

PORT CHESTER CARVER CENTER, INC.

**Financial Statements
for the year ended
June 30, 2018
(with Summarized Comparative
Information for the Year Ended
June 30, 2017)**

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, 2018 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, 2018 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 2017 financial statements, and our report dated September 6, 2017, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Coulson O'Meara McGinty & Donnelly LLP

PORT CHESTER CARVER CENTER, INC.

Statement of Financial Position

Assets

	June 30	
	2018	2017
Current assets		
Cash	\$ 57,561	\$ 289,741
Investments, at fair value	1,034,968	1,189,547
Pledges and accounts receivable	307,307	211,709
Prepaid expenses and other	43,950	48,395
Total current assets	1,443,786	1,739,392
Property and equipment, net	3,483,365	3,105,685
Investments – permanently restricted	1,404,000	1,404,000
Total assets	\$6,331,151	\$6,249,077

Liabilities and Net Assets

Current liabilities		
Line of credit	\$ -	\$ 197,106
Accounts payable and accrued expenses	278,475	286,778
Deferred revenue	135,995	100,213
Current maturities of loan payable	6,457	6,202
Total current liabilities	420,927	590,299
Long-term liabilities		
Loan payable, net of current maturities	17,333	23,790
Total liabilities	438,260	614,089
Net assets		
Unrestricted	3,212,048	2,930,300
Temporarily restricted	1,276,843	1,300,688
Permanently restricted	1,404,000	1,404,000
Total net assets	5,892,891	5,634,988
Total liabilities and net assets	\$6,331,151	\$6,249,077

See notes to financial statements.

PORT CHESTER CARVER CENTER, INC.

Statement of Activities
For the year ended June 30, 2018
(with Summarized Comparative Information for the Year Ended June 30, 2017)

	<u>2018</u>			<u>2017</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
Support and revenue					
Contributions	\$ 489,314	\$ 1,541,260	\$ -	\$ 2,030,574	\$ 2,450,160
Fundraising events	654,357	-	-	654,357	314,795
Government grants	445,458	-	-	445,458	446,643
Program fees	309,891	-	-	309,891	288,358
Food service	308,617	-	-	308,617	316,272
Interest and dividends, net	-	51,708	-	51,708	46,490
Net realized and unrealized gain on investments	-	174,693	-	174,693	136,989
Donated supplies	48,817	-	-	48,817	28,217
Other	97,786	-	-	97,786	46,993
Rental	178,747	-	-	178,747	211,852
Net assets released from restrictions	<u>1,791,506</u>	<u>(1,791,506)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>4,324,493</u>	<u>(23,845)</u>	<u>-</u>	<u>4,300,648</u>	<u>4,286,769</u>
Expenses					
Program services	3,391,659	-	-	3,391,659	3,459,481
Management and general	202,098	-	-	202,098	219,233
Fundraising	448,988	-	-	448,988	454,800
Total expenses	<u>4,042,745</u>	<u>-</u>	<u>-</u>	<u>4,042,745</u>	<u>4,133,514</u>
Increase (decrease) in net assets	281,748	(23,845)	-	257,903	153,255
Net assets, beginning of year	<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>
Net assets, end of year	<u>\$ 3,212,048</u>	<u>\$ 1,276,843</u>	<u>\$ 1,404,000</u>	<u>\$ 5,892,891</u>	<u>\$ 5,634,988</u>

See notes to financial statements.

PORT CHESTER CARVER CENTER, INC.

Statement of Functional Expenses
Year Ended June 30, 2018
 (with Summarized Comparative Information for the
 Year Ended June 30, 2017)

	2018			2017
	Program	Management and General	Fundraising	Total
Expenses				
Salaries, benefits and taxes	\$2,210,926	\$ 116,365	\$ 191,695	\$2,518,986
Occupancy, building and grounds	242,081	12,741	-	254,822
Professional fees	180,461	9,498	-	189,959
Supplies	116,854	6,061	42,983	165,898
Program expense				
Food	249,400	13,126	1,135	263,661
Field trips	18,747	987	497	20,231
Staff development	22,592	1,189	400	24,181
Transportation	39,740	2,092	20	41,852
Community activities	6,067	319	1,192	7,578
Fundraising events	-	-	190,426	190,426
Advertising	-	-	4,614	4,614
Insurance	102,341	5,386	32	107,759
Donated supplies	48,817	-	-	48,817
Bad debt expense	-	26,248	-	26,248
Total expenses before depreciation	3,238,026	194,012	432,994	3,865,032
Depreciation	153,633	8,086	15,994	177,713
Total expenses	<u>\$3,391,659</u>	<u>\$ 202,098</u>	<u>\$ 448,988</u>	<u>\$4,042,745</u>
				<u>\$4,133,514</u>

See notes to financial statements.

PORT CHESTER CARVER CENTER, INC.

Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Increase in net assets	\$ 257,903	\$ 153,255
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	177,713	173,517
Net realized and unrealized (gain) on investments	(174,693)	(136,989)
(Increase)/decrease in pledges and accounts receivable	(95,598)	17,911
(Increase) decrease in prepaid expenses and other	4,445	(2,945)
Increase (decrease) in accounts payable and accrued expenses	(8,303)	89,949
Increase/(decrease) in deferred revenue	<u>35,782</u>	<u>(22,403)</u>
Net cash provided by operating activities	<u>197,249</u>	<u>272,295</u>
Cash flows from investing activities		
Proceeds from the sale of investments	417,902	385,575
Purchases of investments	(88,630)	(341,053)
Acquisition of property and equipment	<u>(555,393)</u>	<u>(365,174)</u>
Net cash (used in) investing activities	<u>(226,121)</u>	<u>(320,652)</u>
Cash flows from financing activities		
Proceeds from loan payable	-	33,000
Repayment of loan payable	(6,202)	(3,008)
Proceeds from line of credit	181,000	754,000
Repayment of line of credit	<u>(378,106)</u>	<u>(556,894)</u>
Net cash provided by (used in) financing activities	<u>(203,308)</u>	<u>227,098</u>
Net increase (decrease) in cash	(232,180)	178,741
Cash, beginning of year	<u>289,741</u>	<u>111,000</u>
Cash, end of year	<u>\$ 57,561</u>	<u>\$ 289,741</u>
Supplemental disclosure of cash flows information:		
Cash paid for interest	<u>\$ 12,237</u>	<u>\$ 4,960</u>

See notes to financial statements.

PORT CHESTER CARVER CENTER, INC.**Notes to Financial Statements****June 30, 2018****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, 2018****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 and receivables. 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 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, 2018. 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.

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.

PORT CHESTER CARVER CENTER, INC.**Notes to Financial Statements (continued)****June 30, 2018****Note 2 – Significant accounting policies (continued)**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, 2018, 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, 2018, 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.

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.

PORT CHESTER CARVER CENTER, INC.**Notes to Financial Statements (continued)****June 30, 2018****Note 2 – Significant accounting policies (continued)****Donated supplies**

During the 2018 fiscal year, the Center received donations of clothing, food, toys, and household supplies with an estimated fair value of \$48,817 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 2018 to 2017 at the net asset class and functional level, the June 30, 2017 financial statements should be read in conjunction with the 2018 statements of activities and functional expenses.

Subsequent events

The Center has evaluated events and transactions for potential recognition or disclosure through September 18, 2018, 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 January 8, 2019. 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, 2018, there were no outstanding borrowings under this agreement.

PORT CHESTER CARVER CENTER, INC.

**Notes to Financial Statements (continued)
June 30, 2018**

Note 4 – Investments

The Center's investments, including those classified as permanently restricted, at June 30, 2018 and June 30, 2017, are as follows:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 309,043	\$ 309,043	\$ 605,873	\$ 605,873
Precious metal exchange traded fund	11,911	11,865	57,007	53,109
Equity mutual fund	72,000	75,765	72,000	76,826
Real estate investment trusts	63,553	105,878	65,846	100,115
Common stocks	911,965	1,383,903	787,876	1,267,706
Government and agency obligations	255,654	251,175	219,862	192,571
Corporate bonds	299,790	301,339	300,608	297,347
Totals	\$ 1,923,916	\$ 2,438,968	\$ 2,109,072	\$ 2,593,547

The Center incurred investment expenses totaling \$17,382 during the 2018 fiscal year which are reflected net against interest and dividends on the accompanying statement of activities.

Note 5 – Property and equipment

At June 30, 2018, and 2017 property and equipment consisted of the following:

	2018	2017
Building	\$ 705,000	\$ 705,000
Building improvements	4,755,280	3,895,981
Furniture and equipment	454,745	447,734
Construction in progress	-	310,917
Sub-total	5,915,025	5,359,632
Less: accumulated depreciation	2,431,660	2,253,947
Property and equipment, net	\$ 3,483,365	\$ 3,105,685

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, 2018

Note 6 – Loan payable (continued)

The following is a summary of the required annual principal payments as of June 30, 2018:

Fiscal Year	Amount
2019	\$ 6,457
2020	6,723
2021	7,001
2022	3,609
Total	23,790
Less: current maturities	6,457
Loan payable, net of current maturities	\$ 17,333

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 \$178,747 and \$211,852 for the fiscal years ended June 30, 2018 and June 30, 2017, 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, 2018

Note 8 – Permanently restricted net assets (continued)

Permanently restricted net assets as of June 30, 2018 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 2018 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, 2018.

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 \$13,930 and \$14,568 for the 2018 and 2017 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.