

The Child Center of NY, Inc.

Financial Statements

June 30, 2021

Independent Auditors' Report

Board of Directors **The Child Center of NY, Inc.**

We have audited the accompanying financial statements of The Child Center of NY, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2021, 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.

Auditors' 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 of 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 auditors' 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 above present fairly, in all material respects, the financial position of The Child Center of NY, Inc. as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

November 29, 2021

The Child Center of NY, Inc.

Statement of Financial Position

June 30, 2021

(with comparative amounts at June 30, 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 13,774,626	\$ 3,262,720
Restricted cash	589,557	589,557
Patient services receivable, net	1,605,232	982,271
Contracts and grants receivable, net	8,491,110	8,619,091
Contributions receivable	24,800	553,650
Prepaid expenses and other assets	594,286	346,198
Security deposits	133,145	175,189
Custodial accounts	15,711	-
Property and equipment, net	1,069,428	1,044,722
	\$ 26,297,895	\$ 15,573,398
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 7,001,350	\$ 6,280,895
Deferred revenue	2,063,833	833,692
Custodial accounts	15,711	-
Deferred rent	395,488	343,192
Due to government agencies	2,193,172	2,161,137
Paycheck Protection Program loan payable	9,398,902	-
Line of credit	-	1,000,000
Total Liabilities	21,068,456	10,618,916
Net Assets		
Without Donor Restrictions		
Board designated	589,557	589,557
Operating	4,109,468	3,523,096
Total Without Donor Restrictions	4,699,025	4,112,653
With Donor Restrictions		
	530,414	841,829
Total Net Assets	5,229,439	4,954,482
	\$ 26,297,895	\$ 15,573,398

See notes to financial statements

The Child Center of NY, Inc.

Statement of Activities

June 30, 2021

(with summarized totals for the year ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
REVENUE AND SUPPORT				
Contracts and grants revenue	\$ 42,188,045	\$ -	\$ 42,188,045	\$ 43,311,941
Patient services revenue, net	25,943,178	-	25,943,178	14,809,229
Contributions	739,843	-	739,843	2,529,201
Fundraising, net of direct expenses of \$98,825 and \$43,548	563,744	-	563,744	74,460
In-kind contributions	764,484	-	764,484	667,226
Other income	170,307	-	170,307	257,339
Net assets released from restrictions	311,415	(311,415)	-	-
Total Revenue and Support	<u>70,681,016</u>	<u>(311,415)</u>	<u>70,369,601</u>	<u>61,649,396</u>
EXPENSES				
Program services	60,501,469	-	60,501,469	52,441,109
Supporting Services				
Management and general	9,176,852	-	9,176,852	7,738,866
Fundraising	416,323	-	416,323	656,724
Total Expenses	<u>70,094,644</u>	<u>-</u>	<u>70,094,644</u>	<u>60,836,699</u>
Change in Net Assets	586,372	(311,415)	274,957	812,697
NET ASSETS				
Beginning of year	<u>4,112,653</u>	<u>841,829</u>	<u>4,954,482</u>	<u>4,141,785</u>
End of year	<u>\$ 4,699,025</u>	<u>\$ 530,414</u>	<u>\$ 5,229,439</u>	<u>\$ 4,954,482</u>

See notes to financial statements

The Child Center of NY, Inc.

Statement of Functional Expenses
 Year Ended June 30, 2021
 (with summarized totals for the year ended June 30, 2020)

	Program Services							Supporting Services		2021 Total	2020 Total	
	Youth Development	Behavioral Health	Preventive Services	Residential Treatment	Early Childhood	Health Homes and Integrated Care	Other Services	Total Program Services	Management and General			Fundraising
Salaries and wages	\$ 9,928,364	\$ 8,236,680	\$ 7,244,732	\$ 4,546,244	\$ 4,026,831	\$ 2,101,079	\$ 900,416	\$ 36,984,346	\$ 4,510,646	\$ 100,215	\$ 41,595,207	\$ 38,543,565
Payroll taxes and employee benefits	2,295,321	3,385,454	2,658,549	1,209,936	1,122,830	689,642	222,263	11,583,995	1,121,422	27,520	12,732,937	11,418,104
Rent and utilities	50,278	1,022,074	251,669	1,062,185	408,717	163,929	-	2,958,852	1,016,294	30,105	4,005,251	2,795,356
Program related	755,332	43,930	10,837	199,036	453,393	85,457	656,618	2,204,603	24,319	40,203	2,269,125	1,565,471
Equipment related	631,660	157,428	102,298	512,341	63,711	16,912	103,140	1,587,490	139,793	7,129	1,734,412	901,009
Consumable supplies	1,136,956	65,365	11,679	46,947	146,610	809	5,994	1,414,360	16,029	99,435	1,529,824	871,641
Consultants	216,612	125,376	31,450	109,900	125,527	13,263	141,962	764,090	420,929	177,940	1,362,959	707,998
Repairs and maintenance	133,629	391,667	37,979	110,551	105,137	11,060	606	790,629	403,063	2,157	1,195,849	699,325
Other contracted services	11,770	135,011	484	35,499	15,577	99,212	-	297,553	425,129	79	722,761	505,553
Telephone and internet	82,280	110,432	46,073	12,580	55,872	28,237	2,975	338,449	96,499	2,912	437,860	440,986
Staff training	92,190	37,911	5,120	19,690	63,236	-	-	218,147	215,185	504	433,836	251,006
Insurance	112,415	58,561	61,231	42,427	55,454	18,410	7,942	356,440	21,806	512	378,758	270,277
Professional fees	-	27,226	3,140	-	-	8,569	-	38,935	268,666	-	307,601	250,384
Recruitment	9,854	19,210	-	479	-	1,531	56,972	88,046	53,269	594	141,909	55,604
Dues and subscriptions	4,248	1,000	-	-	23,938	4,000	-	33,186	65,841	-	99,027	101,449
Travel and conferences	7,993	676	7,160	50	2,483	3,347	381	22,090	19,895	49	42,034	136,114
Interest	-	-	-	-	-	-	-	-	25,648	-	25,648	28,311
Charges and fees	7	1,930	-	-	-	-	-	1,937	6,380	4,805	13,122	13,755
Community relations	-	-	-	-	-	-	-	-	12,497	-	12,497	24,588
Postage	447	1,590	1,196	20	164	1,515	-	4,932	4,839	284	10,055	13,032
In-kind expenses	-	-	-	-	764,484	-	-	764,484	-	-	764,484	667,226
Other	20,554	2,998	1,285	4,473	10,318	5,915	1,107	46,650	38,008	20,705	105,363	424,293
Depreciation and amortization	-	2,255	-	-	-	-	-	2,255	270,695	-	272,950	195,200
Total Functional Expenses	15,489,910	13,826,774	10,474,882	7,912,358	7,444,282	3,252,887	2,100,376	60,501,469	9,176,852	515,148	70,193,469	60,880,247
Less: cost of direct expenses of fundraising events	-	-	-	-	-	-	-	-	-	(98,825)	(98,825)	(43,548)
Total Expenses Reported by Function on Statement of Activities	\$ 15,489,910	\$ 13,826,774	\$ 10,474,882	\$ 7,912,358	\$ 7,444,282	\$ 3,252,887	\$ 2,100,376	\$ 60,501,469	\$ 9,176,852	\$ 416,323	\$ 70,094,644	\$ 60,836,699

See notes to financial statements

The Child Center of NY, Inc.

Statement of Cash Flows
Year Ended June 30, 2021
(with comparative amounts for the year ended June 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 274,957	\$ 812,697
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	272,950	195,200
Deferred rent	52,296	16,325
Loss on disposal of property and equipment	8,829	21,160
Changes in operating assets and liabilities		
Patient services receivable	(622,961)	14,111
Contracts and grants receivable	127,981	(1,001,310)
Contributions receivable	528,850	(364,400)
Prepaid expenses and other asset	(248,088)	(122,379)
Security deposits	42,044	192,966
Accounts payable and accrued expenses	720,455	1,231,422
Deferred revenue	1,230,141	439,710
Due to government agencies	32,035	(641,896)
Net Cash from Operating Activities	2,419,489	793,606
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(306,485)	(663,221)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan Payable	9,398,902	-
Proceeds from line of credit	-	1,000,000
Payment of line of credit	(1,000,000)	-
Net Cash from Financing Activities	8,398,902	1,000,000
Net Change in Cash, Cash Equivalents and Restricted Cash	10,511,906	1,130,385
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	3,852,277	2,721,892
End of year	\$ 14,364,183	\$ 3,852,277
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 25,648	\$ 28,311

See notes to financial statements

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2021

1. Organization and Tax Status

The Child Center of NY, Inc. (the "Organization") is a not-for-profit organization whose mission is to strengthen children and families with skills, opportunities and emotional support to build healthy, successful lives. Founded in 1953 as a children's counseling center in Queens, the Organization has become a powerful community presence throughout the City of New York ("NYC"). The Organization serves children and families from birth to adulthood with effective, innovative programs in six critical areas: behavioral health (including substance abuse), youth development, preventive services, residential treatment, early childhood education, and health homes and integrated care.

The Organization receives substantial support from the New York State Office of Mental Health ("NYS OMH"), the New York City Administration for Children's Services ("NYC ACS"), the New York City Department of Youth and Community Development ("NYC DYCD"), the New York City Department of Education ("NYC DOE"), and the New York City Department of Health and Mental Hygiene ("NYC DOHMH"). Funding agencies also include the U.S. Department of Health and Human Services ("DHHS"), the New York State Department of Health ("NYS DOH"), the New York State Office of Children and Family Services ("NYS OCFS"), the New York City Police Department ("NYPD"), and the New York State Department of Criminal Justice Services ("NYS DCJS"). The Organization is obligated under the terms of the contracts to comply with specified conditions and program requirements set forth by the respective grantor.

The Organization was incorporated in the State of New York and is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Net Asset Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are those currently available at the discretion of management and the governing board for use in operations. Net assets with donor restrictions are those which are stipulated by donors for specific purposes or by passage of time and may include net assets to be held in perpetuity.

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2021

2. Summary of Significant Accounting Policies (continued)

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include highly liquid fixed income investments with a maturity of three months or less at time of purchase. Donations related to the Auffarth Fund are maintained in a separate bank account and are reflected as restricted cash and board-designated net assets without donor restrictions in the accompanying financial statements.

The following is a reconciliation of cash, cash equivalent and restricted cash reported on the statement of financial position to the statement of cash flows at June 30:

	2021	2020
Cash and cash equivalents	\$ 13,774,626	\$ 3,262,720
Restricted cash	589,557	589,557
	<u>\$ 14,364,183</u>	<u>\$ 3,852,277</u>

Allowance for Doubtful Accounts

An allowance for doubtful accounts is established for contracts and patient services receivables where there exists doubt as to whether an amount will be fully collected. The determination of this allowance is an estimate based on the Organization's historical experience, review of account balances and expectations relative to collections. Contracts and grants receivable are reflected in the statement of financial position net of an allowance for doubtful accounts of \$260,000 as of June 30, 2021 and 2020. Patient services receivable are reflected in the statement of financial position net of an allowance for doubtful accounts of \$351,404 and \$264,365 as of June 30, 2021 and June 30, 2020. Management expects no collection problems with contributions receivable and as such a related allowance has not been established.

Property and Equipment

Property and equipment are recorded at cost. Depreciation of furniture and equipment is recorded on a straight-line basis over the estimated useful lives of the assets, which range from 1 to 10 years. Leasehold improvements are amortized on a straight-line basis over the estimated useful life of the improvement or the term of the lease, whichever is shorter. Expenditures over \$5,000 with an estimated useful life of more than one year are capitalized to the asset accounts.

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount of the asset is not recoverable, the value is written down to the asset's fair value. Assets disposed during the years ended June 30, 2021 and 2020 resulted in a loss of \$8,829 and \$21,160 which is included in other on the statement of functional expenses.

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2021

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue from contracts and grants designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Contracts and grant awards for the acquisition of long-lived assets are reported as non-operating revenue without donor restrictions, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Expenses incurred but not yet reimbursed under various contracts are reported as contracts and grants receivable. Amounts received before expenses are incurred are reported as deferred revenue on the statement of financial position.

The Organization bills Medicaid, Medicaid Managed Care, and other third-party payors after services have been performed. Revenues are recognized as performance obligations are satisfied at a point in time in relation to established billing rates.

Patient services receivable and patient services revenue result from health care services provided by the Organization and are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. Provisions for settlements are accrued on an estimated basis in the period in which the related services are rendered, and are included in due to governmental agencies. Final determination of reimbursement rates are subject to change and retroactive adjustment on the basis of review by governmental payors and any overpayments are reflected as amounts due to governmental agencies.

The Organization uses a portfolio approach as a practical expedient to account for patient services revenue contracts (including mental health clinics, residential treatment facility, substance abuse clinics, and other health care contracts) as a collective group, rather than recognizing revenue on an individual contract basis. The portfolio consists of major payor classes for patient services visits.

The financial statement effects of using this practical expedient are not materially different from an individual contract approach. Substantially all of its performance obligations relate to contracts with a duration of less than one year.

The guidance requires the Organization to not recognize revenue until it is probable of collection. Based on strong collection experience, the Organization has concluded that all revenue recognized is probable of collection.

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2021

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions are recorded at fair value when received or pledged. Amounts are recorded as support with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions expire during the same fiscal year are recognized as support without donor restrictions. Conditional contributions are recognized in the period when conditions are substantially met.

In-kind Contributions

In-kind contributions are recognized in the accompanying financial statements based on their fair value. The Organization recognizes the fair value of donated services which create or enhance nonfinancial assets, or require specialized skills provided by individuals possessing those skills and would typically be purchased if not provided by donation. Contributed services that do not meet these criteria are not recognized as revenue and are not reported in the accompanying financial statements.

In-kind contributions primarily relate to donated services performed by professionals in the course of carrying out the functions and activities of federally-funded programs such as Early Head Start and Early Learn programs of the Organization.

Deferred Rent

The Organization occupies several buildings under leases containing escalation clauses that require normalization of the rental expense over the life of the lease. The resulting deferred rent is reflected in the accompanying statement of financial position.

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities. Specific expenses that are readily identifiable to a single program or activity are charged to that function. Certain expenses are attributable to more than one program or supporting function and have been allocated in a reasonable ratio by management. These expenses include salaries, payroll taxes and employee benefits and insurance, which are allocated based on estimates of time and effort, as well as rent and utilities and repairs and maintenance which are allocated based on square footage.

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2021

2. Summary of Significant Accounting Policies *(continued)*

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization has no uncertain tax positions that would require financial statement recognition and/or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to fiscal 2018.

Summarized Financial Information

The statements of activities and functional expenses include prior year summarized information in total only, which does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the financial statements as of and for the year ended June 30, 2020 from which the summarized information was derived.

Reclassifications

Certain accounts in the fiscal 2020 financial statements have been reclassified to conform to the fiscal 2021 financial statement presentation.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 29, 2021.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and receivables. The Organization places its cash and cash equivalents with high credit quality financial institutions which, at times, may exceed federally insured limits.

Patient services receivable credit risk is limited because the receivables are reported at their outstanding unpaid balances reduced by an allowance for doubtful accounts, where necessary. The Organization estimates doubtful accounts based on historical bad debts, factors related to specific payors' ability to pay and current economic trends.

Contracts and grants receivable credit risk is limited due to the nature of the contracts and grants. The Organization regularly monitors its contracts and grants receivable by investigating delayed payments and differences when payments received do not conform to the amount billed. The Organization considers all contracts and grants as collectible.

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2021

4. Patient Services Receivable

Patient services receivable consists of the following at June 30:

	2021	2020
Medicaid and Medicaid Managed Care	\$ 1,713,936	\$ 1,031,864
Other third-party payors and self-pay	242,700	214,772
	1,956,636	1,246,636
Allowance for doubtful accounts	(351,404)	(264,365)
	\$ 1,605,232	\$ 982,271

5. Contracts and Grants Receivable

Contracts and grants receivable, net, consist of the following at June 30:

	2021	2020
NYC Department of Youth and Community Development	\$ 3,720,011	\$ 2,065,975
NYC Department of Education	1,742,082	1,152,494
NYC Department of Health and Mental Hygiene	561,856	687,386
NYS Office of Children and Family Services	488,431	266,038
NYC Administration for Children's Services	357,899	2,900,877
U.S. Department of Health and Human Services	320,160	264,225
NYS Department of Health	75,976	34,645
NYC Police Department	-	82,921
Subcontracts - NYC Schools	130,696	118,415
Other grants	1,353,999	1,306,115
	8,751,110	8,879,091
Allowance for doubtful accounts	(260,000)	(260,000)
	\$ 8,491,110	\$ 8,619,091

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2021

6. Property and Equipment

Property and equipment, net, consist of the following at June 30:

	2021	2020
Furniture and equipment	\$ 2,922,207	\$ 2,751,210
Leasehold improvements	<u>2,360,823</u>	<u>2,244,170</u>
	5,283,030	4,995,380
Accumulated depreciation and amortization	<u>(4,213,602)</u>	<u>(3,950,658)</u>
	<u>\$ 1,069,428</u>	<u>\$ 1,044,722</u>

During fiscal 2021 and 2020, the Organization disposed of equipment with a cost basis of \$18,835 and \$21,160 and accumulated depreciation of \$10,006 and \$0.

7. Line of Credit

At June 30, 2021, the Organization has a \$2,000,000 line of credit with a financial institution through November 30, 2021. Borrowings under this arrangement bear interest at the Wall Street Journal prime rate plus 0.50% (3.75% and 2.09% at June 30, 2021 and 2020), and are secured by all assets of the Organization. As of June 30, 2021 and 2020, the Organization had an outstanding borrowing of \$0 and \$1,000,000. Interest expense was \$1,976 and \$6,920 for the years ended June 30, 2021 and 2020.

8. Due to Government Agencies

Due to government agencies amounted to \$2,193,172 and \$2,161,137 as of June 30, 2021 and 2020. These liabilities represent amounts owed primarily related to recoupments of overpayments from government agencies. The balance at June 30, 2021 includes \$1,224,556 which is payable in equal monthly installments of \$21,501, including interest at 2% per annum, from April 2016 to August 2025. Interest expense for fiscal 2021 and 2020 amounted to \$23,672 and \$21,387.

9. Patient Services Revenue

Patient services revenue consists of the following for the years ended June 30:

	2021	2020
Medicaid and Medicaid Managed Care	\$ 25,628,012	\$ 14,536,389
Other third-party payors and self-pay	<u>315,166</u>	<u>272,840</u>
	<u>\$ 25,943,178</u>	<u>\$ 14,809,229</u>

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2021

10. Contracts and Grants Revenue

Contracts and grants revenue consists of the following for the years ended June 30:

	2021	2020
NYC Department of Youth and Community Development	\$ 11,898,692	\$ 13,466,435
NYC Administration for Children's Services	11,248,515	13,601,130
NYC Department of Education	6,642,614	6,802,662
NYC Department of Health and Mental Hygiene	2,607,327	2,900,860
U.S. Department of Health and Human Services	2,378,158	1,832,535
NYS Office of Mental Health	1,558,146	196,795
NYS Department of Health	441,218	552,818
NYS Office of Children and Family Services	321,431	328,449
NYC Police Department	202,799	295,641
NYS Department of Criminal Justice Services	134,595	58,523
Subcontracts - NYC schools	606,999	612,497
Foundation grants	1,378,615	1,329,626
Other contracts and grants	2,768,936	1,333,970
	<u>\$ 42,188,045</u>	<u>\$ 43,311,941</u>

11. Employee Benefit Plans

The Organization has a defined contribution 401(k) plan covering substantially all nonunion employees meeting certain eligibility requirements. Contributions to the plan are collectively 10% of eligible compensation. Pension expense amounted to \$2,294,530 and \$1,583,345 for the years ended June 30, 2021 and 2020.

The Organization's union employees are covered by collective bargaining agreements ("CBA's") with the 1199 SEIU United Healthcare Workers East Union, Local 95 District Council 1707 Union, and Local 205 District Council 1707 Union. The CBA's include participation in multi-employer, non-contributory defined benefit plans. The SEIU Health Care Employees Pension Fund runs on a calendar year and The Head Start Sponsoring Board Council of New York Plan and The Cultural Institutions Pension Plan run on a fiscal year (collectively, the "Plans"). Separate actuarial information regarding such Plans is not made available to the contributing employers by the union administrators or trustees since the Plans do not maintain separate records for each reporting unit.

The Organization's participation in the Plans for the years ended June 30, 2021 and 2020 is outlined in the table below. The most recent Pension Protection Act (PPA) zone status available for the Plans is December 31, 2020 and June 30, 2021.

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2021

11. Employee Benefit Plans (continued)

The zone status is based on information that the Organization received from the Plans and is certified by the actuaries of the Plans. Among other factors, pension plans in the red zone are generally less than 65% funded, pension plans in the yellow zone are less than 80% funded, and pension plans in the green zone are at least 80% funded. None of the Plans have a financial improvement plan or rehabilitation plan pending or implemented. The Organization's contributions to the Plans did not exceed 5% of the Plans' total contributions for the years ended June 30, 2021 and 2020.

Pension Fund	EIN Number	Plan Number	Protection Act Zone Status		Total Pension Cost to the Plan		Expiration Date of Collective Bargaining Agreement
			2021	2020	2021	2020	
SEIU Health Care Employees Pension Fund	13-3604862	001	Green	Green	\$ 789,646	\$ 935,476	6/30/2021*
The Head Start Sponsoring Board Council of the City of New York Plan	13-3152121	001	Green	Green	171,313	138,348	January 31, 2022
The Cultural Institutions Pension Plan	11-2001170	001	Green	Green	110,798	116,256	September 30, 2022
					<u>\$ 1,071,757</u>	<u>\$ 1,190,080</u>	

* Discussions are ongoing regarding the renewal of the collective bargaining agreement.

The pension contributions for the years ended June 30 consisted of the following:

	<u>2021</u>	<u>2020</u>
Paid by the Organization	\$ 960,959	\$ 1,073,824
Paid by the City of New York	<u>110,798</u>	<u>116,256</u>
	<u>\$ 1,071,757</u>	<u>\$ 1,190,080</u>

In addition, the CBA's include participation in postretirement health and supplemental welfare benefit plans (the "Health Plans"), which provide health and other benefits to eligible participants who are covered under the CBA's. The Organization's contributions to the Health Plans totaled \$2,243,781 and \$2,810,936 for the years ended June 30, 2021 and 2020.

Assets contributed to the multi-employer plans may be used to provide benefits of employment to other participating employers. If a plan employer stops contributing to the plans, the unfunded obligations of the plan may be borne by the remaining participating employers. If the Organization stops participating in the plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2021

12. Net Assets With Donor Restrictions

During fiscal 2019, the Organization received \$1,000,000 for the renovation of one of the operating locations. For the years ended June 30, 2021 and June 30, 2020, \$311,415 and \$158,171 was released. Net assets with donor restrictions as of June 30, 2021 and June 30, 2020 amounted to \$530,414 and \$841,829.

13. Paycheck Protection Program Loan

On April 27, 2021, the Organization received loan proceeds in the amount of \$9,398,902 under the Paycheck Protection Program ("PPP"). The PPP loan, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the 2019 average monthly payroll expenses of the qualifying business. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the PPP loan, if any, is payable within five years from the date of the loan. Loan payments of principal and interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration ("SBA"). If the Organization does not apply for forgiveness, payments begin approximately 16 months after the loan date.

As of June 30, 2021, the PPP loan is recognized as debt on the statement of financial position. The Organization will recognize the income from the forgiveness of the PPP loan when it receives the notifications of forgiveness from SBA in accordance with Accounting Standards Codification ("ASC") 470, Debt.

The SBA has the right to audit the borrower's loan forgiveness and eligibility under the program for a period of six years after the date the loan is forgiven or repaid in full.

14. Commitments and Contingencies

The Organization leases nine facilities with leases expiring through fiscal 2035. Several of the leases contain escalations for real estate taxes. Deferred rent included on the statement of financial position related to the amount of straight-lined rent expensed in advance of rental payments made was \$395,488 and \$343,192 as of June 30, 2021 and 2020. Rent expense for the years ended June 30, 2021 and 2020 amounted to \$2,648,613 and \$2,466,465.

The Child Center of NY, Inc.

Notes to Financial Statements
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14. Commitments and Contingencies (continued)

All facilities are operated under noncancellable operating leases requiring future minimum payments as follows:

Year Ending June 30:	
2022	\$2,137,631
2023	2,472,191
2024	2,498,151
2025	2,489,532
2026	2,480,653
Thereafter	<u>12,958,940</u>
	<u>\$ 25,037,098</u>

The Organization has contracted with various funding agencies to perform certain counseling services and receives Medicaid revenue from the state and federal governments. Reimbursements received under these contracts and payments from Medicaid are subject to audit by federal and state governments and other agencies. Upon audit, if discrepancies are discovered, the Organization could be held responsible for refunding the amounts in question.

On August 15, 2020, the Organization entered into a 30 year lease agreement with the State of New York (the "Landlord") through its agent, Dormitory Authority of the State of NY ("DASNY"), to operate a New York State Office of Mental Health licensed residential treatment facility. The annual rent is defined as the aggregate amount in the current fiscal year which the Landlord is obligated to pay DASNY for the premises pursuant to all financing Agreements for DASNY's mental health services facilities improvement revenue bonds and state personal income tax revenue bonds. In addition, the Organization is required to pay to the Landlord for reimbursement of certain repairs, maintenance, and utility expenses related to the premises. For the year ended June 30, 2021, the total amount incurred was \$1,062,185.

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Notes to Financial Statements
June 30, 2021

15. Liquidity and Availability of Financial Assets

The Organization's financial assets reduced by amounts not available for general use within one year, due to contractual or donor-imposed restrictions, are composed of the following at June 30:

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash and cash equivalents	\$ 13,774,626	\$ 3,262,720
Restricted cash	589,557	589,557
Patient services receivable, net	1,605,232	982,271
Contracts and grants receivable, net	8,491,110	8,619,091
Contributions receivable	<u>24,800</u>	<u>553,650</u>
Total Financial Assets	24,485,325	14,007,289
Less: Restricted Amounts		
Board designated	(589,557)	(589,557)
Restricted by donor	<u>(530,414)</u>	<u>(841,829)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 23,365,354</u>	<u>\$ 12,575,903</u>

As part of the Organization's strategy, management structures its financial assets, consisting of cash and cash equivalents, patient services receivable, contracts and grants receivable, net and contributions receivable to be available as its general expenditures and liabilities come due within one year. The Organization receives cash flow from various government and foundation grants to fund its programs and has a \$2,000,000 line of credit available to meet future cash flow needs. Board designated amounts can be accessed by the vote of the Board.

16. Risk and Uncertainties

The Organization's operations and financial performance may be affected by the recent coronavirus outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the Organization may experience a disruption in operations as well as decline in revenue and support activities. The effects of the outbreak on the Organization's future business, financial condition and results of operations cannot be determined at this time.

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