

**Stanley M. Isaacs Neighborhood
Center, Inc.**

Financial Statements

June 30, 2019

Independent Auditors' Report

Board of Directors

Stanley M. Isaacs Neighborhood Center, Inc.

We have audited the accompanying financial statements of Stanley M. Isaacs Neighborhood Center, Inc. (the "Center"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stanley M. Isaacs Neighborhood Center, Inc. as of June 30, 2019 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in note 2 to the financial statements, during the year ended June 30, 2019, Stanley M. Isaacs Neighborhood Center, Inc. adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Center's **June 30, 2018** financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended **June 30, 2018** is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

December 18, 2019

Stanley M. Isaacs Neighborhood Center, Inc.

Statement of Financial Position

June 30, 2019

(With Comparative Amounts at June 30, 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 142,160	\$ 208,543
Contributions receivable	202,936	131,911
Due from government agencies	854,672	1,272,464
Prepaid expenses and other assets	32,571	54,251
Investments	2,830,799	2,946,048
Beneficial interest in perpetual trust	591,983	590,111
Restricted investments	48,060	47,609
Property, plant and equipment, net	636,320	843,029
	\$ 5,339,501	\$ 6,093,966
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 865,299	\$ 459,057
Accrued salaries and related liabilities	148,752	153,067
Advances payable	4,797	135,092
Loan payable	450,000	-
Total Liabilities	1,468,848	747,216
Net Assets		
Without Donor Restrictions		
General fund	2,330,549	3,748,750
Plant fund	636,320	843,029
Total Without Donor Restrictions	2,966,869	4,591,779
With Donor Restrictions		
Temporary in nature	263,741	117,251
Permanent in nature	640,043	637,720
Total With Donor Restrictions	903,784	754,971
Total Net Assets	3,870,653	5,346,750
	\$ 5,339,501	\$ 6,093,966

See notes to financial statements

Stanley M. Isaacs Neighborhood Center, Inc.

Statement of Activities Year Ended June 30, 2019 (With Summarized Totals for the Year Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions		Total	2019 Total	2018 Total
		Temporary in Nature	Permanent in Nature			
REVENUE AND PUBLIC SUPPORT						
Contract revenue	\$ 6,678,047	\$ -	\$ -	\$ -	\$ 6,678,047	\$ 6,442,130
Program service fees and other	78,087	-	-	-	78,087	67,668
Rental fees and miscellaneous	5,133	-	-	-	5,133	36,107
Investment return allocated to development and operations	297,500	-	-	-	297,500	140,000
Contributions	1,718,441	256,490	-	256,490	1,974,931	2,235,701
In-kind contributions	574,896	-	-	-	574,896	598,850
Legacies	48,111	-	-	-	48,111	32,906
Special events, net of direct expenses of \$21,500 and \$48,351	121,838	-	-	-	121,838	215,477
Net assets released from restrictions	110,000	(110,000)	-	(110,000)	-	-
Total Revenue and Public Support	9,632,053	146,490	-	146,490	9,778,543	9,768,839
EXPENSES						
Program Expenses						
Youth and family services	4,251,295	-	-	-	4,251,295	3,893,241
Meals on Wheels	2,880,922	-	-	-	2,880,922	2,656,874
Senior services	1,383,055	-	-	-	1,383,055	1,240,024
Supporting Services						
Management and general	1,510,030	-	-	-	1,510,030	1,205,219
Fundraising	912,811	-	-	-	912,811	770,506
Total Expenses	10,938,113	-	-	-	10,938,113	9,765,864
(Deficiency) Excess of Revenue and Public Support Over Expenses	(1,306,060)	146,490	-	146,490	(1,159,570)	2,975
NON OPERATING ACTIVITIES						
Depreciation and amortization	(206,709)	-	-	-	(206,709)	(208,595)
Investment return after allocation to development and operations	(112,141)	-	451	451	(111,690)	41,499
Change in beneficial interest in perpetual trust	-	-	1,872	1,872	1,872	18,236
Change in Net Assets	(1,624,910)	146,490	2,323	148,813	(1,476,097)	(145,885)
NET ASSETS						
Beginning of year	4,591,779	117,251	637,720	754,971	5,346,750	5,492,635
	\$ 2,966,869	\$ 263,741	\$ 640,043	\$ 903,784	\$ 3,870,653	\$ 5,346,750

See notes to financial statements

Stanley M. Isaacs Neighborhood Center, Inc.

Statement of Functional Expenses
Year Ended June 30, 2019
(With Summarized Totals for the Year Ended June 30, 2018)

	Program Services				Supporting Services			Total	
	Youth and Family Services	Meals on Wheels	Senior Services	Total Program Services	Management and General	Fund- raising	Total Supporting Services	2019	2018
Salaries	\$ 2,354,986	\$ 513,487	\$ 717,713	\$ 3,586,186	\$ 810,883	\$ 112,791	\$ 923,674	\$ 4,509,860	\$ 4,074,548
Payroll taxes and employee benefits	424,420	68,613	148,636	641,669	328,611	19,538	348,149	989,818	897,181
Total Salaries and Related Expenses	2,779,406	582,100	866,349	4,227,855	1,139,494	132,329	1,271,823	5,499,678	4,971,729
Consultants	161,927	71	151,309	313,307	113,044	609,085	722,129	1,035,436	507,073
Computer service	23,418	4,219	10,922	38,559	9,289	3,202	12,491	51,050	56,590
Subcontractors	-	1,957,652	-	1,957,652	-	-	-	1,957,652	1,925,850
Program supplies	107,209	12,858	65,457	185,524	39,525	14,278	53,803	239,327	212,165
Food and beverage	75,667	232,131	119,778	427,576	12,850	3,890	16,740	444,316	354,284
Repairs and maintenance	116,689	14,862	36,032	167,583	42,660	14,790	57,450	225,033	193,784
Liability insurance	43,628	8,866	25,238	77,732	17,237	3,791	21,028	98,760	83,184
Telecommunications	29,102	12,926	5,804	47,832	19,753	13,351	33,104	80,936	65,033
Printing and publishing	10,785	286	1,694	12,765	12,283	65,390	77,673	90,438	277,070
Postage	2,380	314	1,431	4,125	1,987	1,593	3,580	7,705	18,744
Auto and travel	6,070	37,098	5,134	48,302	8,687	1,419	10,106	58,408	36,730
Program activities	278,384	-	71,960	350,344	1,915	206	2,121	352,465	283,500
Professional development	7,336	-	10,715	18,051	14,509	903	15,412	33,463	39,170
Office expenses	31,438	17,539	11,232	60,209	68,797	7,941	76,738	136,947	138,029
Special events	2,960	-	-	2,960	5,000	51,543	56,543	59,503	51,008
Total Expenses Before Non-Cash Expenses	3,676,399	2,880,922	1,383,055	7,940,376	1,507,030	923,711	2,430,741	10,371,117	9,213,943
In-kind consultant fees	441,419	-	-	441,419	-	-	-	441,419	470,850
In-kind occupancy costs	133,477	-	-	133,477	-	-	-	133,477	128,000
Bad debt expense	-	-	-	-	3,000	10,600	13,600	13,600	1,422
Total Expenses and Direct Cost of Special Events	4,251,295	2,880,922	1,383,055	8,515,272	1,510,030	934,311	2,444,341	10,959,613	9,814,215
Less direct cost of special events	-	-	-	-	-	(21,500)	(21,500)	(21,500)	(48,351)
Total Expenses before Depreciation and Amortization	4,251,295	2,880,922	1,383,055	8,515,272	1,510,030	912,811	2,422,841	10,938,113	9,765,864
Depreciation and amortization	72,271	67,587	34,560	174,418	24,327	7,964	32,291	206,709	208,595
Total Expenses	\$ 4,323,566	\$ 2,948,509	\$ 1,417,615	\$ 8,689,690	\$ 1,534,357	\$ 920,775	\$ 2,455,132	\$ 11,144,822	\$ 9,974,459

See notes to financial statements

Stanley M. Isaacs Neighborhood Center, Inc..

Statement of Cash Flows
Year Ended June 30, 2019
(With Comparative Amounts for the Year Ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,476,097)	\$ (145,885)
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized and unrealized gain on investments	(149,876)	(143,459)
Bad debt expense	13,600	1,422
Change in beneficial interest in perpetual trust	(1,872)	(18,236)
Depreciation and amortization	206,709	208,595
Changes in operating assets and liabilities		
Contributions receivable	(84,625)	81,896
Due from government agencies	417,792	(174,744)
Prepaid expenses and other assets	21,680	29,894
Accounts payable and accrued expenses	406,242	(10,448)
Accrued salaries and related liabilities	(4,315)	49,134
Advances payable	(130,295)	(38,039)
Net Cash from Operating Activities	(781,057)	(159,870)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(81,767)
Purchase of investments	(1,042,816)	(1,696,000)
Proceeds from sale of investments	1,307,490	1,800,424
Net Cash from Investing Activities	264,674	22,657
 CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds (repayments)	450,000	(250,000)
Net Change in Cash and Cash Equivalents	(66,383)	(387,213)
 CASH AND CASH EQUIVALENTS		
Beginning of year	208,543	595,756
End of year	\$ 142,160	\$ 208,543

See notes to financial statements

Stanley M. Isaacs Neighborhood Center, Inc.

Notes to Financial Statements
June 30, 2019

1. Organization and Tax Status

Stanley M. Isaacs Neighborhood Center, Inc. (the "Center"), founded in 1964, provides community services that include senior, adult, youth and family services to people of all ages and backgrounds in the Yorkville and East Harlem sections of Manhattan.

The Center is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement

On July 1, 2018, the Center adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities (ASU 2016-14). This guidance requires the Center to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Center to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard, prior year amounts for temporarily restricted net assets and permanently restricted net assets were combined and reclassified as net assets with donor restrictions and unrestricted net assets were reclassified as net assets without donor restrictions.

Presentation of Net Assets

The Center reports information regarding financial position and activities according to two classes of net assets: without and with donor restrictions.

Without donor restrictions – consist of resources available for the general support of the Center's operations. Net assets without donor restrictions may be used at the discretion of the Center's management and Board of Directors.

Stanley M. Isaacs Neighborhood Center, Inc.

Notes to Financial Statements
June 30, 2019

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

Presentation of Net Assets (continued)

With donor restrictions – represent amounts restricted by donors to be used for specific activities or at some future date, or which require the Center to maintain in perpetuity, including funds that are subject to restrictions or gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Income and gains earned on endowment fund investments are available to be used in the “without donor restrictions” or “with donor restrictions” net asset classes based upon stipulations imposed by the donors.

Fair Value Measurements

The Center 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 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 and are used to the extent that observable inputs do not exist.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in banks and money market funds other than those held in long-term investment accounts. Cash and cash equivalents include highly liquid instruments with a maturity of three months or less when acquired.

Contributions Receivable

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. At June 30, 2019, contributions receivable are considered collectible in less than one year.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is established for amounts where there exists doubt as to whether an amount will be fully collected. The determination of this allowance is an estimate based on the Center’s historical experience, review of account balances and expectations relative to collections. Management believes that all receivables are collectible and, accordingly, no provision for doubtful collection is deemed necessary.

Stanley M. Isaacs Neighborhood Center, Inc.

Notes to Financial Statements
June 30, 2019

2. Summary of Significant Accounting Policies (continued)

Investments and Income Recognition

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

Perpetual Trust

The Center is the income beneficiary of a 5% interest in a perpetual trust held by another entity as trustee. The Center's beneficial interest in this trust is stated at the fair value of the assets underlying the trust as of the statement of financial position date.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation and amortization is recognized using the straight-line method over the estimated useful lives of the assets, which range from 5 to 7 years for furniture, equipment and automobiles. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the assets. The Center follows the practice of capitalizing and depreciating all expenditures for property, plant and equipment with a cost of \$5,000 or more and a useful life in excess of one year.

Property, plant 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 for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for fiscal 2019 **and 2018**.

Revenue Recognition

A significant portion of the Center's operations are conducted under contracts with various government agencies. Revenue from government contracts is recorded as earned pursuant to terms of existing agreements and subject to audit by such agencies. The Center does not reflect any adjustment for potential disallowances of expense since management believes that all expenses incurred for such activities should be treated as allowable costs.

Contributions

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is made. The gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose or time restriction is met, net assets with donor restriction are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions are met in the same reporting period.

Stanley M. Isaacs Neighborhood Center, Inc.

Notes to Financial Statements
June 30, 2019

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

In-kind Contributions

Contributions of services are recognized at fair value when they are received if the services either create or enhance nonfinancial assets, or require specialized skills, and those skills are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Donated goods distributed are recorded as income and expense at the time they are received which is normally also the time they are placed into service or distributed.

During 2019 **and** 2018, the Center occupied premises in New York City Housing Authority-owned buildings without charge based on an annual agreement. The estimated fair value of the premises rental is reported as contribution support and occupancy cost of \$133,477 and \$128,000 for 2019 **and** 2018. In partnership with Department of Education, several teachers and specialists provided services without charge for the Center's Youth Employment and Education Services Program. The estimated fair value of those services is reported as contribution support and in-kind consultant fees of \$441,419 in 2019 and \$470,850 in 2018. Many individuals volunteer their time and perform a variety of tasks that assist the Center with various program functions. These volunteer services have not been recognized in the financial statements because they do not meet the criteria for recognition.

Functional Allocation of Expenses

The Center allocates its expenses on a functional basis among various programs and support services. Expenses that can be identified with specific program and support services are allocated directly according to natural expenditure classification. Other expenses common to several functions are allocated in accordance with other equitable bases on a time and effort methodology.

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information 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 Center's financial statements as of and for the year ended June 30, 2018, from which the summarized information was derived.

Accounting for Uncertainty in Income Taxes

The Center recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Center had no uncertain tax positions that would require financial statement recognition or disclosure. The Center is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2016.

Stanley M. Isaacs Neighborhood Center, Inc.

Notes to Financial Statements
June 30, 2019

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

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 18, 2019.

3. Concentrations of Credit Risk

Financial instruments which potentially subject the Center to a concentration of credit risk include cash accounts held with a major New York financial institution in excess of federally insured insurance limits, and amounts due from government agencies. Management believes that credit risk related to these accounts is minimal.

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of credit risk.

4. Economic Dependency

The Center has several programs with funding from The City of New York – Department for the Aging (“DFTA”) and The City of New York – Department of Youth and Community Development (“DYCD”). These and other government grants are subject to audits by the funders. Management does not anticipate disallowed costs to be material and no estimated liability has been provided for this purpose. Approximately 84% and 82% of the Center’s government grants and contracts were provided from DFTA and DYCD in 2019 and **2018**. The Center is economically dependent on these grants to continue its DFTA and DYCD funded programs.

Stanley M. Isaacs Neighborhood Center, Inc.

Notes to Financial Statements
June 30, 2019

5. Investments and Investment Return

Investments consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 65,887	\$ 175,799
U.S. government obligations	181,918	175,317
Fixed Income Securities		
U.S. govt. securities (Treasury bills)	347,545	311,451
International govt. securities	-	6,976
Corporate bonds	22,140	38,580
Common Stocks		
Health care	193,213	202,856
Consumer staples	109,362	102,861
Information technology	277,670	349,932
Consumer discretionary	114,444	181,048
Industrials	232,730	261,047
Materials	75,511	76,698
Financials	264,659	239,805
Telecommunication services	111,711	34,765
Utilities	63,392	51,106
Energy	72,335	99,707
Real estate	281,340	264,633
Fixed income mutual funds	465,002	421,076
	<u>\$ 2,878,859</u>	<u>\$ 2,993,657</u>

Total investment return consisted of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Interest and dividends from investments, net		
of direct fees of \$30,577 and \$34,390	\$ 35,934	\$ 38,040
Realized/unrealized gain on investments	<u>149,876</u>	<u>143,459</u>
Investment return	185,810	181,499
Investment return allocated to development and operations	<u>(297,500)</u>	<u>(140,000)</u>
Investment return allocated to non-operations activities	<u>\$ (111,690)</u>	<u>\$ 41,499</u>

The portion of investment return allocated to operations is determined by a spending policy governed by the Center's Board of Directors. The policy states that an amount up to 4.5% of the market value of its invested assets at the end of each fiscal year will be made available for operational use. During fiscal 2019, the Board of Directors elected to allocate an additional \$160,000 to support development and during fiscal 2018, the Board of Directors elected to allocate an additional \$2,500 to support operations.

Stanley M. Isaacs Neighborhood Center, Inc.

Notes to Financial Statements
June 30, 2019

6. Fair Value of Financial Instruments

The following presents the fair value of those investments and other assets that are measured at fair value at June 30:

	2019			Total
	Level 1	Level 2	Level 3	
Investments				
U.S. government obligations	\$ -	\$ 181,918	\$ -	\$ 181,918
Fixed Income Securities				
U.S. govt. securities (Treasury bills)	347,545	-	-	347,545
Corporate bonds	-	22,140	-	22,140
Common stocks	1,796,367	-	-	1,796,367
Fixed income mutual funds	465,002	-	-	465,002
	<u>2,608,914</u>	<u>204,058</u>	<u>-</u>	<u>2,812,972</u>
Cash and cash equivalents - at cost				65,887
Total Investments				<u>2,878,859</u>
Beneficial interest in perpetual trust	-	-	591,983	591,983
Total	<u>\$ 2,608,914</u>	<u>\$ 204,058</u>	<u>\$ 591,983</u>	<u>\$ 3,470,842</u>
	2018			
	Level 1	Level 2	Level 3	Total
Investments				
U.S. government obligations	\$ -	\$ 175,317	\$ -	\$ 175,317
Fixed Income Securities				
U.S. govt. securities (Treasury bills)	311,451	-	-	311,451
International govt. securities	6,976	-	-	6,976
Corporate bonds	-	38,580	-	38,580
Common stocks	1,864,458	-	-	1,864,458
Fixed income mutual funds	421,076	-	-	421,076
	<u>2,603,961</u>	<u>213,897</u>	<u>-</u>	<u>2,817,858</u>
Cash and cash equivalents - at cost				175,799
Total Investments				<u>2,993,657</u>
Beneficial interest in perpetual trust	-	-	590,111	590,111
Total	<u>\$ 2,603,961</u>	<u>\$ 213,897</u>	<u>\$ 590,111</u>	<u>\$ 3,583,768</u>

Stanley M. Isaacs Neighborhood Center, Inc.

Notes to Financial Statements
June 30, 2019

6. Fair Value of Financial Instruments (continued)

The changes in assets measured at fair value for which the Center has used Level 3 inputs to determine fair value are as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 590,111	\$ 571,875
Change in fair value of beneficial interest in perpetual trust	<u>1,872</u>	<u>18,236</u>
Balance, end of year	<u>\$ 591,983</u>	<u>\$ 590,111</u>

In accordance with the terms of the charitable perpetual trust agreement, the trustee makes annual distributions equal to net realized income on trust investments for the twelve months ending June 30. The Center considers the measurement to be a Level 3 since the Center does not control the assets.

There were no transfers between categories and no changes in valuation methods during the years ended June 30, 2019 and 2018.

7. Property, Plant and Equipment

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

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 3,845,570	\$ 3,845,570
Furniture and equipment	946,298	946,298
Automobiles	<u>342,741</u>	<u>342,741</u>
	5,134,609	5,134,609
Accumulated depreciation and amortization	<u>(4,498,289)</u>	<u>(4,291,580)</u>
	<u>\$ 636,320</u>	<u>\$ 843,029</u>

8. Loan Payable

The Center has a margin loan agreement with a financial institution which bears interest at a variable rate equal to the LIBOR rate plus the "Spread." The Spread is the number of percentage points stated in the applicable notice or confirmation given by the financial institution. Each withdrawal must be in an amount not less than \$200,000. This margin loan agreement is payable on demand and secured by the Center's investments. At June 30, 2019, the outstanding loan balance was \$450,000. There was no outstanding balance at June 30, 2018.

Stanley M. Isaacs Neighborhood Center, Inc.

Notes to Financial Statements
June 30, 2019

9. Retirement Plan

The Center's 401(k) profit sharing plan and trust covers all eligible employees after one year of eligibility service following their hire date and who have attained age 21. Contributions to the plan are determined each year by the Center's Board of Directors. No contribution was made to the plan for 2019 and 2018.

10. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following programs or purposes at June 30:

	<u>2019</u>	<u>2018</u>
Permanent in nature	\$ 640,043	\$ 637,720
Youth and family service programs	<u>263,741</u>	<u>117,251</u>
	<u>\$ 903,784</u>	<u>\$ 754,971</u>

Net assets with donor restrictions were released by incurring expenses satisfying the following purposes for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Education Scholarships	\$ -	\$ 2,500
General support	-	15,133
Youth and family service programs	<u>110,000</u>	<u>124,200</u>
	<u>\$ 110,000</u>	<u>\$ 141,833</u>

Net assets with donor restrictions that are permanent in nature are as follows at June 30:

	<u>2019</u>	<u>2018</u>
Investments in perpetuity, the income from which is expendable to support education scholarships	\$ 48,060	\$ 47,609
Beneficial interest in perpetual trust	<u>591,983</u>	<u>590,111</u>
	<u>\$ 640,043</u>	<u>\$ 637,720</u>

Stanley M. Isaacs Neighborhood Center, Inc.

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11. Endowment Funds

Interpretation of Law

The Center has interpreted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary and except in those cases where the law allows appropriation for spending of the original gift amounts. As a result of this interpretation, the Center classifies as net assets with donor restrictions – permanent in nature (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restriction – permanent in nature is classified as net assets with donor restriction – temporary in nature until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Investment Policy

The Center employs a strategic asset allocation strategy with its asset allocations diversified over multiple classes and sub classes. The Center’s investment objective is for the asset value, exclusive of contributions or withdrawals, to grow over the long run and earn, through a combination of investment income and capital appreciation, a time weighted total rate of return in excess of the established medium and long term benchmarks. The Center expects the portfolio’s asset allocation to reflect the investment objectives, goals, time horizon, risk tolerances and any investment restrictions that may exist within the policy.

Spending Policy

The Center, on an annual basis, appropriates expenditures of dividends and interest earned on endowed funds. Unrealized gains and losses increase or decrease the value of the endowed funds as per donor stipulation.

The following is a reconciliation of the donor restricted endowment funds for the years ended June 30:

	<u>2019</u>	<u>2018</u>
	With Donor Restrictions	With Donor Restrictions
Balance, beginning of year	\$ 47,609	\$ 50,712
Investment income	-	2,500
Unrealized gain (loss) on investments	451	(3,103)
Appropriations for expenditures	-	(2,500)
Balance, end of year	<u>\$ 48,060</u>	<u>\$ 47,609</u>

Stanley M. Isaacs Neighborhood Center, Inc.

Notes to Financial Statements
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12. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial date, comprise the following:

Financial assets at year end:	
Cash	\$ 142,160
Contributions receivable	202,936
Due from government agencies	854,672
Investments (including perpetual trust)	<u>3,470,842</u>
Total Financial Assets	<u>4,670,610</u>
Less: amounts not available to be used within one year	
Net assets with donor restrictions	(903,784)
Add: net assets with purpose restrictions to be met in less than one year	<u>263,741</u> <u>(640,043)</u>
Financial Assets at Year End Available to Meet Cash Needs for General Expenditure Within One Year	<u>\$ 4,030,567</u>

The Center's goal is to generally maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, the Center relies on contributions and reimbursements from government contracts throughout the year.

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