the prime rate quoted in the Wall Street Journal plus 1% with a floor of 4.25%. At June 30, 2017, outstanding borrowings under this agreement totaled \$197,106.

**PORT CHESTER CARVER CENTER, INC.**

**Notes to Financial Statements (continued)**  
**June 30, 2017**

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**Note 4 – Investments**

The Center's investments, including those classified as permanently restricted, at June 30, 2017 and June 30, 2016, are as follows:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 605,873	\$ 605,873	\$ 593,904	\$ 593,904
Precious metal exchange traded fund	57,007	53,109	57,007	56,912
Equity mutual fund	72,000	76,826	61,518	66,587
Real estate investment trusts	65,846	100,115	34,197	76,140
Common stocks	787,876	1,267,706	849,311	1,198,763
Government and agency obligations	219,862	192,571	172,327	176,277
Corporate bonds	300,608	297,347	321,512	332,497
Totals	\$ 2,109,072	\$ 2,593,547	\$ 2,089,776	\$ 2,501,080

The Center incurred investment expenses totaling \$16,352 during the 2017 fiscal year which are reflected net against interest and dividends on the accompanying statement of activities.

**Note 5 – Property and equipment**

At June 30, 2017, and 2016 property and equipment consisted of the following:

	2017	2016
Building	\$ 705,000	\$ 705,000
Building improvements	3,895,981	3,895,981
Furniture and equipment	447,734	393,477
Construction in progress	310,917	-
Sub-total	5,359,632	4,994,458
Less: accumulated depreciation	2,253,947	2,080,430
Property and equipment, net	\$ 3,105,685	\$ 2,914,028

**Note 6 – Loan payable**

In December 2016, the Center obtained a \$33,000 loan, for the purpose of purchasing a vehicle. The loan requires 60 monthly installments of \$608, applicable first to interest at a fixed rate of 3.99% per annum and the balance to the reduction of principal through maturity on December 20, 2021 and is secured by the vehicle.

## PORT CHESTER CARVER CENTER, INC.

## Notes to Financial Statements (continued)

June 30, 2017

**DRAFT****Note 6 – Loan payable (continued)**

The following is a summary of the required annual principal payments as of June 30, 2017:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 6,202
2019	6,457
2020	6,723
2021	7,001
2022	<u>3,609</u>
Total	29,992
Less: current maturities	<u>6,202</u>
Loan payable, net of current maturities	<u>\$ 23,790</u>

**Note 7 – 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 \$211,852 and \$284,253 for the fiscal years ended June 30, 2017 and June 30, 2016, respectively.

**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.

**PORT CHESTER CARVER CENTER, INC.**

**Notes to Financial Statements (continued)**

**June 30, 2017**

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**Note 8 – Permanently restricted net assets (continued)**

Permanently restricted net assets as of June 30, 2017 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 2017 fiscal year, the Board of Directors approved the withdrawal of approximately \$100,000 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, 2017.

**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 \$14,568 and \$19,210 for the 2017 and 2016 fiscal years, respectively.

**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.

**Note 11 – Commitment**

During March 2017, the Center entered into an agreement with a construction company for renovations and compliance updates to its facilities for a total cost of approximately \$665,500. Through June 30, 2017, the Center incurred costs totaling \$232,932 under this contract which are included as construction in progress on the statement of financial position. Work under this contract is expected to be completed during the 2018 fiscal year.