

PORT CHESTER CARVER CENTER, INC.

**Financial Statements
for the year ended
June 30, 2019
(with Summarized Comparative
Information for the Year Ended
June 30, 2018)**

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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, 2019 and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2019 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 2018 financial statements, and our report dated September 18, 2018, 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, 2018, 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 | |
|---|--------------------|--------------------|
| | 2019 | 2018 |
| Current assets | | |
| Cash | \$ 177,718 | \$ 57,561 |
| Investments, at fair value | 633,931 | 1,034,968 |
| Pledges and accounts receivable | 123,006 | 307,307 |
| Prepaid expenses and other | 52,936 | 43,950 |
| Total current assets | 987,591 | 1,443,786 |
| Property and equipment, net | 3,354,964 | 3,483,365 |
| Investments – permanently restricted | 1,404,000 | 1,404,000 |
| Total assets | \$5,746,555 | \$6,331,151 |

Liabilities and Net Assets

| | | |
|---|--------------------|--------------------|
| Current liabilities | | |
| Line of credit | \$ 350,000 | \$ - |
| Accounts payable accrued expenses and other | 314,901 | 278,475 |
| Deferred revenue | 111,418 | 135,995 |
| Current maturities of loan payable | 6,723 | 6,457 |
| Total current liabilities | 783,042 | 420,927 |
| Long-term liabilities | | |
| Loan payable, net of current maturities | 10,610 | 17,333 |
| Total liabilities | 793,652 | 438,260 |
| Net assets | | |
| Without donor restrictions | 2,865,443 | 3,212,048 |
| With donor restrictions | 2,087,460 | 2,680,843 |
| Total net assets | 4,952,903 | 5,892,891 |
| Total liabilities and net assets | \$5,746,555 | \$6,331,151 |

See notes to financial statements.

PORT CHESTER CARVER CENTER, INC.

Statement of Activities
For the year ended June 30, 2019
(with Summarized Comparative Information for the Year Ended June 30, 2018)

| | <u>2019</u> | | | <u>2018</u> |
|--|---|--|----------------------------|----------------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> | <u>Total</u> |
| Support and revenue | | | | |
| Contributions | \$ 594,875 | \$ 987,470 | \$ 1,582,345 | \$ 2,030,574 |
| Fundraising events | 415,177 | - | 415,177 | 654,357 |
| Government grants | 364,338 | - | 364,338 | 445,458 |
| Program fees | 337,633 | - | 337,633 | 309,891 |
| Food service | 326,334 | - | 326,334 | 308,617 |
| Net investment return | - | 130,152 | 130,152 | 226,401 |
| Donated supplies | 31,579 | - | 31,579 | 48,817 |
| Other | 96,942 | - | 96,942 | 97,786 |
| Rental | 216,548 | - | 216,548 | 178,747 |
| Net assets released from restrictions | <u>1,711,005</u> | <u>(1,711,005)</u> | <u>-</u> | <u>-</u> |
| Total support and revenue | <u>4,094,431</u> | <u>(593,383)</u> | <u>3,501,048</u> | <u>4,300,648</u> |
| Expenses | | | | |
| Program services | 3,803,388 | - | 3,803,388 | 3,391,659 |
| Supporting activities | | | | |
| Management and general | 329,508 | - | 329,508 | 202,098 |
| Fundraising | <u>308,140</u> | <u>-</u> | <u>308,140</u> | <u>448,988</u> |
| Total expenses | <u>4,441,036</u> | <u>-</u> | <u>4,441,036</u> | <u>4,042,745</u> |
| Increase (decrease) in net assets | (346,605) | (593,383) | (939,988) | 257,903 |
| Net assets, beginning of year | <u>3,212,048</u> | <u>2,680,843</u> | <u>5,892,891</u> | <u>5,634,988</u> |
| Net assets, end of year | <u>\$ 2,865,443</u> | <u>\$ 2,087,460</u> | <u>\$ 4,952,903</u> | <u>\$ 5,892,891</u> |

See notes to financial statements.

PORT CHESTER CARVER CENTER, INC.

**Statement of Functional Expenses
Year Ended June 30, 2019
(with Summarized Comparative Information for the
Year Ended June 30, 2018)**

| | <u>2019</u> | | | | <u>2018</u> |
|--|------------------------------|---------------------------------------|--------------------------|---------------------------|---------------------------|
| | <u>Supporting Activities</u> | | | <u>Total</u> | <u>Total</u> |
| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | | |
| Expenses | | | | | |
| Salaries, benefits and taxes | \$2,508,364 | \$ 132,018 | \$ 139,449 | \$2,779,831 | \$2,518,986 |
| Occupancy, building and grounds | 262,549 | 13,819 | - | 276,368 | 254,822 |
| Professional fees | 272,835 | 14,360 | - | 287,195 | 189,959 |
| Supplies | 121,679 | 6,404 | 34,185 | 162,268 | 165,898 |
| Program expense | | | | | |
| Food | 246,528 | 12,975 | - | 259,503 | 263,661 |
| Field trips | 18,286 | 962 | - | 19,248 | 20,231 |
| Staff development | 8,256 | 435 | 110 | 8,801 | 24,181 |
| Transportation | 50,399 | 2,653 | - | 53,052 | 41,852 |
| Community activities | 7,844 | 413 | 123 | 8,380 | 7,578 |
| Fundraising events | - | - | 99,436 | 99,436 | 190,426 |
| Advertising | 14,023 | 738 | 3,161 | 17,922 | 4,614 |
| Insurance | 95,621 | 5,033 | 97 | 100,751 | 107,759 |
| Donated supplies | - | - | 31,579 | 31,579 | 48,817 |
| Bad debt expense | - | 129,329 | - | 129,329 | 26,248 |
| Total expenses before depreciation | 3,606,384 | 319,139 | 308,140 | 4,233,663 | 3,865,032 |
| Depreciation | 197,004 | 10,369 | - | 207,373 | 177,713 |
| Total expenses | <u>\$3,803,388</u> | <u>\$ 329,508</u> | <u>\$ 308,140</u> | <u>\$4,441,036</u> | <u>\$4,042,745</u> |

See notes to financial statements.

PORT CHESTER CARVER CENTER, INC.

Statement of Cash Flows

| | Year Ended June 30 | |
|--|-------------------------------|-------------------------|
| | 2019 | 2018 |
| Cash flows from operating activities | | |
| Increase (decrease) in net assets | \$ (939,988) | \$ 257,903 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 207,373 | 177,713 |
| Net realized and unrealized (gain) on investments | (78,471) | (174,693) |
| (Increase) decrease in pledges and accounts receivable | 184,301 | (95,598) |
| (Increase) decrease in prepaid expenses and other | (8,986) | 4,445 |
| Increase (decrease) in accounts payable, accrued expenses, and other | 36,426 | (8,303) |
| Increase(decrease) in deferred revenue | <u>(24,577)</u> | <u>35,782</u> |
| Net cash provided by (used in) operating activities | <u>(623,922)</u> | <u>197,249</u> |
| Cash flows from investing activities | | |
| Proceeds from the sale of investments | 600,238 | 417,902 |
| Purchases of investments | (120,730) | (88,630) |
| Acquisition of property and equipment | <u>(78,972)</u> | <u>(555,393)</u> |
| Net cash provided by (used in) investing activities | <u>400,536</u> | <u>(226,121)</u> |
| Cash flows from financing activities | | |
| Proceeds from line of credit | 653,000 | 181,000 |
| Repayment of line of credit | (303,000) | (378,106) |
| Repayment of loan payable | <u>(6,457)</u> | <u>(6,202)</u> |
| Net cash provided by (used in) financing activities | <u>343,543</u> | <u>(203,308)</u> |
| Net increase (decrease) in cash | 120,157 | (232,180) |
| Cash, beginning of year | <u>57,561</u> | <u>289,741</u> |
| Cash, end of year | <u>\$ 177,718</u> | <u>\$ 57,561</u> |
| Supplemental disclosure of cash flows information: | | |
| Cash paid for interest | <u>\$ 15,585</u> | <u>\$ 12,237</u> |

See notes to financial statements.

PORT CHESTER CARVER CENTER, INC.**Notes to Financial Statements
June 30, 2019****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**Net assets**

The Center maintains its net assets in two categories as follows:

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions and are available for the general operations of the Center.

With donor restrictions**With temporary donor restrictions**

Net assets subject to donor-imposed restrictions that will be met either by actions of the Center or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Restrictions that have been met on net assets with donor restrictions are reported as net assets released from restrictions. The activity in the net assets with temporary donor restrictions is reflected on page 4 of these financial statements.

With permanent donor restrictions

In this category are net assets subject to donor-imposed restrictions to be maintained perpetuity by the Center, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity from which the revenue is to be used for the donor stipulated purpose. As of June 30, 2019, the Center had \$1,404,000 of net assets with permanent donor restrictions (see note 10).

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, 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, net assets with temporary donor restrictions are reclassified to net assets without donor restrictions 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, 2019**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, 2019. 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, 2019****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, 2019, all of the Center's investments are deemed to be Level 1; their fair values are measured using quoted prices in active markets that the Center can access at the measurement date.

Allowance for doubtful accounts

As of June 30, 2019, the Center deems its pledges and accounts receivable to be collectible and therefore, 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 estimate of time and effort spent.

PORT CHESTER CARVER CENTER, INC.

Notes to Financial Statements (continued)
June 30, 2019

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 financial statements since it is not susceptible to objective measurements or valuation.

Donated supplies

During the 2019 fiscal year, the Center received donations of clothing, food, toys, and household supplies with an estimated fair value of \$31,579 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, functional expenses and the notes to the financial statements.

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 2019 to 2018 at the net asset class and functional level, the June 30, 2018 financial statements should be read in conjunction with the 2019 statements of activities, functional expenses and notes to the financial statements.

Recent accounting pronouncement

Not-for-Profit Financial Statement Presentation

During the 2019 fiscal year, the Center adopted Accounting Standards Update ("ASU") No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity and financial performance.

A recap of the net asset reclassifications and restatements driven by the adoption of the ASU as of June 30, 2018 follows:

| <u>Net Asset Classifications</u> | <u>With Donor Restrictions</u> |
|--|------------------------------------|
| As previously presented | |
| Temporarily restricted | \$ 1,276,843 |
| Permanently restricted | <u>1,404,000</u> |
| Net assets with donor restrictions, as restated | <u>\$ 2,680,843</u> |

PORT CHESTER CARVER CENTER, INC.

Notes to Financial Statements (continued)

June 30, 2019

Note 2 – Significant accounting policies (continued)

Subsequent events

The Center has evaluated events and transactions for potential recognition or disclosure through October 17, 2019, which is the date the financial statements were available to be issued.

Note 3 – Financial assets and liquidity resources

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

| | |
|--|-------------------|
| Financial assets | |
| Cash | \$ 177,718 |
| Investments, at fair value | 633,931 |
| Pledges and accounts receivables | <u>123,006</u> |
| Total financial assets | 934,655 |
| Less: Assets with donor restrictions | (653,460) |
| Add: Appropriation of investment return for 2020 operations | <u>130,000</u> |
| Financial assets available for general expenditures | <u>\$ 411,195</u> |

The Center's assets include donor-restricted funds. As described in Note 10, the Center has an annual spending rate of investment return earned on donor restricted funds of up to a maximum of 7% of the rolling twenty-quarter average fair value of the Center's investment portfolio. An appropriation of \$130,000 from these funds will be available within the next 12 months as of June 30, 2019.

The Center's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts from contributions and other revenue items. As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Center also has a \$350,000 line of credit available which is utilized to fund short-term working capital needs, as necessary (see note 4).

Note 4 – Line of credit

The Center has available a \$350,000 unsecured line of credit with a bank which is subject to renewal on February 8, 2024. Borrowings under this line bear interest at the prime rate quoted in the Wall Street Journal plus 1% with a floor of 5.5%. At June 30, 2019 outstanding borrowings under this agreement totaled \$350,000 and the interest rate was 6.5%.

PORT CHESTER CARVER CENTER, INC.

Notes to Financial Statements (continued)
June 30, 2019

Note 10 – Net assets with perpetual donor restrictions (continued)

Net assets with perpetual donor restrictions as of June 30, 2019 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. For the 2019 fiscal year, the Board had authorized a withdrawal of up to \$110,000 to support programs and activities. During the year, due to the operating loss and cash flow needs, the Board authorized the withdrawal of additional funds from the endowment totaling approximately \$230,000 for a total withdrawal of approximately \$340,000. Although this amount is in excess of the Center's spending rate policy, it was determined by the Board, in consultation with legal counsel, that a) certain of the Center's endowment funds were not subject to the 7% presumption of imprudence b) the Center has the ability to expend these funds as the fair value was above historical dollar value and c) that such withdrawal was prudent and necessary to support the operations of the Center. As a result of this determination, the Center reclassified approximately \$430,000 to net assets without donor restrictions resulting from prior years spending withdrawals that were not previously released from restrictions. The following is a summary of the Center's net assets with perpetual donor restrictions as of June 30, 2019:

| | |
|------------------------|---------------------|
| 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, 2019.

Note 11 – 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 12 – Litigation

The Center has been named as a defendant in litigation arising in the ordinary course of business. The Center is being represented in this proceeding by legal counsel and intends to defend itself vigorously against the claims made and has filed counter-claims against the plaintiff. The Center does not believe the ultimate resolution of these matters will have a material effect on the financial statements.