

The Child Center of NY, Inc.

Financial Statements

June 30, 2023

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, 2023, 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, 2023, 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 Auditors' 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Organization adopted Financial Accounting Standards Board ("FASB") Topic 842, *Leases*, using the effective date method, with July 1, 2022 as the date of initial adoption. Our opinion is not modified with respect to this matter.

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.

Auditors' 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 auditors' 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 1, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

November 27, 2023

The Child Center of NY, Inc.

Statement of Financial Position
June 30, 2023

(with comparative amounts at June 30, 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 4,073,799	\$ 2,928,414
Restricted cash	589,557	589,557
Investments	9,350,404	9,006,213
Patient services receivable, net	1,311,612	1,087,830
Contracts and grants receivable, net	18,317,482	13,405,280
Contributions receivable	618,653	941,950
Prepaid expenses and other assets	1,409,206	692,758
Security deposits	175,442	184,150
Custodial accounts	25,238	32,016
Right-of-use asset - operating leases, net	18,530,322	-
Property and equipment, net	2,149,761	2,310,035
	\$ 56,551,476	\$ 31,178,203
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 10,162,288	\$ 8,988,358
Deferred revenue	3,191,134	2,927,226
Custodial accounts	25,238	32,016
Deferred rent	-	435,066
Due to government agencies	4,207,074	2,066,608
Leases payable	19,123,074	-
Line of credit	-	1,809,000
Total Liabilities	36,708,808	16,258,274
Net Assets		
Without Donor Restrictions		
Board designated	589,557	589,557
Operating	14,155,944	13,202,452
Total Without Donor Restrictions	14,745,501	13,792,009
With donor restrictions	5,097,167	1,127,920
Total Net Assets	19,842,668	14,919,929
	\$ 56,551,476	\$ 31,178,203

See notes to financial statements

The Child Center of NY, Inc.

Statement of Activities
Year Ended June 30, 2023
(with summarized totals for the year ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
REVENUE AND SUPPORT				
Contracts and grants revenue	\$ 52,640,397	\$ 4,765,638	\$ 57,406,035	\$ 48,803,721
Patient services revenue, net	34,332,782	-	34,332,782	26,110,050
Contributions	216,534	-	216,534	1,211,608
Fundraising, net of direct expenses of \$270,532 and \$133,044	356,326	-	356,326	882,631
In-kind contributions	743,706	-	743,706	729,863
Other income	72,134	-	72,134	29,129
Net assets released from restrictions	796,391	(796,391)	-	-
Total Revenue and Support	89,158,270	3,969,247	93,127,517	77,767,002
EXPENSES				
Program services	74,186,331	-	74,186,331	66,576,968
Supporting Services				
Management and general	13,875,732	-	13,875,732	10,425,527
Fundraising	512,323	-	512,323	501,449
Total Expenses	88,574,386	-	88,574,386	77,503,944
Change in Net Assets	583,884	3,969,247	4,553,131	263,058
NON OPERATING ACTIVITY				
Forgiveness of Paycheck Protection Program loan	-	-	-	9,398,902
Investment return	369,608	-	369,608	28,530
Change in net assets	953,492	3,969,247	4,922,739	9,690,490
NET ASSETS				
Beginning of year	13,792,009	1,127,920	14,919,929	5,229,439
End of year	\$ 14,745,501	\$ 5,097,167	\$ 19,842,668	\$ 14,919,929

See notes to financial statements

The Child Center of NY, Inc.

Statement of Functional Expenses
Year Ended June 30, 2023
(with summarized totals for the year ended June 30, 2022)

	Program Services							Supporting Services		2023 Total	2022 Total	
	Youth Development	Behavioral Health	Residential Treatment	Preventive Services	Early Childhood	Health Homes and Integrated Care	Other Services	Total Program Services	Management and General			Fundraising
Salaries and wages	\$ 15,281,814	\$ 11,104,318	\$ 6,211,187	\$ 6,461,645	\$ 3,480,275	\$ 1,993,284	\$ 402,061	\$ 44,934,584	\$ 6,889,134	\$ 201,233	\$ 52,024,951	\$ 44,998,879
Payroll taxes and employee benefits	3,324,366	3,387,190	1,257,056	2,139,841	971,048	604,364	98,195	11,782,060	1,352,309	39,157	13,173,526	12,051,533
Rent and utilities	107,282	1,268,668	1,397,591	291,763	141,711	200,403	268,602	3,676,020	924,364	37,142	4,637,526	4,049,904
Program related	2,473,009	31,405	572,060	9,942	202,802	74,689	746,924	4,110,831	29,156	89,994	4,229,981	3,115,375
Consultants	903,821	131,944	385,305	34,420	80,790	5,167	128,500	1,669,947	871,651	100,185	2,641,783	2,541,619
Consumable supplies	1,727,927	139,831	140,039	8,551	248,279	312	5,713	2,270,652	41,444	236,932	2,549,028	2,383,811
Equipment related	504,997	140,507	750,188	26,259	66,130	27,815	-	1,515,896	226,792	9,183	1,751,871	1,649,880
Repairs and maintenance	214,435	187,401	445,094	40,195	130,599	12,813	186,789	1,217,326	724,183	8,288	1,949,797	1,588,744
Other contracted services	168,192	155,337	50,564	5,250	7,527	103,429	167	490,466	959,801	147	1,450,414	1,529,868
Telephone and internet	110,034	225,279	34,349	45,125	73,369	28,393	1,568	518,117	137,964	4,117	660,198	501,081
Insurance	196,515	78,901	63,769	57,470	48,965	17,377	1,853	464,850	33,846	1,453	500,149	454,935
Community relations	131,171	1,632	-	-	3,184	-	-	135,987	54,878	-	190,865	398,083
Staff training	139,218	63,987	91,861	-	68,136	235	-	363,437	172,593	110	536,140	351,267
Professional fees	1,800	19,294	-	1,613	375	30,805	-	53,887	278,258	-	332,145	341,729
Recruitment	-	-	-	-	-	-	-	-	219,671	-	219,671	270,926
Dues and subscriptions	23,976	1,919	522	137	31,373	5,164	-	63,091	171,619	33,040	267,750	156,467
Interest	-	-	-	-	-	-	-	-	42,418	-	42,418	63,386
Travel and conferences	32,488	4,494	72	19,013	11,717	17,508	1,663	86,955	17,887	1,599	106,441	50,880
Charges and fees	4,143	3,625	-	-	1,224	7,577	1,829	18,398	8,238	10,026	36,662	28,471
Postage	633	1,255	162	1,222	152	1,433	-	4,857	5,538	355	10,750	9,701
In-kind expenses	-	-	-	-	743,706	-	-	743,706	-	-	743,706	729,863
Other	37,564	3,720	5,969	1,355	6,297	10,081	45	65,031	184,476	9,894	259,401	79,601
Depreciation and amortization	-	233	-	-	-	-	-	233	529,512	-	529,745	290,985
Total Functional Expenses	25,383,385	16,950,940	11,405,788	9,143,801	6,317,659	3,140,849	1,843,909	74,186,331	13,875,732	782,855	88,844,918	77,636,988
Less: cost of direct expenses of fundraising events	-	-	-	-	-	-	-	-	-	(270,532)	(270,532)	(133,044)
Total Expenses Reported by Function on Statement of Activities	\$ 25,383,385	\$ 16,950,940	\$ 11,405,788	\$ 9,143,801	\$ 6,317,659	\$ 3,140,849	\$ 1,843,909	\$ 74,186,331	\$ 13,875,732	\$ 512,323	\$ 88,574,386	\$ 77,503,944

See notes to financial statements

The Child Center of NY, Inc.

Statement of Cash Flows
Year Ended June 30, 2023
(with comparative amounts for the year ended June 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,922,739	\$ 9,690,490
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	529,745	290,985
Deferred rent	-	39,578
Realized and unrealized gain on investments	(344,191)	(6,213)
Forgiveness of Paycheck Protection Program loan	-	(9,398,902)
Amortization of right of use asset - operating lease	1,925,658	-
Changes in operating assets and liabilities		
Patient services receivable	(223,782)	517,402
Contracts and grants receivable	(4,912,202)	(4,914,170)
Contributions receivable	323,297	(917,150)
Prepaid expenses and other assets	(716,448)	(98,472)
Security deposits	8,708	(51,005)
Accounts payable and accrued expenses	1,173,930	1,987,008
Deferred revenue	263,908	863,393
Due to government agencies	2,140,466	(126,564)
Payments on lease payable	(1,767,972)	-
Net Cash from Operating Activities	3,323,856	(2,123,620)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(369,471)	(1,531,592)
Purchases of investments	(25,247,395)	(12,060,359)
Sales of investments	10,475,000	6,675,000
Purchases of certificates of deposit	(10,045,242)	(4,741,114)
Maturities of certificates of deposit	24,817,637	1,126,473
Net Cash from Investing Activities	(369,471)	(10,531,592)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	1,000,000	1,809,000
Payment of line of credit	(2,809,000)	-
Net Cash from Financing Activities	(1,809,000)	1,809,000
Net Change in Cash, Cash Equivalents and Restricted Cash	1,145,385	(10,846,212)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	3,517,971	14,364,183
End of year	\$ 4,663,356	\$ 3,517,971
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 42,418	\$ 63,386
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, 2023

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 City Department of Youth and Community Development ("NYC DYCD"), the New York City Department of Education ("NYC DOE"), New York City Administration for Children's Services ("NYC ACS"). Funding agencies also include the U.S. Department of Health and Human Services ("DHHS"), the New York City Department of Health and Mental Hygiene ("NYC DOHMH"), the New York State Office of Children and Family Services ("NYS OCFS"), New York State Office of Mental Health ("NYS OMH"), the New York State Department of Health ("NYS DOH"), 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.

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2023

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

Adoption of New Accounting Policies

Leases

In February 2016, FASB issued ASU 2016-02, *Leases* ("Topic 842") which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset.

The Organization adopted the requirements of the new standard effective July 1, 2022, using the modified retrospective transition method, which applies the provisions of the standard at the effective date without any adjustment to the comparative periods presented. The Organization adopted the following practical expedients and elected the following accounting policies related to this standard: Carry forward of historical lease classifications and accounting treatment. Accordingly, the Organization will recognize lease payments on a straight-line basis over the lease term and variable payments in the period when the corresponding obligation is incurred. As a result of the adoption the new lease accounting guidance, on July 1, 2022, the Organization recognized a lease liability of \$16,472,185, that represents the present value of the remaining operating lease payments of \$19,012,032 discounted using normalized risk-free interest rates ranging from 2.85% to 2.99% depending on the term of the lease and a right-of-use asset of \$16,037,119. As part of the adoption of Topic 842, the prior year deferred rent balance of \$435,066 was captured within the new right-of-use asset balance at the adoption date. The standard did not materially impact operating results or liquidity.

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 statement 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 Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2023

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

Cash, Cash Equivalents and Restricted Cash (continued)

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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 4,073,799	\$ 2,928,414
Restricted cash	<u>589,557</u>	<u>589,557</u>
	<u>\$ 4,663,356</u>	<u>\$ 3,517,971</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, 2023 and 2022. Patient services receivable is reflected in the statement of financial position net of an allowance for doubtful accounts of \$385,848 and \$326,048 at June 30, 2023 and June 30, 2022. 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.

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.

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2023

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

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 less costs to sell. There were no assets disposed of during the years ended June 30, 2023 and 2022.

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 Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2023

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

Revenue Recognition (continued)

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.

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.

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2023

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 years prior to fiscal 2020.

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, 2022 from which the summarized information was derived.

Leases

At July 1, 2022, the Organization leases several buildings and determines if the arrangements are leases at inception. The operating leases are included in right-of-use asset – operating leases, net (“ROU asset”), and leases payable on the accompanying statement of financial position.

ROU asset represents the right to use an underlying asset for the lease term and leases payable represents the obligation to make lease payments arising from the leases. Operating lease ROU asset and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The lease does not provide an implicit borrowing rate. The Organization uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives. The lease term may include options to extend the lease and when it is reasonably certain that the Organization will exercise that option, such amounts are included in ROU asset and leases payable. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately. Variable lease components in the leases are cleaning, utilities, and security and are recognized in operating expenses in the period in which the obligation is incurred.

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2023

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

Leases (continued)

The Organization applies the short-term lease exemption to all of its classes of underlying assets. During the year ended June 30, 2023, short-term lease costs amounted to \$93,003.

Reclassifications

Certain accounts in the fiscal 2022 financial statements have been reclassified to conform to the fiscal 2023 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 27, 2023.

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 prescribed by the Federal Deposit Insurance Corporation ("FDIC"). The Organization has not experienced losses in prior years. At June 30, 2023, the Organization's cash and cash equivalent balances on deposit exceeded the federal insurance limits by approximately \$3,876,000.

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.

Investment holdings at financial institutions insured by the Securities Investor Protection Corporation ("SIPC") are insured up to \$500,000 (\$250,000 for cash holdings). At times cash balances may exceed SIPC limits. At June 30, 2023, the Organization's uninsured investment holdings exceeded federal insurance limits by approximately \$8,850,000.

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, 2023

4. Investments

The following summarizes the inputs used to measure the fair value of investments at June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money market	\$ 781,455	\$ -	\$ 781,455
Commercial paper	-	2,292,823	2,292,823
Corporate bonds	-	2,081,283	2,081,283
	<u>\$ 781,455</u>	<u>\$ 4,374,106</u>	5,155,561
Certificates of deposit *			<u>4,194,843</u>
			<u>\$ 9,350,404</u>

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>	5,384,885
Certificates of deposit *			<u>3,621,328</u>
			<u>\$ 9,006,213</u>

During the year ended June 30, 2023 and 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.

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2023

5. Patient Services Receivable

Patient services receivable consists of the following at June 30:

	2023	2022
Medicaid and Medicaid Managed Care	\$ 1,554,773	\$ 1,372,926
Other third-party payors and self-pay	142,687	40,952
	1,697,460	1,413,878
Allowance for doubtful accounts	(385,848)	(326,048)
	<u>\$ 1,311,612</u>	<u>\$ 1,087,830</u>

At July 1, 2021, patient services contract assets consisted of patient services receivable totaling \$1,605,232. There were no patient services contract liabilities at June 30, 2023 and 2022, and July 1, 2021.

6. Contracts and Grants Receivable

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

	2023	2022
Due within		
Up to one year		
NYC Department of Youth and Community Development	\$ 4,221,526	\$ 3,384,402
NYC Department of Education	3,568,601	4,984,365
NYC Administration for Children's Services	2,006,258	773,969
Elected Officials	1,740,598	1,615,697
NYC Department of Health and Mental Hygiene	1,092,941	625,308
U.S. Department of Health and Human Services	628,478	402,332
NYS Department of Criminal Justice	430,553	289,881
NYS Office of Children and Family Services	368,471	517,267
NYS Department of Health	93,605	37,811
Subcontracts - NYC Schools	226,436	201,349
Foundation grants	1,116,284	64,601
Other contracts and grants	318,093	768,298
Total up to one year	15,811,844	13,665,280
Two to five years		
Foundation grant	3,000,000	-
	18,811,844	13,665,280
Allowance for doubtful accounts	(260,000)	(260,000)
Present value discount	(234,362)	-
	<u>\$ 18,317,482</u>	<u>\$ 13,405,280</u>

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2023

6. Contracts and Grants Receivable (continued)

Contracts and grants receivable to be received after one year are discounted to present value using a rate of 4.18% for the year ended June 30, 2023. The rate is equal to the risk-free interest rate, which is the U.S. Treasury note interest in effect at the time the grants are made and equal in duration to the time that the contributions are to be paid over.

7. Contributions Receivable

Contributions and private grants receivable consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
Due within		
Up to one year	\$ 498,653	\$ 511,950
Two to five years	<u>120,000</u>	<u>430,000</u>
	<u>\$ 618,653</u>	<u>\$ 941,950</u>

At June 30, 2023 and 2022, no allowance for doubtful accounts was determined to be necessary. Management believes all contributions receivable are collectible at year end.

8. In-kind Contributions and Donated Services

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

	<u>2023</u>	<u>2022</u>	<u>Usage in Program/Activities</u>	<u>Donor Restriction</u>
Education Services	\$ 423,060	\$ 475,515	Program and administration	None
Health Services	135,449	129,221	Program and administration	None
Social Services	125,997	25,459	Program and administration	None
Program Supplies	<u>59,200</u>	<u>99,668</u>	Program and administration	None
	<u>\$ 743,706</u>	<u>\$ 729,863</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.

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2023

9. Property and Equipment

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

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 3,820,570	\$ 3,551,099
Leasehold improvements	<u>3,363,523</u>	<u>3,263,523</u>
	7,184,093	6,814,622
Accumulated depreciation and amortization	<u>(5,034,332)</u>	<u>(4,504,587)</u>
	<u>\$ 2,149,761</u>	<u>\$ 2,310,035</u>

10. Line of Credit

At June 30, 2023, the Organization has a \$2,000,000 line of credit with a financial institution which expired on July 31, 2023. The Organization had continuous availability to the line of credit under the previous terms during the renewal and extension process which was completed on October 2, 2023. Borrowings under this arrangement bore interest at the Wall Street Journal prime rate plus 0.50% (8.75% and 5.25% at June 30, 2023 and June 30, 2022), and were secured by all assets of the Organization. On October 2, 2023, the Organization extended the line of credit with an interest rate of 9.00% which expires on July 31, 2025. At June 30, 2023 and 2022, the Organization had an outstanding borrowing of \$0 and \$1,809,000. Interest expense was \$3,305 and \$6,701 for the years ended June 30, 2023 and 2022.

11. Due to Government Agencies

Due to government agencies amounted to \$4,207,074 and \$2,066,608 at June 30, 2023 and 2022. These liabilities represent amounts owed primarily related to recoupments of overpayments from government agencies. The balance at June 30, 2023 includes \$740,800, 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 2023 and 2022 amounted to \$13,552 and \$18,712.

12. Patient Services Revenue

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

	<u>2023</u>	<u>2022</u>
Medicaid and Medicaid Managed Care	\$ 34,164,109	\$ 25,939,271
Other third-party payors and self-pay	<u>168,673</u>	<u>170,779</u>
	<u>\$ 34,332,782</u>	<u>\$ 26,110,050</u>

The Child Center of NY, Inc.

Notes to Financial Statements
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13. Contracts and Grants Revenue

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

	<u>2023</u>	<u>2022</u>
NYC Department of Youth and Community Development	\$ 16,543,885	\$ 14,600,036
NYC Department of Education	10,439,310	9,324,566
NYC Administration for Children's Services	10,164,055	9,898,952
U.S. Department of Health and Human Services	3,524,624	2,716,772
NYC Department of Health and Mental Hygiene	2,895,423	2,747,686
NYS Office of Children and Family Services	2,218,896	1,362,882
NYS Office of Mental Health	674,312	2,567,386
NYS Department of Health	484,795	442,748
NYS Department of Criminal Justice Services	191,650	213,965
Subcontracts - NYC schools	496,622	526,078
Foundation grants	7,049,282	1,021,821
Other contracts and grants	2,723,181	3,380,829
	<u>\$ 57,406,035</u>	<u>\$ 48,803,721</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 \$2,157,442 and \$2,045,535 for the years ended June 30, 2023 and 2022.

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 under the Residential Treatment Facility ("RTF") Division 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 \$5,345 and \$5,475 for the years ended June 30, 2023 and 2022. The Organization's contributions to the Annuity Fund amounted to \$106,079 and \$107,511 for the years ended June 30, 2023 and 2022.

On August 1, 2022, the Organization entered into a MOA with Local 338 expiring on April 30, 2024. Under the MOA, Local 338 union employees under the Youth Development Division 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 \$5,710 for the year ended June 30, 2023. The Organization's contributions to the Annuity Fund amounted to \$86,955 for the year ended June 30, 2023.

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2023

14. Employee Benefit Plans (continued)

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, DC37 Local 95 Union (formerly Local 95 District Council 1707 Union), and DC37 Local 205 Union (formerly 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, 2023 and 2022 is outlined in the table below. The most recent Pension Protection Act (PPA) zone status available for The Head Start Sponsoring Board Council of the City of New York Plan and The Cultural Institutions Pension Plan is June 30, 2023 and 2022 and for the SEIU HealthCare Employees Pension Fund is December 31, 2022 and 2021.

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, 2023 and 2022.

Pension Fund	Employee Identification Number	Plan Number	Protection Act Zone Status		Total Pension Cost to the Plan		Expiration Date of Collective Bargaining Agreement
			2023	2022	2023	2022	
SEIU Health Care Employees Pension Fund	13-3604862	001	Green	Yellow	\$ 707,064	\$ 619,911	June 30, 2024
The Head Start Sponsoring Board Council of the City of New York Plan	13-3152121	001	Green	Green	227,210	190,986	January 31, 2022*
The Cultural Institutions Pension Plan	11-2001170	001	Green	Green	102,796	122,952	September 30, 2022*
					<u>\$ 1,037,070</u>	<u>\$ 933,849</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>2023</u>	<u>2022</u>
Paid by the Organization	\$ 934,274	\$ 810,897
Paid by the City of New York	<u>102,796</u>	<u>122,952</u>
	<u>\$ 1,037,070</u>	<u>\$ 933,849</u>

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2023

14. Employee Benefit Plans (continued)

In addition, the CBA's include participation in postretirement health and supplemental welfare benefit plans (the "Health Plans" and EIN 13-3819669, 13-2672380, 13-4129368, 13-2980858 for the various 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 \$1,674,676 and \$2,082,604 for the years ended June 30, 2023 and 2022.

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

Changes in the net assets with donor restrictions consist of the following for the years ended June 30:

Purpose/Restriction	2023			
	Beginning of Year	Additions	Net Assets Released	End of Year
Restricted by Time	\$ 740,000	\$ -	\$ (295,000)	\$ 445,000
Restricted by Purpose				
Programmatic activities	-	4,765,638	(500,000)	4,265,638
Building renovations	387,920	-	(1,391)	386,529
Total Restricted by Purpose	387,920	4,765,638	(501,391)	4,652,167
Total Net Assets with Donor Restrictions	<u>\$ 1,127,920</u>	<u>\$ 4,765,638</u>	<u>\$ (796,391)</u>	<u>\$ 5,097,167</u>
Purpose/Restriction	2022			
	Beginning of Year	Additions	Net Assets Released	End of Year
Restricted by Time	\$ -	\$ 740,000	\$ -	\$ 740,000
Restricted by Purpose				
Building renovations	530,414	-	(142,494)	387,920
Total Net Assets with Donor Restrictions	<u>\$ 530,414</u>	<u>\$ 740,000</u>	<u>\$ (142,494)</u>	<u>\$ 1,127,920</u>

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 Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2023

16. Paycheck Protection Program Loan (continued)

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 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. The total amount incurred was \$1,145,812 and \$1,640,660 for the years ended June 30, 2023 and June 30, 2022.

The Organization leases five facilities with leases expiring through fiscal 2035.

The Organization amortizes the operating lease right-of-use asset over the remaining life of the lease agreement. The right-of-use asset consists of the following at June 30, 2023:

Right of use assets - operating leases	\$ 20,455,980
Less: accumulated amortization	<u>(1,925,658)</u>
	<u>\$ 18,530,322</u>

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2023

17. Commitments and Contingencies (continued)

All facilities are operated under non-cancellable operating leases requiring future minimum payments as follows for the years ending June 30:

2024	\$	2,449,235
2025		2,408,679
2026		2,398,445
2027		2,500,828
2028		2,565,170
Thereafter		<u>9,571,973</u>
Total Undiscounted Cash Flows		21,894,330
Less: imputed interest		<u>(2,771,256)</u>
Total Lease Liabilities	\$	<u>19,123,074</u>

Rent and utilities expense for 2023 was \$4,637,526, with \$565,602 related to imputed interest on the lease payable, \$1,925,658 related to amortization on the right-of-use asset, \$1,145,812 related to the DASNY lease agreement mentioned above, \$93,003 related to short term lease costs, and the remainder relating to other variable lease expenses totaling \$907,451.

The weighted average discount rate and remaining lease terms of the leases at June 30, 2023 are as follows:

Weighted Average:	
Discount rate	2.89%
Remaining leases term in years	9.28

Supplemental cash flow information related to operating leases was as follows for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of operating lease liabilities	\$	2,333,574
ROU assets recognized upon adoption of new lease guidance	\$	16,037,119

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2023

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:

	2023	2022
Financial Assets:		
Cash and cash equivalents	\$ 4,073,799	\$ 2,928,414
Restricted cash	589,557	589,557
Investments	9,350,404	9,006,213
Patient services receivable, net	1,311,612	1,087,830
Contracts and grants receivable, net	18,317,482	13,405,280
Contributions receivable	618,653	941,950
Total Financial Assets	34,261,507	27,959,244
Less: Restricted Amounts		
Board designated	(589,557)	(589,557)
Amounts restricted for time by donor	(445,000)	(430,000)
Amounts restricted for purpose by donor	(4,652,167)	(697,920)
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	\$ 28,574,783	\$ 26,241,767

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 to meet future cash flow needs. Board designated amounts can be accessed by the vote of the Board of Directors.

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