

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

Financial Statements

June 30, 2020



## 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, 2020 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, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Center's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

January 11, 2021

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

Statement of Financial Position

June 30, 2020

(With Comparative Amounts at June 30, 2019)

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| <b>ASSETS</b>                            |                     |                     |
| Cash and cash equivalents                | \$ 499,882          | \$ 142,160          |
| Contributions receivable                 | 40,250              | 202,936             |
| Due from government agencies             | 1,466,053           | 854,672             |
| Prepaid expenses and other assets        | 151,247             | 32,571              |
| Investments                              | 2,528,271           | 2,830,799           |
| Beneficial interest in perpetual trust   | 575,570             | 591,983             |
| Restricted investments                   | 48,498              | 48,060              |
| Property, plant and equipment, net       | <u>429,611</u>      | <u>636,320</u>      |
|  | <u>\$ 5,739,382</u> | <u>\$ 5,339,501</u> |
| <br>                                     |                     |                     |
| <b>LIABILITIES AND NET ASSETS</b>        |                     |                     |
| Liabilities                              |                     |                     |
| Accounts payable and accrued expenses    | \$ 865,524          | \$ 865,299          |
| Accrued salaries and related liabilities | 186,550             | 148,752             |
| Advances payable                         | 51,389              | 4,797               |
| Loan payable                             | <u>499,879</u>      | <u>450,000</u>      |
| Total Liabilities                        | <u>1,603,342</u>    | <u>1,468,848</u>    |
| Net Assets                               |                     |                     |
| Without Donor Restrictions               |                     |                     |
| General fund                             | 3,075,110           | 2,330,549           |
| Plant fund                               | <u>429,611</u>      | <u>636,320</u>      |
| Total Without Donor Restrictions         | <u>3,504,721</u>    | <u>2,966,869</u>    |
| With Donor Restrictions                  |                     |                     |
| Temporary in nature                      | 7,251               | 263,741             |
| Permanent in nature                      | <u>624,068</u>      | <u>640,043</u>      |
| Total With Donor Restrictions            | <u>631,319</u>      | <u>903,784</u>      |
| Total Net Assets                         | <u>4,136,040</u>    | <u>3,870,653</u>    |
|  | <u>\$ 5,739,382</u> | <u>\$ 5,339,501</u> |

See notes to financial statements

## Stanley M. Isaacs Neighborhood Center, Inc.

### Statement of Activities Year Ended June 30, 2020 (With Summarized Totals for the Year Ended June 30, 2019)

|  | Without Donor Restrictions | With Donor Restrictions |                     |                   | 2020 Total          | 2019 Total          |
|--|----------------------------|-------------------------|---------------------|-------------------|---------------------|---------------------|
|  |                            | Temporary in Nature     | Permanent in Nature | Total             |                     |                     |
| <b>REVENUE AND PUBLIC SUPPORT</b>                                |                            |                         |                     |                   |                     |                     |
| Contract revenue   | \$ 6,397,135               | \$ -                    | \$ -                | \$ -              | \$ 6,397,135        | \$ 6,678,047        |
| Program service fees and other                                   | 37,595                     | -                       | -                   | -                 | 37,595              | 78,087              |
| Rental fees and miscellaneous                                    | -                          | -                       | -                   | -                 | -                   | 5,133               |
| Investment return allocated to development and operations        | 400,000                    | -                       | -                   | -                 | 400,000             | 297,500             |
| Contributions  | 2,742,318                  | -                       | -                   | -                 | 2,742,318           | 1,974,931           |
| In-kind contributions  | 585,493                    | -                       | -                   | -                 | 585,493             | 574,896             |
| Legacies   | 5,671                      | -                       | -                   | -                 | 5,671               | 48,111              |
| Special events, net of direct expenses of \$0 and \$21,500       | -                          | -                       | -                   | -                 | -                   | 121,838             |
| Net assets released from restrictions                            | 256,490                    | (256,490)               | -                   | (256,490)         | -                   | -                   |
| <b>Total Revenue and Public Support</b>                          | <b>10,424,702</b>          | <b>(256,490)</b>        | <b>-</b>            | <b>(256,490)</b>  | <b>10,168,212</b>   | <b>9,778,543</b>    |
| <b>EXPENSES</b>  |                            |                         |                     |                   |                     |                     |
| Program Expenses   |                            |                         |                     |                   |                     |                     |
| Youth and family services  | 3,148,774                  | -                       | -                   | -                 | 3,148,774           | 4,251,295           |
| Meals on Wheels  | 3,117,391                  | -                       | -                   | -                 | 3,117,391           | 2,880,922           |
| Senior services  | 1,161,237                  | -                       | -                   | -                 | 1,161,237           | 1,383,055           |
| Supporting Services  |                            |                         |                     |                   |                     |                     |
| Management and general   | 1,381,707                  | -                       | -                   | -                 | 1,381,707           | 1,510,030           |
| Fundraising  | 600,118                    | -                       | -                   | -                 | 600,118             | 912,811             |
| <b>Total Expenses</b>  | <b>9,409,227</b>           | <b>-</b>                | <b>-</b>            | <b>-</b>          | <b>9,409,227</b>    | <b>10,938,113</b>   |
| Excess (Deficiency) of Revenue and Public Support Over Expenses  | 1,015,475                  | (256,490)               | -                   | (256,490)         | 758,985             | (1,159,570)         |
| <b>NON OPERATING ACTIVITIES</b>                                  |                            |                         |                     |                   |                     |                     |
| Depreciation and amortization                                    | (206,709)                  | -                       | -                   | -                 | (206,709)           | (206,709)           |
| Investment return after allocation to development and operations | (270,914)                  | -                       | 438                 | 438               | (270,476)           | (111,690)           |
| Change in beneficial interest in perpetual trust                 | -                          | -                       | (16,413)            | (16,413)          | (16,413)            | 1,872               |
| Change in Net Assets   | 537,852                    | (256,490)               | (15,975)            | (272,465)         | 265,387             | (1,476,097)         |
| <b>NET ASSETS</b>  |                            |                         |                     |                   |                     |                     |
| Beginning of year  | 2,966,869                  | 263,741                 | 640,043             | 903,784           | 3,870,653           | 5,346,750           |
|  | <b>\$ 3,504,721</b>        | <b>\$ 7,251</b>         | <b>\$ 624,068</b>   | <b>\$ 631,319</b> | <b>\$ 4,136,040</b> | <b>\$ 3,870,653</b> |

See notes to financial statements

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

Statement of Functional Expenses  
Year Ended June 30, 2020  
(With Summarized Totals for the Year Ended June 30, 2019)

|   | 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 | 2020                | 2019                 |
| Salaries  | \$ 1,748,685              | \$ 584,224          | \$ 649,418          | \$ 2,982,327           | \$ 491,985             | \$ 224,602        | \$ 716,587                | \$ 3,698,914        | \$ 4,509,860         |
| Payroll taxes and employee benefits                 | 289,051                   | 98,015              | 115,898             | 502,964                | 224,411                | 54,065            | 278,476                   | 781,440             | 989,818              |
| Total Salaries and Related Expenses                 | 2,037,736                 | 682,239             | 765,316             | 3,485,291              | 716,396                | 278,667           | 995,063                   | 4,480,354           | 5,499,678            |
| Consultants   | 99,571                    | 55,351              | 186,586             | 341,508                | 335,392                | 216,414           | 551,806                   | 893,314             | 1,035,436            |
| Computer service                                    | 18,780                    | 8,100               | 7,901               | 34,781                 | 20,148                 | 11,195            | 31,343                    | 66,124              | 51,050               |
| Subcontractors                                      | 123,500                   | 1,317,139           | -                   | 1,440,639              | -                      | -                 | -                         | 1,440,639           | 1,957,652            |
| Program supplies                                    | 48,028                    | 23,311              | 15,562              | 86,901                 | 9,203                  | 1,174             | 10,377                    | 97,278              | 239,327              |
| Food and beverage                                   | 71,783                    | 847,964             | 91,010              | 1,010,757              | 2,514                  | 260               | 2,774                     | 1,013,531           | 444,316              |
| Repairs and maintenance                             | 5,742                     | 5,546               | 14,674              | 25,962                 | 7,789                  | 5,064             | 12,853                    | 38,815              | 225,033              |
| Liability insurance                                 | 27,240                    | 6,188               | 14,160              | 47,588                 | 29,685                 | 3,840             | 33,525                    | 81,113              | 98,760               |
| Telecommunications                                  | 10,634                    | 7,540               | 3,943               | 22,117                 | 12,703                 | 5,262             | 17,965                    | 40,082              | 80,936               |
| Printing and publishing                             | 2,060                     | 904                 | 646                 | 3,610                  | 5,039                  | 20,372            | 25,411                    | 29,021              | 90,438               |
| Postage   | 509                       | 165                 | 4,007               | 4,681                  | 2,036                  | 25,042            | 27,078                    | 31,759              | 7,705                |
| Auto and travel                                     | 733                       | 141,211             | 8,950               | 150,894                | 1,328                  | 362               | 1,690                     | 152,584             | 58,408               |
| Program activities                                  | 62,231                    | -                   | 30,925              | 93,156                 | 5,092                  | 2,117             | 7,209                     | 100,365             | 352,465              |
| Professional development                            | 8,267                     | -                   | 2,395               | 10,662                 | 1,275                  | -                 | 1,275                     | 11,937              | 33,463               |
| Office expenses                                     | 46,467                    | 21,733              | 15,162              | 83,362                 | 214,248                | 30,349            | 244,597                   | 327,959             | 136,947              |
| Special events                                      | -                         | -                   | -                   | -                      | -                      | -                 | -                         | -                   | 59,503               |
| Total Expenses Before Non-Cash Expenses             | 2,563,281                 | 3,117,391           | 1,161,237           | 6,841,909              | 1,362,848              | 600,118           | 1,962,966                 | 8,804,875           | 10,371,117           |
| In-kind consultant fees                             | 452,016                   | -                   | -                   | 452,016                | -                      | -                 | -                         | 452,016             | 441,419              |
| In-kind occupancy costs                             | 133,477                   | -                   | -                   | 133,477                | -                      | -                 | -                         | 133,477             | 133,477              |
| Bad debt expense                                    | -                         | -                   | -                   | -                      | 18,859                 | -                 | 18,859                    | 18,859              | 13,600               |
| Total Expenses and Direct Cost of Special Events    | 3,148,774                 | 3,117,391           | 1,161,237           | 7,427,402              | 1,381,707              | 600,118           | 1,981,825                 | 9,409,227           | 10,959,613           |
| Less direct cost of special events                  | -                         | -                   | -                   | -                      | -                      | -                 | -                         | -                   | (21,500)             |
| Total Expenses before Depreciation and Amortization | 3,148,774                 | 3,117,391           | 1,161,237           | 7,427,402              | 1,381,707              | 600,118           | 1,981,825                 | 9,409,227           | 10,938,113           |
| Depreciation and amortization                       | 72,270                    | 67,587              | 34,560              | 174,417                | 24,328                 | 7,964             | 32,292                    | 206,709             | 206,709              |
| Total Expenses                                      | <u>\$ 3,221,044</u>       | <u>\$ 3,184,978</u> | <u>\$ 1,195,797</u> | <u>\$ 7,601,819</u>    | <u>\$ 1,406,035</u>    | <u>\$ 608,082</u> | <u>\$ 2,014,117</u>       | <u>\$ 9,615,936</u> | <u>\$ 11,144,822</u> |

See notes to financial statements

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

Statement of Cash Flows  
Year Ended June 30, 2020  
(With Comparative Amounts for the Year Ended June 30, 2019)

|  | 2020        | 2019          |
|--|-------------|---------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |             |               |
| Change in net assets   | \$ 265,387  | \$(1,476,097) |
| Adjustments to reconcile change in net assets<br>to net cash from operating activities |             |               |
| Realized and unrealized gain on investments  | (87,440)    | (149,876)     |
| Bad debt expense   | 18,859      | 13,600        |
| Donation of marketable securities  | (35,255)    | -             |
| Change in beneficial interest in perpetual trust                                       | 16,413      | (1,872)       |
| Depreciation and amortization  | 206,709     | 206,709       |
| Changes in operating assets and liabilities  |             |               |
| Contributions receivable   | 143,827     | (84,625)      |
| Due from government agencies   | (611,381)   | 417,792       |
| Prepaid expenses and other assets  | (118,676)   | 21,680        |
| Accounts payable and accrued expenses  | 225         | 406,242       |
| Accrued salaries and related liabilities   | 37,798      | (4,315)       |
| Advances payable   | 46,592      | (130,295)     |
| Net Cash from Operating Activities   | (116,942)   | (781,057)     |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |             |               |
| Purchase of investments  | (1,119,156) | (1,042,816)   |
| Proceeds from sale of investments  | 1,543,941   | 1,307,490     |
| Net Cash from Investing Activities   | 424,785     | 264,674       |
| <br><b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |             |               |
| Loan proceeds  | 499,879     | 450,000       |
| Loan repayments  | (450,000)   | -             |
| Net Cash from Financing Activities   | 49,879      | 450,000       |
| Net Change in Cash and Cash Equivalents  | 357,722     | (66,383)      |
| <br><b>CASH AND CASH EQUIVALENTS</b>   |             |               |
| Beginning of year  | 142,160     | 208,543       |
| End of year  | \$ 499,882  | \$ 142,160    |

See notes to financial statements

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

Notes to Financial Statements  
June 30, 2020

### **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.

#### ***Change in Accounting Principle***

##### ***Revenue from Contracts with Customers***

On July 1, 2019, the Center adopted ASU 2014-09, Revenue from Contracts with Customers, as amended.

The guidance provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance.

The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework.



## Stanley M. Isaacs Neighborhood Center, Inc.

Notes to Financial Statements  
June 30, 2020

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

#### ***Change in Accounting Principle (continued)***

##### *Revenue from Contracts with Customers (continued)*

Analysis of various provisions of this standard resulted in no significant changes in the way the Center recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. When revenue is earned over a period that spans the year end, it is recognized in the applicable period in which it is earned. The new guidance requires the Center to not recognize revenue until it is probable of collection. Based on the Center's strong collection experience, management has concluded that all revenue recognized is probable of collection.

##### *Recognition of Contributions*

Effective July 1, 2019, the Center adopted ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08"). This guidance provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the Center recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

#### ***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.

*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.

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

Notes to Financial Statements  
June 30, 2020

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

#### ***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, 2020, 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.

#### ***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.

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

Notes to Financial Statements  
June 30, 2020

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

#### ***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 2020 and 2019.

#### ***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, 2020

### **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 2020 and 2019, 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 for 2020 and 2019. 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 \$452,016 in 2020 and \$441,419 in 2019. 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, 2019, 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, 2017.

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

Notes to Financial Statements  
June 30, 2020

**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 January 11, 2021.

**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 79% and 84% of the Center’s government grants and contracts were provided from DFTA and DYCD in June 30, 2020 and June 30, 2019, and represent 81% and 78%. 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, 2020

**5. Investments and Investment Return**

Investments consist of the following at June 30:

|  | 2020         | 2019         |
|--|--------------|--------------|
| Cash and cash equivalents              | \$ 182,142   | \$ 65,887    |
| U.S. government obligations            | 180,807      | 181,918      |
| Fixed Income Securities                |              |              |
| U.S. govt. securities (Treasury bills) | 354,606      | 347,545      |
| Corporate bonds                        | 83,899       | 22,140       |
| Common Stocks                          |              |              |
| Health care                            | 128,959      | 193,213      |
| Consumer staples                       | 60,683       | 109,362      |
| Information technology                 | 217,997      | 277,670      |
| Consumer discretionary                 | 71,199       | 114,444      |
| Industrials                            | 126,235      | 232,730      |
| Materials                              | 60,299       | 75,511       |
| Financials                             | 118,932      | 264,659      |
| Telecommunication services             | 61,827       | 111,711      |
| Utilities                              | 42,976       | 63,392       |
| Energy                                 | 28,016       | 72,335       |
| Real estate                            | 154,643      | 281,340      |
| Fixed income mutual funds              | 703,549      | 465,002      |
|  | \$ 2,576,769 | \$ 2,878,859 |

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

|   | 2020         | 2019         |
|---|--------------|--------------|
| Interest and dividends from investments, net              |              |              |
| of direct fees of \$26,131 and \$30,577                   | \$ 42,084    | \$ 35,934    |
| Realized/unrealized gain on investments                   | 87,440       | 149,876      |
| Investment return   | 129,524      | 185,810      |
| Investment return allocated to development and operations | (400,000)    | (297,500)    |
| Investment return allocated to non-operations activities  | \$ (270,476) | \$ (111,690) |

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 2020 and 2019, the Board of Directors elected to allocate an additional \$285,000 and \$160,000 to support operations.

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

Notes to Financial Statements  
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**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:

|  | 2020                |                   |                   |                     |
|--|---------------------|-------------------|-------------------|---------------------|
|  | Level 1             | Level 2           | Level 3           | Total               |
| Investments                            |                     |                   |                   |                     |
| U.S. government obligations            | \$ -                | \$ 180,807        | \$ -              | \$ 180,807          |
| Fixed Income Securities                |                     |                   |                   |                     |
| U.S. govt. securities (Treasury bills) | 354,606             | -                 | -                 | 354,606             |
| Corporate bonds                        | -                   | 83,899            | -                 | 83,899              |
| Common stocks                          | 1,071,766           | -                 | -                 | 1,071,766           |
| Fixed income mutual funds              | 703,549             | -                 | -                 | 703,549             |
|  | <u>2,129,921</u>    | <u>264,706</u>    | <u>-</u>          | <u>2,394,627</u>    |
| Cash and cash equivalents - at cost    |                     |                   |                   | 182,142             |
| Total Investments                      |                     |                   |                   | <u>2,576,769</u>    |
| Beneficial interest in perpetual trust | -                   | -                 | 575,570           | 575,570             |
| Total                                  | <u>\$ 2,129,921</u> | <u>\$ 264,706</u> | <u>\$ 575,570</u> | <u>\$ 3,152,339</u> |
|  |                     |                   |                   |                     |
|  | 2019                |                   |                   |                     |
|  | Level 1             | Level 2           | Level 3           | Total               |
| 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> |

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

Notes to Financial Statements  
June 30, 2020

**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>2020</u>       | <u>2019</u>       |
|--|-------------------|-------------------|
| Balance, beginning of year                                     | \$ 591,983        | \$ 590,111        |
| Change in fair value of beneficial interest in perpetual trust | <u>(16,413)</u>   | <u>1,872</u>      |
| Balance, end of year   | <u>\$ 575,570</u> | <u>\$ 591,983</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 ended June 30 each year. 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, 2020 and 2019.

**7. Property, Plant and Equipment**

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

|  | <u>2020</u>        | <u>2019</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<br>and amortization | <u>(4,704,998)</u> | <u>(4,498,289)</u> |
|  | <u>\$ 429,611</u>  | <u>\$ 636,320</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, 2020 and 2019, the outstanding loan balance was \$499,879 and \$450,000.



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

Notes to Financial Statements  
June 30, 2020

**9. Paycheck Protection Program Loan**

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and business affected by the coronavirus pandemic. The Center applied for and received a \$736,500 Paycheck Protection Program loan (the "PPP Loan") from the Small Business Administration. During the year ended June 30, 2020, \$685,111 was recognized as contribution revenue, with the remaining \$51,389 included in advances payable. If the principal amount outstanding is not eligible for forgiveness, the PPP Loan has an interest rate of 1.0% per annum and the entire amount will have to be repaid.

**10. Retirement Plan**

The Center's 401(k) profit sharing plan and trust covers all eligible employees after one year of eligible 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 the years ended June 30, 2020 and 2019.

**11. Net Assets with Donor Restrictions**

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

|                                   | 2020              | 2019              |
|-----------------------------------|-------------------|-------------------|
| Permanent in nature               | \$ 624,068        | \$ 640,043        |
| Youth and family service programs | <u>7,251</u>      | <u>263,741</u>    |
|                                   | <u>\$ 631,319</u> | <u>\$ 903,784</u> |

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

|                                   | 2020              | 2019              |
|-----------------------------------|-------------------|-------------------|
| Youth and family service programs | <u>\$ 256,490</u> | <u>\$ 110,000</u> |

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

|  | 2020              | 2019              |
|--|-------------------|-------------------|
| Investments in perpetuity, the income from which is expendable to support education scholarships | \$ 48,498         | \$ 48,060         |
| Beneficial interest in perpetual trust   | <u>575,570</u>    | <u>591,983</u>    |
|  | <u>\$ 624,068</u> | <u>\$ 640,043</u> |

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

Notes to Financial Statements  
June 30, 2020

**12. 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>2020</u>                        | <u>2019</u>                        |
|--------------------------------|------------------------------------|------------------------------------|
|                                | <u>With Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> |
| Balance, beginning of year     | \$ 48,060                          | \$ 47,609                          |
| Unrealized gain on investments | 438                                | 451                                |
| Balance, end of year           | <u>\$ 48,498</u>                   | <u>\$ 48,060</u>                   |

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

Notes to Financial Statements  
June 30, 2020

**13. 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:

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| Financial assets at year end:  |                     |                     |
| Cash   | \$ 499,882          | \$ 142,160          |
| Contributions receivable   | 40,250              | 202,936             |
| Due from government agencies   | 1,466,053           | 854,672             |
| Investments (including perpetual trust)  | <u>3,152,339</u>    | <u>3,470,842</u>    |
| Total Financial Assets   | <u>5,158,524</u>    | <u>4,670,610</u>    |
| Less: amounts not available to be used within one year   |                     |                     |
| Net assets with donor restrictions including perpetual trust   | (631,319)           | (903,784)           |
| Add: net assets with purpose restrictions to be met<br>in less than one year                         | <u>7,251</u>        | <u>263,741</u>      |
|  | <u>(624,068)</u>    | <u>(640,043)</u>    |
| Financial Assets at Year End Available to Meet Cash<br>Needs for General Expenditure Within One Year | <u>\$ 4,534,456</u> | <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.

**14. COVID-19**

The Center's operations and financial performance has and may be affected by the recent coronavirus outbreak which has been spreading globally, and continues to adversely affect economic conditions throughout the world. If the outbreak continues and conditions become worse, the Center may experience a disruption in operations as well as a decline in contributions received or level of contributions. The outbreak may adversely affect the Center's business, financial conditions and results of operations on an interim basis.

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