

**THE NEW YORK CENTER
FOR CHILDREN, INC**

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2019

Independent Auditor's Report

To the Board of Directors of
The New York Center for Children, Inc

Report on the Financial Statements

We have audited the accompanying financial statements of The New York Center for Children, Inc ("NYCC"), which comprise the statement of financial position as of March 31, 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 organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

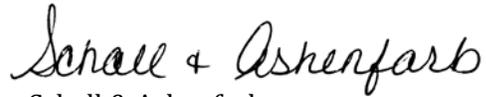
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The New York Center for Children, Inc as of March 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, NYCC adopted Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. As discussed in Note 11 to the financial statements, beginning net assets as of April 1, 2018 were reduced to adjust for contributions recognized where the condition to which they relate had not been met. Our opinion is not modified with respect to this matter.


Schall & Ashenfarb
Certified Public Accountants, LLC

November 5, 2019

THE NEW YORK CENTER FOR CHILDREN, INC
STATEMENT OF FINANCIAL POSITION
AT MARCH 31, 2019

Assets

Cash and cash equivalents	\$6,503
Contributions receivable	24,847
Prepaid expenses and other assets	6,302
Cash held for security deposit	17,000
Fixed assets, net (Note 3)	<u>5,116</u>
 Total assets	 <u><u>\$59,768</u></u>

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	\$88,317
Grant advances	2,906
Conditional contributions (Note 4)	<u>92,225</u>
Total liabilities	<u>183,448</u>
 Net assets:	
Without donor restrictions	(129,680)
With donor restrictions (Note 5)	<u>6,000</u>
Total net assets	<u>(123,680)</u>
 Total liabilities and net assets	 <u><u>\$59,768</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

THE NEW YORK CENTER FOR CHILDREN, INC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Contributions	\$411,580	\$12,000	\$423,580
Government grants	331,958		331,958
Special event income (net of expenses with a direct benefit to donors) (Note 6)	304,645		304,645
Professional training program income	24,372		24,372
Other income	933		933
Net assets released from restriction	<u>86,516</u>	<u>(86,516)</u>	<u>0</u>
Total public support and revenue	<u>1,160,004</u>	<u>(74,516)</u>	<u>1,085,488</u>
Expenses:			
Program services	<u>863,959</u>		<u>863,959</u>
Supporting services:			
Management and general	104,756		104,756
Fundraising	<u>136,525</u>		<u>136,525</u>
Total supporting services	<u>241,281</u>	<u>0</u>	<u>241,281</u>
Total expenses	<u>1,105,240</u>	<u>0</u>	<u>1,105,240</u>
Change in net assets	<u>54,764</u>	<u>(74,516)</u>	<u>(19,752)</u>
Net assets - beginning of year, as originally stated	(119,329)	80,516	(38,813)
Prior period adjustment (Note 11)	<u>(65,115)</u>		<u>(65,115)</u>
Net assets - beginning of year, as restated	<u>(184,444)</u>	<u>80,516</u>	<u>(103,928)</u>
Net assets - end of year	<u>(\$129,680)</u>	<u>\$6,000</u>	<u>(\$123,680)</u>

The attached notes and auditor's report are an integral part of these financial statements.

THE NEW YORK CENTER FOR CHILDREN, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019

	Supporting Services			Total Supporting Services	Total Expenses
	Program Services	Management and General	Fundraising		
Salaries	\$514,284	\$45,280	\$75,108	\$120,388	\$634,672
Payroll taxes and benefits	84,476	7,438	12,337	19,775	104,251
Professional fees and consultants	20,343	27,054		27,054	47,397
Occupancy	187,921	16,545	27,445	43,990	231,911
Travel and conferences	10,938			0	10,938
Supplies and office expenses	23,800	2,096	3,476	5,572	29,372
Telephone	8,153	718	1,191	1,909	10,062
Fundraising event expenses			22,447	22,447	22,447
Insurance	10,982	967	1,604	2,571	13,553
Other expenses		4,388		4,388	4,388
Depreciation	3,062	270	447	717	3,779
Total expenses	863,959	104,756	144,055	248,811	1,112,770
Less: direct event expenses netted with revenue			(7,530)	(7,530)	(7,530)
Total expenses for statement of activities	\$863,959	\$104,756	\$136,525	\$241,281	\$1,105,240

The attached notes and auditor's report are an integral part of these financial statements.

THE NEW YORK CENTER FOR CHILDREN, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019

Cash flows from operating activities:	
Change in net assets	(\$19,752)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,779
Loan forgiven	(17,085)
Changes in assets and liabilities:	
Contributions receivable	(4,704)
Prepaid expenses and other assets	1,071
Accounts payable and accrued expenses	16,616
Grant advances	(6,384)
Conditional contributions	27,110
	<u>651</u>
Net cash flows provided by operating activities	<u>651</u>
Cash flows from investing activities:	
Purchases of fixed assets	(1,763)
	<u>(1,763)</u>
Net cash flows used for investing activities	<u>(1,763)</u>
Cash flows from financing activities:	
Loan proceeds	122,120
Repayment of loans	(122,120)
	<u>0</u>
Net cash flows used for financing activities	<u>0</u>
Net decrease in cash and cash equivalents	(1,112)
Cash and cash equivalents - beginning of year	<u>7,615</u>
Cash and cash equivalents - end of year	<u><u>\$6,503</u></u>
Supplemental information:	
Interest and taxes paid	<u><u>\$0</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

THE NEW YORK CENTER FOR CHILDREN, INC
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

Note 1 - Nature of the Organization

Founded in 1995 as the Child Advocacy Center of Manhattan, The New York Center for Children, Inc (“NYCC”) is a child-friendly Center, providing free, comprehensive evaluation and therapy services to victims of child abuse and their families. NYCC also offers professional training on the diagnosis, treatment and prevention of child abuse.

All of the programs and services at NYCC are completely free of charge. NYCC is a not-for-profit organization that relies on donations to cover the costs of operations. NYCC serves all families, including those without insurance.

NYCC has been notified by the Internal Revenue Service that it is a not-for-profit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting which, is the process of recording revenue and expenses when earned or incurred rather than received or paid.

Effective April 1, 2018, NYCC adopted the requirements of the Financial Accounting Standards Board’s Accounting Standards Update No. 2016-14 – Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 10).

Implementation of ASU 2016-14 did not require any reclassification or restatement of opening balances related to the periods presented.

b. Basis of Presentation

NYCC reports information regarding their financial position and activities in the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represents all activity without donor-imposed restrictions.

- *Net Assets with Donor Restrictions* – relates to contributions of cash and other assets with donor stipulations that make clear the assets' restriction.

c. Revenue Recognition

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value using a risk adjusted discount rate. Conditional contributions are recognized as income when the conditions have been substantially met.

Government grants are recognized as income when earned, either based on performance of certain milestones or by incurring expenses that can be reimbursed under the terms of the grant agreement. The difference between cash received and government grant income recognized is reflected as government grants receivable or government grant advances.

Professional training program income is recognized when earned. Fees that have yet to be collected at year end are reflected as receivable whereby fees collected in advance of being earned are reflected as deferred revenue.

d. Cash and Cash Equivalents

NYCC considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

e. Significant Concentrations

Financial instruments, which potentially subject NYCC to concentration of credit risk, consist of cash accounts with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. At year end, there were no insured balances and NYCC has not suffered losses from the default of any financial institution.

Special event income accounted for approximately 23% and NYCC's largest government grant accounting for approximately 20% of total public support and revenue during the year ended March 31, 2019.

f. Allowance for Doubtful Accounts

NYCC reviews specific accounts and makes assessments as to the collectability based on historical experience and the age of the receivable. Based on this review, management has deemed that no allowance for doubtful accounts is necessary. Write-offs, if any, will be recorded as expenses in the year they are deemed to be uncollectible.

g. Fixed Assets

Fixed assets, consisting of furniture, office equipment and leasehold improvements, are capitalized in the year acquired and are carried at cost, if purchased, or fair value, if donated. Depreciation and amortization is computed over the estimated useful lives of the assets or life of the lease using the straight-line method. Maintenance and repairs, which neither materially add to the value of the asset nor appreciably prolong its life, are charged to expense as incurred.

h. In-Kind Services

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind.

Board members and other individuals volunteer their time and perform a variety of tasks that assist NYCC. These services do not meet the criteria of in-kind services and have not been recorded in the financial statements.

i. Management 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

j. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of NYCC.

The following expenses were allocated using time and effort as the basis:

- Salaries

The following expenses were allocated using salary allocation as the basis:

- Payroll taxes and benefits
- Occupancy
- Supplies and office expenses
- Telephone
- Insurance
- Depreciation

All other expenses have been charged directly to the applicable program or supporting services.

k. Accounting for Uncertainty of Income Taxes

NYCC does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending March 31, 2016 and later are subject to examination by applicable taxing authorities.

l. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through November 5, 2019, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

m. New Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU, which becomes effective for the March 31, 2020 year, provides guidance on whether a receipt from a third-party resource provider should be accounted for as a contribution (nonreciprocal transaction) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transaction.

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the March 31, 2020 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied. This ASU does not apply to contributions

FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the March 31, 2021 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

NYCC is in the process of evaluating the impact these standards will have on future financial statements.

Note 3 - Fixed Assets

Fixed assets consist of:

	<u>Useful Life</u>	
Computers and equipment	\$69,389	<i>3 – 5 years</i>
Furniture and fixtures	30,270	<i>7 years</i>
Leasehold improvements	<u>3,580</u>	<i>Life of lease</i>
	103,239	
Less: accumulated depreciation and amortization	<u>(98,123)</u>	
Total fixed assets	<u>\$5,116</u>	

Note 4 - Conditional Contributions

Conditional contributions at March 31, 2019 consist of cash receipts that were conditional on the Spring Celebration Benefit fundraising event that was held in May 2019.

Note 5 - Net Assets with Donor Restrictions

Net assets with donor restrictions at March 31, 2018 and released from restriction during 2019 were related to time restricted contributions. Net assets with donor restrictions at March 31, 2019 are related to the Art Therapy Techniques Training.

Note 6 - Special Events

A summary of the special events proceeds is as follows:

Gross revenue	\$312,175
Less: expenses with a direct benefit to donor	<u>(7,530)</u>
	304,645
Less: other event expenses	<u>(14,917)</u>
Total	<u>\$289,728</u>

Note 7 - Loan Payable

In previous years, NYCC received an interest-free loan from a board member. The outstanding balance on this loan was \$17,085 at March 31, 2018. This balance was forgiven by the board member during 2019 and there is no outstanding balance at March 31, 2019.

Note 8 - Commitments

NYCC has a non-cancellable operating lease agreement for office space that expires on December 31, 2020. Minimum lease commitments are summarized as follows:

Year ending:	March 31, 2020	\$195,000
	March 31, 2021	<u>149,000</u>
Total		<u>\$344,000</u>

Rent expense charged to operations was \$190,000 for the year ended March 31, 2019.

Note 9 - Retirement Plan

NYCC offers a defined contribution retirement benefit plan for all employees. Under the plan, NYCC matches participant contributions up to 2% of salary. This match is discretionary. NYCC's contributions under this plan vest evenly over a five-year period and the participants' contributions to the plan vest immediately. Retirement plan expense amounted to \$2,500 for the year ended March 31, 2019.

Note 10 - Availability and Liquidity

NYCC maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management, NYCC operates its programs within a board approved budget and relies on contributions and special event income to fund its operations and program activities.

The following reflects NYCC's financial assets at March 31, 2019 that are available to meet cash needs for general expenditures within one year:

Financial assets at year-end:

Cash and cash equivalents	\$6,503	
Contributions receivable due within one year	<u>24,847</u>	
Total financial assets		\$31,350
Less amounts not available for general expenditures:		
Donor contributions restricted to specific purposes		<u>(6,000)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$25,350</u>

Note 11 - Prior Period Adjustment

A prior period adjustment was made to restate the opening net asset balances for conditional contributions of \$65,115 that had been erroneously recognized as income through March 31, 2018. These conditional contributions consisted of cash received prior to March 31, 2018 that were for the Spring Benefit held in April 2018. These contributions have been reported on the statement of activities as special event income during the year ended March 31, 2019.

Note 12 - Net Asset Deficit

NYCC incurred deficits in previous years, resulting in a net asset deficit of \$123,680 at March 31, 2019. NYCC's plan to address this deficit is as follows:

- NYCC has a grant agreement with the Office of the District Attorney, New York County that will reimburse NYCC for expenses incurred up to a total amount of approximately \$275,000 for the year ending March 31, 2020.
- NYCC added 4 new Board members during fiscal year 2020. This should increase the NYCC's capacity to fundraise.
- NYCC has increased revenue from new and existing individual, corporate and Foundation support during the year ending March 31, 2020. In addition, NYCC is embarking on various cost savings measures designed to bring expenditures even more in line with anticipated funding with the goal to build a reserve by March 31, 2020.