

The Child Center of NY, Inc.

Financial Statements

June 30, 2022



Independent Auditors' Report

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

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived

PKF O'Connor Davies, LLP

December 1, 2022

The Child Center of NY, Inc.

Statement of Financial Position

June 30, 2022

(with comparative amounts at June 30, 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 2,928,414	\$ 13,774,626
Restricted cash	589,557	589,557
Investments	9,006,213	-
Patient services receivable, net	1,087,830	1,605,232
Contracts and grants receivable, net	13,405,280	8,491,110
Contributions receivable	941,950	24,800
Prepaid expenses and other assets	692,758	594,286
Security deposits	184,150	133,145
Custodial accounts	32,016	15,711
Property and equipment, net	2,310,035	1,069,428
	\$ 31,178,203	\$ 26,297,895
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 8,988,358	\$ 7,001,350
Deferred revenue	2,927,226	2,063,833
Custodial accounts	32,016	15,711
Deferred rent	435,066	395,488
Due to government agencies	2,066,608	2,193,172
Paycheck Protection Program loan payable	-	9,398,902
Line of credit	1,809,000	-
Total Liabilities	16,258,274	21,068,456
Net Assets		
Without Donor Restrictions		
Board designated	589,557	589,557
Operating	13,202,452	4,109,468
Total Without Donor Restrictions	13,792,009	4,699,025
With Donor Restrictions	1,127,920	530,414
Total Net Assets	14,919,929	5,229,439
	\$ 31,178,203	\$ 26,297,895

See notes to financial statements

The Child Center of NY, Inc.

Statement of Activities
Year Ended June 30, 2022
(with summarized totals for the year ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
REVENUE AND SUPPORT				
Contracts and grants revenue	\$ 48,803,721	\$ -	\$ 48,803,721	\$ 42,188,045
Patient services revenue, net	26,110,050	-	26,110,050	25,943,178
Contributions	471,608	740,000	1,211,608	739,843
Fundraising, net of direct expenses of \$133,044 and \$98,825	882,631	-	882,631	563,744
In-kind contributions	729,863	-	729,863	764,484
Other income	29,129	-	29,129	170,307
Net assets released from restrictions	<u>142,494</u>	<u>(142,494)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>77,169,496</u>	<u>597,506</u>	<u>77,767,002</u>	<u>70,369,601</u>
EXPENSES				
Program services	66,576,968	-	66,576,968	60,501,469
Supporting Services				
Management and general	10,425,527	-	10,425,527	9,176,852
Fundraising	<u>501,449</u>	<u>-</u>	<u>501,449</u>	<u>416,323</u>
Total Expenses	<u>77,503,944</u>	<u>-</u>	<u>77,503,944</u>	<u>70,094,644</u>
Change in Net Assets	(334,448)	597,506	263,058	274,957
NON OPERATING ACTIVITY				
Forgiveness of Paycheck Protection Program loan	9,398,902	-	9,398,902	-
Investment return, net	<u>28,530</u>	<u>-</u>	<u>28,530</u>	<u>-</u>
Change in net assets	9,092,984	597,506	9,690,490	274,957
NET ASSETS				
Beginning of year	<u>4,699,025</u>	<u>530,414</u>	<u>5,229,439</u>	<u>4,954,482</u>
End of year	<u>\$ 13,792,009</u>	<u>\$ 1,127,920</u>	<u>\$ 14,919,929</u>	<u>\$ 5,229,439</u>

See notes to financial statements

The Child Center of NY, Inc.

Statement of Functional Expenses
Year Ended June 30, 2022
(with summarized totals for the year ended June 30, 2021)

	Program Services								Supporting Services		2022 Total	2021 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	\$ 12,564,903	\$ 8,493,905	\$ 6,223,453	\$ 5,617,323	\$ 3,236,309	\$ 2,024,170	\$ 1,143,735	\$ 39,303,798	\$ 5,532,410	\$ 162,671	\$ 44,998,879	\$ 41,595,207
Payroll taxes and employee benefits	2,501,136	3,261,610	2,093,411	1,196,145	956,846	605,204	212,768	10,827,120	1,188,740	35,673	12,051,533	12,732,937
Rent and utilities	96,211	1,111,074	242,721	1,640,660	115,858	182,549	-	3,389,073	627,257	33,574	4,049,904	4,005,251
Program related	2,114,174	65,166	7,181	372,230	194,289	59,362	267,347	3,079,749	18,173	17,453	3,115,375	2,269,125
Consultants	1,131,368	101,103	35,620	270,857	120,178	4,035	144,584	1,807,745	590,624	143,250	2,541,619	1,362,959
Consumable supplies	1,655,204	129,497	9,531	71,319	303,569	602	5,532	2,175,254	67,498	141,059	2,383,811	1,529,824
Equipment related	691,336	142,510	73,507	250,169	186,095	14,870	41,133	1,399,620	242,365	7,895	1,649,880	1,734,412
Repairs and maintenance	251,767	99,335	24,422	624,529	105,381	8,009	7,555	1,120,998	466,589	1,157	1,588,744	1,195,849
Other contracted services	322,592	275,080	69,576	233,136	60,289	145,778	18,241	1,124,692	404,019	1,157	1,529,868	722,761
Telephone and internet	107,878	135,398	39,722	17,012	60,772	24,786	3,451	389,019	109,163	2,899	501,081	437,860
Insurance	171,658	68,816	55,966	52,606	45,167	18,877	13,708	426,798	27,259	878	454,935	378,758
Community relations	138,592	1,191	1,776	630	1,300	888	69,177	213,554	113,625	70,904	398,083	136,124
Staff training	139,852	22,568	-	28,345	43,502	-	-	234,267	116,270	730	351,267	433,836
Professional fees	-	30,773	18,405	-	-	687	6,146	56,011	285,718	-	341,729	307,601
Recruitment	-	-	-	132,500	-	-	-	132,500	138,426	-	270,926	18,282
Dues and subscriptions	2,388	605	2,967	218	27,434	4,366	-	37,978	113,346	5,143	156,467	99,027
Interest	-	-	-	-	-	-	-	-	63,386	-	63,386	25,648
Travel and conferences	12,105	1,242	14,735	343	4,626	11,042	-	44,093	5,378	1,409	50,880	42,034
Charges and fees	6,013	2,439	3,139	2,188	-	172	1,592	15,543	7,701	5,227	28,471	13,122
Postage	920	801	1,127	1,170	159	1,352	-	5,529	3,865	307	9,701	10,055
In-kind expenses	-	-	-	-	729,863	-	-	729,863	-	-	729,863	764,484
Other	33,787	8,121	1,502	10,500	5,457	3,029	812	63,208	13,286	3,107	79,601	105,363
Depreciation and amortization	-	556	-	-	-	-	-	556	290,429	-	290,985	272,950
Total Functional Expenses	21,941,884	13,951,790	8,918,761	10,521,880	6,197,094	3,109,778	1,935,781	66,576,968	10,425,527	634,493	77,636,988	70,193,469
Less: cost of direct expenses of fundraising events	-	-	-	-	-	-	-	-	-	(133,044)	(133,044)	(98,825)
Total Expenses Reported by Function on Statement of Activities	\$ 21,941,884	\$ 13,951,790	\$ 8,918,761	\$ 10,521,880	\$ 6,197,094	\$ 3,109,778	\$ 1,935,781	\$ 66,576,968	\$ 10,425,527	\$ 501,449	\$ 77,503,944	\$ 70,094,644

See notes to financial statements

The Child Center of NY, Inc.

Statement of Cash Flows
Year Ended June 30, 2022
(with comparative amounts for the year ended June 30, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,690,490	\$ 274,957
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	290,985	272,950
Deferred rent	39,578	52,296
Loss on disposal of property and equipment	-	8,829
Realized and unrealized gain on investments	(6,213)	-
Forgiveness of Paycheck Protection Program loan	(9,398,902)	-
Changes in operating assets and liabilities		
Patient services receivable	517,402	(622,961)
Contracts and grants receivable	(4,914,170)	127,981
Contributions receivable	(917,150)	528,850
Prepaid expenses and other assets	(98,472)	(248,088)
Security deposits	(51,005)	42,044
Accounts payable and accrued expenses	1,987,008	720,455
Deferred revenue	863,393	1,230,141
Due to government agencies	(126,564)	32,035
Net Cash from Operating Activities	(2,123,620)	2,419,489
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,531,592)	(306,485)
Purchases of investments	(12,060,359)	-
Sales of investments	6,675,000	-
Purchases of certificates of deposit	(4,741,114)	-
Maturities of certificates of deposit	1,126,473	-
Net Cash from Investing Activities	(10,531,592)	(306,485)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan payable	-	9,398,902
Proceeds from line of credit	1,809,000	-
Payment of line of credit	-	(1,000,000)
Net Cash from Financing Activities	1,809,000	8,398,902
Net Change in Cash, Cash Equivalents and Restricted Cash	(10,846,212)	10,511,906
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	14,364,183	3,852,277
End of year	\$ 3,517,971	\$ 14,364,183
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 63,386	\$ 25,648
Forgiveness of Paycheck Protection Program loan	9,398,902	-

See notes to financial statements

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2022

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, NY, 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"), 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.

Adoption of New Accounting Policies

Contributed Nonfinancial Assets

As of July 1, 2021, the Organization adopted the provisions of Financial Accounting Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). ASU 2020-07 brings more transparency and consistency to the presentation and disclosure of gifts-in-kind. The standard does not change the accounting for gifts-in-kind, however it does provide matters related to presentation and disclosure.

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2022

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

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.

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 excluding cash and cash equivalents held for long-term investment, which are included within investments on the accompanying statements of financial of position. 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 equivalents and restricted cash reported on the statement of financial position to the statement of cash flows at June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,928,414	\$ 13,774,626
Restricted cash	<u>589,557</u>	<u>589,557</u>
	<u>\$ 3,517,971</u>	<u>\$ 14,364,183</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 at June 30, 2022 and 2021. Patient services receivable is reflected in the statement of financial position net of an allowance for doubtful accounts of \$326,048 and \$351,404 at June 30, 2022 and June 30, 2021. Management expects no collection problems with contributions receivable and as such a related allowance has not been established.

Fair Value Measurements

The Organization follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest level of reliance and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2022

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

Investments and Investment Income Recognition

Investments are carried at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded when declared. Realized and unrealized gains and losses are included in the determination of the change in net assets.

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, 2022 and 2021 resulted in a loss of \$0 and \$8,829, which is included in other on the statement of functional expenses.

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 Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2022

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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.

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 Head Start 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.

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2022

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

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, utilities, and repairs and maintenance which are allocated based on square footage.

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 years prior to fiscal 2019.

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, 2021 from which the summarized information was derived.

Reclassifications

Certain accounts in the fiscal 2021 financial statements have been reclassified to conform to the fiscal 2022 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 December 1, 2022.

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.

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2022

3. Concentration of Credit Risk *(continued)*

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.

4. Investments

The following summarizes the inputs used to measure the fair value of investments at June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money market	\$ 3,331	\$ -	\$ 3,331
Commercial paper	-	3,894,655	3,894,655
Corporate bonds	-	1,486,899	1,486,899
	<u>\$ 3,331</u>	<u>\$ 5,381,554</u>	<u>5,384,885</u>
Certificates of deposit *			<u>3,621,328</u>
			<u>\$ 9,006,213</u>

During the year ended June 30, 2022, there were no transfers in or out of Levels 1, 2, or 3 of the fair value hierarchy.

* The value of certificates of deposit is recorded at cost plus accrued interest.

5. Patient Services Receivable

Patient services receivable consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Medicaid and Medicaid Managed Care	\$1,372,926	\$ 1,713,936
Other third-party payors and self-pay	<u>40,952</u>	<u>242,700</u>
	1,413,878	1,956,636
Allowance for doubtful accounts	<u>(326,048)</u>	<u>(351,404)</u>
	<u>\$ 1,087,830</u>	<u>\$ 1,605,232</u>

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2022

6. Contracts and Grants Receivable

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

	2022	2021
NYC Department of Education	\$ 4,984,365	\$ 1,742,082
NYC Department of Youth and Community Development	3,384,402	3,720,011
Elected Officials	1,615,697	1,010,515
NYC Administration for Children's Services	773,969	357,899
NYS Office of Mental Health	638,488	-
NYC Department of Health and Mental Hygiene	625,308	561,856
NYS Office of Children and Family Services	517,267	488,431
U.S. Department of Health and Human Services	402,332	320,160
NYS Department of Criminal Justice	289,881	-
NYS Department of Health	37,811	75,976
Subcontracts - NYC Schools	201,349	130,696
Other grants	194,411	343,484
	13,665,280	8,751,110
Allowance for doubtful accounts	(260,000)	(260,000)
	\$ 13,405,280	\$ 8,491,110

7. Contributions Receivable

Contributions receivable consists of the following at June 30:

	2022	2021
Due within		
Up to one year	\$ 511,950	24,800
Two to five years	430,000	-
	\$ 941,950	\$ 24,800

At June 30, 2022 and 2021, no allowance for doubtful accounts was determined to be necessary. Management believes all contributions receivable are collectible at year end.

The Child Center of NY, Inc.

Notes to Financial Statements
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8. In-kind Contributions and Donated Services

The Organization received donated contributions and services as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>	<u>Usage in Program/Activities</u>	<u>Donor Restriction</u>
Education Services	\$ 475,515	\$ 395,468	Program and administration	None
Health Services	129,221	290,497	Program and administration	None
Social Services	25,459	5,852	Program and administration	None
Program Supplies	99,668	72,667	Program and administration	None
	<u>\$ 729,863</u>	<u>\$ 764,484</u>		

The education services, health services, and social services relate to work performed by third-party volunteers. The fair value of the services is based on current rates for similar services, including an estimate of reasonable fringe benefits.

The fair value of program supplies received is based on the estimated wholesale values that would have been received for selling similar products.

The Organization does not sell in-kind contributions.

9. Property and Equipment

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

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 3,551,099	\$ 2,922,207
Leasehold improvements	<u>3,263,523</u>	<u>2,360,823</u>
	6,814,622	5,283,030
Accumulated depreciation and amortization	<u>(4,504,587)</u>	<u>(4,213,602)</u>
	<u>\$ 2,310,035</u>	<u>\$ 1,069,428</u>

During fiscal 2022 and 2021, the Organization disposed of equipment with a cost basis of \$0 and \$18,835 and accumulated depreciation of \$0 and \$10,006.

10. Line of Credit

At June 30, 2022, the Organization has a \$2,000,000 line of credit with a financial institution through April 30, 2023. Borrowings under this arrangement bear interest at the Wall Street Journal prime rate plus 0.50% (5.25% and 3.75% at June 30, 2022 and 2021), and are secured by all assets of the Organization. At June 30, 2022 and 2021, the Organization had an outstanding borrowing of \$1,809,000 and \$0. Interest expense was \$6,701 and \$1,976 for the years ended June 30, 2022 and 2021.

The Child Center of NY, Inc.

Notes to Financial Statements
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11. Due to Government Agencies

Due to government agencies amounted to \$2,066,608 and \$2,193,172 at June 30, 2022 and 2021. These liabilities represent amounts owed primarily related to recoupments of overpayments from government agencies. The balance at June 30, 2022 includes \$985,258, 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 2022 and 2021 amounted to \$18,712 and \$23,672.

12. Patient Services Revenue

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

	<u>2022</u>	<u>2021</u>
Medicaid and Medicaid Managed Care	\$ 25,939,271	\$ 25,628,012
Other third-party payors and self-pay	<u>170,779</u>	<u>315,166</u>
	<u>\$ 26,110,050</u>	<u>\$ 25,943,178</u>

13. Contracts and Grants Revenue

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

	<u>2022</u>	<u>2021</u>
NYC Department of Youth and Community Development	\$ 14,600,036	\$ 11,898,692
NYC Administration for Children's Services	9,898,952	11,248,515
NYC Department of Education	9,324,566	6,642,614
NYC Department of Health and Mental Hygiene	2,747,686	2,607,327
U.S. Department of Health and Human Services	2,716,772	2,378,158
NYS Office of Mental Health	2,567,386	1,558,146
NYS Office of Children and Family Services	1,362,882	321,431
NYS Department of Health	442,748	441,218
NYS Department of Criminal Justice Services	213,965	134,595
Subcontracts - NYC schools	526,078	606,999
Foundation grants	1,021,821	1,378,615
Other contracts and grants	<u>3,380,829</u>	<u>2,971,735</u>
	<u>\$ 48,803,721</u>	<u>\$ 42,188,045</u>

14. 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 \$2,045,535 and \$2,294,530 for the years ended June 30, 2022 and 2021.

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14. Employee Benefit Plans (continued)

On April 1, 2021, the Organization entered into a Memorandum of Agreement (“MOA”) with Local 338 RWDSU/UFCW Union (“Local 338”) expiring on April 30, 2024. Under the MOA, Local 338 union employees of the Organization are covered by multi-employer defined contribution plans. Coverage includes both a Benefits Fund and Annuity Fund for eligible employees. The Organization’s contributions to the Benefits Fund amounted to \$5,475 and \$920 for the years ended June 30, 2022 and 2021. The Organization’s contributions to the Annuity Fund amounted to \$107,511 and \$17,920 for the years ended June 30, 2022 and 2021.

The Organization’s union employees, except for Local 338, are covered by collective bargaining agreements (“CBA’s”) with the 1199 SEIU United Healthcare Workers East Union, Local 95 District Council 1707 Union, 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, 2022 and 2021 is outlined in the table below. The most recent Pension Protection Act (PPA) zone status available for the Plans is December 31, 2021 and June 30, 2022.

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, 2022 and 2021.

Pension Fund	EIN Number	Plan Number	Protection Act Zone Status		Total Pension Cost to the Plan		Expiration Date of Collective Bargaining Agreement
			2022	2021	2022	2021	
SEIU Health Care Employees Pension Fund	13-3604862	001	Yellow	Green	\$ 619,911	\$ 789,646	June 30, 2024
The Head Start Sponsoring Board Council of the City of New York Plan	13-3152121	001	Green	Green	190,986	171,313	January 31, 2022*
The Cultural Institutions Pension Plan	11-2001170	001	Green	Green	122,952	110,798	September 30, 2022*
					<u>\$ 933,849</u>	<u>\$ 1,071,757</u>	

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

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Notes to Financial Statements
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14. Employee Benefit Plans (continued)

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

	<u>2022</u>	<u>2021</u>
Paid by the Organization	\$ 810,897	\$ 960,959
Paid by the City of New York	<u>122,952</u>	<u>110,798</u>
	<u>\$ 933,849</u>	<u>\$ 1,071,757</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 \$2,082,604 and \$2,275,111 for the years ended June 30, 2022 and 2021.

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.

15. Net Assets With Donor Restrictions

During fiscal 2019, the Organization received \$1,000,000 for the renovation of one of its operating locations. For the years ended June 30, 2022 and June 30, 2021, \$142,494 and \$311,415 was released. Net assets with donor restrictions at June 30, 2022 and June 30, 2021 amounted to \$1,127,920 and \$530,414.

16. 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.

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Notes to Financial Statements
June 30, 2022

16. Paycheck Protection Program Loan (continued)

At June 30, 2021, the PPP loan was recognized as a debt on the statement of financial position. On May 10, 2022, the SBA forgave the PPP loan of \$9,398,902 in full. The loan forgiveness is included on the accompanying statement of activities for the year ended June 30, 2022.

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.

17. Commitments and Contingencies

The Organization leases five 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 \$435,066 and \$395,488 at June 30, 2022 and 2021. Rent expense for the years ended June 30, 2022 and 2021 amounted to \$2,305,864 and \$2,648,613.

All facilities are operated under noncancellable operating leases requiring future minimum payments as follows for the year ending June 30:

2023	\$ 2,340,759
2024	2,369,227
2025	2,357,613
2026	2,345,649
2027	2,442,617
Thereafter	<u>12,655,637</u>
	<u>\$ 24,511,502</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, 2022, the total amount incurred was \$1,640,660.

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Notes to Financial Statements
June 30, 2022

18. 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:

	2022	2021
Financial Assets:		
Cash and cash equivalents	\$ 2,928,414	\$ 13,774,626
Restricted cash	589,557	589,557
Investments	9,006,213	-
Patient services receivable, net	1,087,830	1,605,232
Contracts and grants receivable, net	13,405,280	8,491,110
Contributions receivable	941,950	24,800
Total Financial Assets	27,959,244	24,485,325
Less: Restricted Amounts		
Board designated	(589,557)	(589,557)
Amounts restricted for time by donor	(430,000)	-
Amounts restricted for purpose by donor	(697,920)	(530,414)
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	\$ 26,241,767	\$ 23,365,354

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 of Directors.

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