

The Child Center of NY, Inc.

Financial Statements

June 30, 2024



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, 2024, 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, 2024, 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.

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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

November 25, 2024

The Child Center of NY, Inc.

Statement of Financial Position
June 30, 2024
(with comparative amounts at June 30, 2023)

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 3,178,992	\$ 3,472,871
Restricted cash	-	589,557
Investments	11,429,502	9,951,332
Patient services receivable, net of allowance for credit losses of \$362,465 for 2024 and doubtful accounts of \$385,848 for 2023	1,838,975	1,311,612
Contracts and grants receivable, net	15,025,552	18,317,482
Contributions receivable	345,110	618,653
Prepaid expenses and other assets	1,750,469	1,409,206
Security deposits	173,626	175,442
Custodial accounts	5,727	25,238
Right-of-use asset - operating leases, net	16,524,563	18,530,322
Property and equipment, net	<u>2,513,979</u>	<u>2,149,761</u>
	<u>\$ 52,786,495</u>	<u>\$ 56,551,476</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 9,572,064	\$ 10,162,288
Deferred revenue	1,894,278	3,191,134
Custodial accounts	5,727	25,238
Due to government agencies	3,825,426	4,207,074
Leases payable	<u>17,195,561</u>	<u>19,123,074</u>
Total Liabilities	<u>32,493,056</u>	<u>36,708,808</u>
Net Assets		
Without Donor Restrictions		
Board designated	-	589,557
Operating	<u>16,453,597</u>	<u>14,155,944</u>
Total Without Donor Restrictions	16,453,597	14,745,501
With donor restrictions	<u>3,839,842</u>	<u>5,097,167</u>
Total Net Assets	<u>20,293,439</u>	<u>19,842,668</u>
	<u>\$ 52,786,495</u>	<u>\$ 56,551,476</u>

See notes to financial statements

The Child Center of NY, Inc.

Statement of Activities
Year Ended June 30, 2024
(with summarized totals for the year ended June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
REVENUE AND SUPPORT				
Contracts and grants revenue	\$ 53,066,354	\$ 40,123	\$ 53,106,477	\$ 57,406,035
Patient services revenue, net	38,777,796	-	38,777,796	34,332,782
Contributions	668,956	-	668,956	216,534
Fundraising, net of direct expenses of \$54,144 and \$270,532	62,585	-	62,585	356,326
In-kind contributions	1,434,898	-	1,434,898	743,706
Other income	388,038	-	388,038	72,134
Net assets released from restrictions	1,297,448	(1,297,448)	-	-
Total Revenue and Support	<u>95,696,075</u>	<u>(1,257,325)</u>	<u>94,438,750</u>	<u>93,127,517</u>
EXPENSES				
Program services	78,994,456	-	78,994,456	74,186,331
Supporting Services				
Management and general	14,571,987	-	14,571,987	13,875,732
Fundraising	1,436,211	-	1,436,211	512,323
Total Expenses	<u>95,002,654</u>	<u>-</u>	<u>95,002,654</u>	<u>88,574,386</u>
Change in Net Assets	693,421	(1,257,325)	(563,904)	4,553,131
NON OPERATING ACTIVITY				
Investment return	<u>1,014,675</u>	<u>-</u>	<u>1,014,675</u>	<u>369,608</u>
Change in net assets	1,708,096	(1,257,325)	450,771	4,922,739
NET ASSETS				
Beginning of year	<u>14,745,501</u>	<u>5,097,167</u>	<u>19,842,668</u>	<u>14,919,929</u>
End of year	<u>\$ 16,453,597</u>	<u>\$ 3,839,842</u>	<u>\$ 20,293,439</u>	<u>\$ 19,842,668</u>

See notes to financial statements

The Child Center of NY, Inc.

Statement of Functional Expenses
Year Ended June 30, 2024
(with summarized totals for the year ended June 30, 2023)

	Program Services								Supporting Services		2024 Total	2023 Total
	Youth Development	Behavioral Health	Residential Treatment	Early Childhood	Preventive Services	Health Homes and Integrated Care	Other Services	Total Program Services	Management and General	Fundraising		
Salaries and wages	\$ 17,233,727	\$ 13,181,151	\$ 6,968,752	\$ 3,568,253	\$ 5,063,405	\$ 2,089,596	\$ 276,010	\$ 48,380,894	\$ 7,398,227	\$ 404,078	\$ 56,183,199	\$ 52,024,951
Payroll taxes and employee benefits	3,872,387	4,221,279	1,460,843	993,414	1,428,565	663,947	84,162	12,724,597	1,455,244	84,035	14,263,876	13,173,526
Rent and utilities	142,461	1,432,250	959,039	142,352	-	203,170	-	2,879,272	875,827	55,869	3,810,968	4,637,526
Client activities and services	2,734,321	118,855	635,171	212,706	5,833	49,120	1,253,917	5,009,923	-	-	5,009,923	4,229,981
Consultants	995,767	148,062	575,833	27,894	-	6,563	7,450	1,761,569	779,815	414,975	2,956,359	2,641,783
Consumable supplies	1,671,014	91,255	155,284	197,406	3,496	120	419	2,118,994	27,532	269,119	2,415,645	2,549,028
Equipment related	550,981	121,468	83,718	69,549	3,232	43,241	-	872,189	550,310	20,821	1,443,320	1,751,871
Repairs and maintenance	259,873	232,324	633,945	159,696	20,769	28,772	8,239	1,343,618	456,400	6,559	1,806,577	1,949,797
Other contracted services	198,658	165,483	38,546	13,536	-	101,125	-	517,348	1,133,745	-	1,651,093	1,450,414
Telephone and internet	196,336	265,800	65,202	137,510	12,050	24,149	1,618	702,665	272,038	4,124	978,827	660,198
Insurance	229,592	98,383	64,871	49,318	42,661	18,751	1,927	505,503	37,960	1,734	545,197	500,149
Community relations	72,578	29,348	-	-	-	4,404	-	106,330	48,306	969	155,605	190,865
Staff training	157,125	50,553	49,056	46,043	2,763	-	-	305,540	120,998	685	427,223	536,140
Professional fees	-	15,960	113	325	31,836	-	-	48,234	330,521	-	378,755	332,145
Recruitment	6,492	-	-	-	-	4,754	-	11,246	211,640	-	222,886	219,671
Dues and subscriptions	61,416	625	916	32,032	-	2,000	-	96,989	138,764	19,365	255,118	267,750
Interest	-	-	-	-	-	-	-	-	8,409	-	8,409	42,418
Travel and conferences	80,329	19,259	1,593	10,956	3,598	21,723	-	137,458	40,337	12,904	190,699	106,441
Charges and fees	1,044	5,231	10	514	7,969	561	10	15,339	11,628	7,442	34,409	36,662
Postage	742	1,117	217	169	656	1,545	-	4,446	7,103	425	11,974	10,750
In-kind expenses	-	-	-	1,329,523	-	-	-	1,329,523	-	105,375	1,434,898	743,706
Other	61,525	6,022	23,465	10,852	575	6,377	25	108,841	145,650	81,876	336,367	259,401
Depreciation and amortization	-	-	13,938	-	-	-	-	13,938	521,533	-	535,471	529,745
Total Functional Expenses	28,526,368	20,204,425	11,730,512	7,002,048	6,627,408	3,269,918	1,633,777	78,994,456	14,571,987	1,490,355	95,056,798	88,844,918
Less: cost of direct expenses of fundraising events	-	-	-	-	-	-	-	-	-	(54,144)	(54,144)	(270,532)
Total Expenses Reported by Function on Statement of Activities	\$ 28,526,368	\$ 20,204,425	\$ 11,730,512	\$ 7,002,048	\$ 6,627,408	\$ 3,269,918	\$ 1,633,777	\$ 78,994,456	\$ 14,571,987	\$ 1,436,211	\$ 95,002,654	\$ 88,574,386

See notes to financial statements

The Child Center of NY, Inc.

Statement of Cash Flows
Year Ended June 30, 2024
(with comparative amounts for the year ended June 30, 2023)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 450,771	\$ 4,922,739
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	535,471	529,745
Realized and unrealized gain on investments	(1,014,343)	(344,191)
Amortization of right of use asset - operating lease	2,005,759	1,925,658
Changes in operating assets and liabilities		
Patient services receivable	(527,363)	(223,782)
Contracts and grants receivable	3,291,930	(4,912,202)
Contributions receivable	273,543	323,297
Prepaid expenses and other assets	(341,263)	(716,448)
Security deposits	1,816	8,708
Accounts payable and accrued expenses	(590,224)	1,173,930
Deferred revenue	(1,296,856)	263,908
Due to government agencies	(381,648)	2,140,466
Payments on lease payable	(1,927,513)	(1,767,972)
Net Cash from Operating Activities	<u>480,080</u>	<u>3,323,856</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(899,689)	(369,471)
Purchases of investments	(28,230,669)	(25,848,269)
Sales of investments	13,299,410	10,475,000
Purchases of certificates of deposit	(4,675,000)	(10,045,242)
Maturities of certificates of deposit	19,142,432	24,817,637
Net Cash from Investing Activities	<u>(1,363,516)</u>	<u>(970,345)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	-	1,000,000
Payment of line of credit	-	(2,809,000)
Net Cash from Financing Activities	<u>-</u>	<u>(1,809,000)</u>
Net Change in Cash, Cash Equivalents and Restricted Cash	(883,436)	544,511
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	<u>4,062,428</u>	<u>3,517,917</u>
End of year	<u>\$ 3,178,992</u>	<u>\$ 4,062,428</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 8,409	\$ 42,418

See notes to financial statements

The Child Center of NY, Inc.

Notes to Financial Statements June 30, 2024

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"), and the 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, 2024

2. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Policies

Credit Losses

In June 2016, the Financial Accounting Standards Board issued an accounting pronouncement related to the measurement of credit losses on financial instruments. This pronouncement and subsequently issued Accounting Standards Updates, clarified certain provisions of the new guidance, changed the incurred loss model for most financial assets and requires the use of an “expected loss” model for instruments measured at amortized cost.

Under this model, entities are required to estimate the lifetime expected credit losses on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The adoption of this guidance on July 1, 2023 expanded the Organization’s required disclosures for its expected credit losses for its patient services receivable but did not have a material effect on its financial statements.

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. At June 30, 2023, donations related to the Auffarth Fund were maintained in a separate bank account and reflected as restricted cash and board-designated net assets without donor restrictions in the accompanying financial statements.

On September 7, 2023, the Board of Directors passed a resolution to release the restrictions on the cash in the Auffarth Fund at which point the funding was transferred to investments in the accompanying financial statements.

The Child Center of NY, Inc.

Notes to Financial Statements June 30, 2024

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:

	2024	2023
Cash and cash equivalents	\$ 3,178,992	\$ 3,472,871
Restricted cash	-	589,557
	<u>\$ 3,178,992</u>	<u>\$ 4,062,428</u>

Allowance for Doubtful Accounts, Contracts and Grants Receivable

An allowance for doubtful accounts is established for contracts and grants and contributions 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, 2024 and 2023. Management expects no collection problems with contributions receivable and as such a related allowance has not been established at June 30, 2024 and 2023.

Allowance for Credit Losses, Patient Services Receivable

Prior to July 1, 2023, the allowance for uncollectible patient services receivable was determined by management on a specific-identification basis, history of customer payments, and the outcomes of efforts to collect in its estimation of allowance for uncollectible accounts.

As of July 1, 2023, patient service receivables are recorded at amortized cost less an allowance for credit losses that are not expected to be recovered. The amount of patient services receivable and corresponding allowance for credit losses are presented on the statement of financial position. The Organization recognizes an allowance upon initial recognition of an asset that reflects all future events which may lead to a loss being realized, regardless of whether it is probable that the future event will occur. Management reassesses the credit loss allowance at every reporting date based on the asset's expected collectability. The credit loss allowance is based on multiple factors including historical experience with uncollectible accounts, the credit quality of the customer base, the aging of such receivables and current macroeconomic conditions, as well as expectations of conditions in the future, if applicable. The Organization's credit loss allowance is based on the assessment of the collectability of assets pooled together with similar risk characteristics. If particular patient services receivable no longer display risk characteristics that are similar to those of the receivables in the pool, management may determine that it needs to move those receivables to a different pool or perform an individual assessment of expected credit losses for those specific receivables.

The Child Center of NY, Inc.

Notes to Financial Statements

June 30, 2024

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

Allowance for Credit Losses, Patient Services Receivable (continued)

Patient services receivable are short-term in nature and written off only when collection attempts have failed. If any recoveries are made from any accounts previously written off, they will be recognized in income or credit loss expense in the year of recovery, in accordance with the Organization's accounting policy election.

Below is a reconciliation of the beginning and ending balance of the allowance for credit losses:

Allowance for credit losses - July 1, 2023	\$ 385,848
Provision for credit loss recovery	(23,383)
Write-offs	-
Allowance for credit losses - June 30, 2024	<u>\$ 362,465</u>

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.

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.

The Child Center of NY, Inc.

Notes to Financial Statements

June 30, 2024

2. Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

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, 2024 and 2023.

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.

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.

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. Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to net patient services revenue in the period of change. For the years ended June 30, 2024 and 2023, changes in the estimates of implicit price concessions, discounts, contractual adjustments and other reductions to expected payments for performance obligations satisfied in prior years were not significant. 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 government 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 government agencies.

The Child Center of NY, Inc.

Notes to Financial Statements

June 30, 2024

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, 2024

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 2021.

Measurement of Operations

The statement of activities separately report changes in net assets from operating and non-operating activities. Operating activities consist principally of revenues and expenses related to ongoing activities. Non-operating activities consist of investment return.

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, 2023 from which the summarized information was derived.

Leases

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 assets and lease 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 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 Child Center of NY, Inc.

Notes to Financial Statements

June 30, 2024

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

Leases (continued)

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 Organization applies the short-term lease exemption to all of its classes of underlying assets. During the years ended June 30, 2024 and June 30, 2023, short-term lease costs amounted to \$99,168 and \$93,003.

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 25, 2024.

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, 2024, the Organization's cash and cash equivalent balances on deposit exceeded the federal insurance limits by approximately \$3,174,000.

Patient services receivable credit risk is limited because the receivables are reported at their outstanding unpaid balances reduced by an allowance for credit losses, where necessary.

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, 2024, the Organization's uninsured investment holdings exceeded federal insurance limits by approximately \$9,418,000.

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, 2024

4. Investments

The following summarizes the inputs used to measure the fair value of investments at June 30, 2024:

	Level 1	Level 2	Total
Money market mutual funds	\$ 1,033,294	\$ -	\$ 1,033,294
Exchange traded funds	8,721,208	-	8,721,208
Commercial paper	-	1,675,000	1,675,000
	<u>\$ 9,754,502</u>	<u>\$ 1,675,000</u>	<u>\$ 11,429,502</u>

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

	Level 1	Level 2	Total
Money market mutual funds	\$ 1,382,383	\$ -	\$ 1,382,383
Commercial paper	-	2,292,823	2,292,823
Corporate bonds	-	2,081,283	2,081,283
	<u>\$ 1,382,383</u>	<u>\$ 4,374,106</u>	5,756,489
Certificates of deposit *			4,194,843
			<u>\$ 9,951,332</u>

During the year ended June 30, 2024 and 2023, there were no transfers in or out of Levels 1, 2, or 3 of the fair value hierarchy.

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

5. Patient Services Receivable

Patient services receivable consists of the following at June 30:

	2024	2023
Medicaid and Medicaid Managed Care	\$ 2,098,470	\$ 1,554,773
Other third-party payors and self-pay	102,970	142,687
	<u>2,201,440</u>	1,697,460
Allowance for expected credit losses	(362,465)	-
Allowance for doubtful accounts	-	(385,848)
	<u>\$ 1,838,975</u>	<u>\$ 1,311,612</u>

At July 1, 2022, patient services receivable totaled \$1,087,830. There were no patient services contract assets or liabilities at June 30, 2024 and 2023, and July 1, 2022.

The Child Center of NY, Inc.

Notes to Financial Statements June 30, 2024

6. Contributions Receivable

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

	<u>2024</u>	<u>2023</u>
Due within		
Up to one year	\$ 285,110	\$ 498,653
Two to five years	<u>60,000</u>	<u>120,000</u>
	<u>\$ 345,110</u>	<u>\$ 618,653</u>

At June 30, 2024 and 2023, no allowance for doubtful accounts was determined to be necessary. Management believes all contributions receivable are collectible at year end.

7. In-kind Contributions and Donated Services

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

	<u>2024</u>	<u>2023</u>	<u>Usage in Program/Activities</u>	<u>Donor Restriction</u>
Education Services	\$ 1,071,329	\$ 423,060	Program and administration	None
Health Services	76,465	135,449	Program and administration	None
Social Services	124,934	125,997	Program and administration	None
Program Supplies	<u>162,170</u>	<u>59,200</u>	Program and administration	None
	<u>\$ 1,434,898</u>	<u>\$ 743,706</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.

8. Property and Equipment

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

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 4,397,168	\$ 3,820,570
Leasehold improvements	<u>3,686,614</u>	<u>3,363,523</u>
	8,083,782	7,184,093
Accumulated depreciation and amortization	<u>(5,569,803)</u>	<u>(5,034,332)</u>
	<u>\$ 2,513,979</u>	<u>\$ 2,149,761</u>

The Child Center of NY, Inc.

Notes to Financial Statements June 30, 2024

9. Line of Credit

At June 30, 2024, the Organization has a \$4,000,000 (increase from \$2,000,000 as of June 30, 2023) line of credit with a financial institution which expires on May 31, 2025. Borrowings under this arrangement bear interest at the Wall Street Journal prime rate plus 0.50% (8.50% and 8.75% at June 30, 2024 and June 30, 2023), and were secured by all assets of the Organization. At June 30, 2024 and 2023, the Organization had no outstanding borrowings on the line of credit. Interest expense was \$0 and \$3,305 for the years ended June 30, 2024 and 2023.

10. Contracts and Grants Receivable

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

	2024	2023
Due within		
Up to one year		
NYC Department of Education	\$ 3,129,177	\$ 3,568,601
NYC Department of Youth and Community Development	2,420,683	4,221,526
NYC Administration for Children's Services	2,163,088	2,006,258
Elected Officials	1,844,845	1,740,598
NYC Department of Health and Mental Hygiene	1,444,251	1,092,941
U.S. Department of Health and Human Services	341,398	628,478
NYS Department of Criminal Justice	241,197	368,471
NYS Office of Children and Family Services	65,463	93,605
NYS Department of Health	39,939	430,553
Subcontracts - NYC Schools	185,964	226,436
Foundation grants	1,546,142	1,116,284
Other contracts and grants	57,644	318,093
Total up to one year	13,479,791	15,811,844
Two to five years		
Foundation grant	2,000,000	3,000,000
	15,479,791	18,811,844
Allowance for doubtful accounts	(260,000)	(260,000)
Present value discount	(194,239)	(234,362)
	<u>\$ 15,025,552</u>	<u>\$ 18,317,482</u>

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, 2024. 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.

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2024

11. Due to Government Agencies

Due to government agencies amounted to \$3,825,426 and \$4,207,074 at June 30, 2024 and 2023. These liabilities represent amounts owed primarily related to recoupments of overpayments from government agencies. The balance at June 30, 2024 includes \$491,200, 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 2024 and 2023 amounted to \$8,409 and \$13,552.

12. Patient Services Revenue

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

	2024	2023
Medicaid and Medicaid Managed Care	\$ 38,562,334	\$ 34,164,109
Other third-party payors and self-pay	<u>215,462</u>	<u>168,673</u>
	<u>\$ 38,777,796</u>	<u>\$ 34,332,782</u>

13. Contracts and Grants Revenue

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

	2024	2023
NYC Department of Youth and Community Development	\$ 18,499,949	\$ 16,543,885
NYC Department of Education	11,552,180	10,439,310
NYC Administration for Children's Services	7,533,924	10,164,055
U.S. Department of Health and Human Services	3,332,757	3,524,624
NYC Department of Health and Mental Hygiene	3,309,169	2,895,423
NYS Office of Children and Family Services	1,554,311	2,218,896
NYS Office of Mental Health	1,390,805	674,312
NYS Department of Health	599,428	484,795
NYS Department of Criminal Justice Services	39,939	191,650
Subcontracts - NYC schools	544,987	496,622
Foundation grants	2,880,742	7,049,282
Other contracts and grants	<u>1,868,286</u>	<u>2,723,181</u>
	<u>\$ 53,106,477</u>	<u>\$ 57,406,035</u>

The Child Center of NY, Inc.

Notes to Financial Statements June 30, 2024

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 \$2,402,535 and \$2,157,442 for the years ended June 30, 2024 and 2023.

The Organization's union employees are covered by collective bargaining agreements ("CBAs") with Local 338 RWDSU/UFCW Union, 1199 SEIU United Healthcare Workers East Union, DC37 Local 95 Union, and DC37 Local 205 Union. The CBAs include participation in multi-employer defined contribution plans and multi-employer non-contributory defined benefit plans. Union employees covered under collective bargaining agreements represent approximately 27% and 23% of the total employees as of June 30, 2024 and 2023.

Under the Local 338 CBAs, Local 338 union employees of the Organization are covered by multi-employer defined contribution plans. Coverage includes both a Benefits Fund and Annuity Fund for eligible employees. The Organization's contributions to the Benefits Fund amounted to \$18,431 and \$11,055 for the years ended June 30, 2024 and 2023. The Organization's contributions to the Annuity Fund amounted to \$280,370 and \$193,034 for the years ended June 30, 2024 and 2023.

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, 2024 and 2023 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, 2024 and 2023 and for the SEIU HealthCare Employees Pension Fund is December 31, 2022.

Pension Fund	Employee Identification Number	Plan Number	Protection Act Zone Status		Total Pension Cost to the Plan		Expiration Date of Collective Bargaining Agreement
			2024	2023	2024	2023	
SEIU Health Care Employees Pension Fund	13-3604862	001	Green	Green	\$ 776,582	\$ 707,064	June 30, 2024*
The Head Start Sponsoring Board Council of the City of New York Plan	13-3152121	001	Yellow	Green	180,170	227,210	January 31, 2022*
The Cultural Institutions Pension Plan	11-2001170	001	Green	Green	112,691	102,796	September 30, 2022*
					<u>\$ 1,069,443</u>	<u>\$ 1,037,070</u>	

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

The Child Center of NY, Inc.

Notes to Financial Statements June 30, 2024

14. Employee Benefit Plans *(continued)*

The zone status is based on information that the Organization received from the Plans and is certified by the actuaries of the Plans. Among other factors, pension plans in the red zone are generally less than 65% funded, pension plans in the yellow zone are less than 80% funded, and pension plans in the green zone are at least 80% funded. None of the Plans have a financial improvement plan or rehabilitation plan pending or implemented. The Organization's contributions to the Plans did not exceed 5% of the Plans' total contributions for the years ended June 30, 2024 and 2023.

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

	2024	2023
Paid by the Organization	\$ 956,752	\$ 934,274
Paid by the City of New York	112,691	102,796
	<u>\$ 1,069,443</u>	<u>\$ 1,037,070</u>

In addition, the CBAs include participation in health and supplemental welfare benefit plans (the "Health Plans" and EIN 13-3819669, 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 \$1,655,789 and \$1,675,701 for the years ended June 30, 2024 and 2023.

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 year ended June 30:

Purpose/Restriction	2024			
	Beginning of Year	Additions	Net Assets Released	End of Year
Restricted by Time	\$ 445,000	\$ -	\$ (325,000)	\$ 120,000
Restricted by Purpose				
Programmatic activities	4,265,638	40,123	(957,448)	3,348,313
Building renovations	386,529	-	(15,000)	371,529
Total Restricted by Purpose	4,652,167	40,123	(972,448)	3,719,842
Total Net Assets with Donor Restrictions	<u>\$ 5,097,167</u>	<u>\$ 40,123</u>	<u>\$ (1,297,448)</u>	<u>\$ 3,839,842</u>

The Child Center of NY, Inc.

Notes to Financial Statements June 30, 2024

15. Net Assets With Donor Restrictions *(continued)*

Changes in the net assets with donor restrictions consist of the following for the year 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	\$ 1,127,920	\$4,765,638	\$ (796,391)	\$ 5,097,167

16. 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 \$799,104 and \$1,145,812 for the years ended June 30, 2024 and June 30, 2023.

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:

	2024	2023
Right of use assets - operating leases	\$ 20,455,980	\$ 20,455,980
Less: accumulated amortization	(3,931,417)	(1,925,658)
	<u>\$ 16,524,563</u>	<u>\$ 18,530,322</u>

The Child Center of NY, Inc.

Notes to Financial Statements June 30, 2024

16. 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:

2025	\$ 2,408,679
2026	2,398,445
2027	2,500,828
2028	2,565,170
2029	1,995,403
Thereafter	<u>7,576,570</u>
Total Undiscounted Cash Flows	19,445,095
Less: imputed interest	<u>(2,249,534)</u>
Total Lease Liabilities	<u>\$ 17,195,561</u>

A breakdown of rent and utilities expenses is as follows: at June 30:

	<u>2024</u>	<u>2023</u>
Operating leases, included in operating expenses	\$ 2,527,481	\$ 2,491,260
Short-term leases, included in operating expenses	99,168	93,003
Payments on DASNY lease, included in operating expenses	799,104	1,145,812
Variable lease payments, included in operating expenses	<u>385,215</u>	<u>907,451</u>
Total	<u>\$ 3,810,968</u>	<u>\$ 4,637,526</u>

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

	<u>2024</u>	<u>2023</u>
Weighted Average:		
Discount rate	2.89%	2.89%
Remaining leases term in years	8.43	9.28

Supplemental cash flow information related to operating leases was as follows for the years June 30:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 2,449,235	\$ 2,333,574

The Child Center of NY, Inc.

Notes to Financial Statements June 30, 2024

17. 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:

	2024	2023
Financial Assets:		
Cash and cash equivalents	\$ 3,178,992	\$ 4,073,799
Restricted cash	-	589,557
Investments	11,429,502	9,350,404
Patient services receivable, net	1,838,975	1,311,612
Contracts and grants receivable, net	15,025,552	18,317,482
Contributions receivable	345,110	618,653
Total Financial Assets	31,818,131	34,261,507
Less: Restricted Amounts		
Board designated	-	(589,557)
Amounts restricted for time by donor	(120,000)	(445,000)
Amounts restricted for purpose by donor	(3,719,842)	(4,652,167)
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 27,978,289</u>	<u>\$ 28,574,783</u>

As part of the Organization's strategy, management structures its financial assets, consisting of cash and cash equivalents, patient services receivable, contracts and grants receivable, net and contributions receivable to be available as its general expenditures and liabilities come due within one year. The Organization receives cash flow from various government and foundation grants to fund its programs and has a \$4,000,000 line of credit to meet future cash flow needs.

The Child Center of NY, Inc.

Notes to Financial Statements
June 30, 2024

18. Related Party Transactions

On June 25, 2024, Innovation Collaborative, Inc. was incorporated in the State of Delaware as a non-stock corporation operating exclusively for charitable purposes. On October 4, 2024, the certificate of incorporation of the Innovation Collaborative was amended to change the name of the corporation to Impact Collaborative, Inc. ("IC"). On October 15, 2024, a Form 1023 for the IC was filed with the IRS to establish the IC's 501(c)(3) tax exempt status.

The IC was established as a supporting organization to support the charitable activities of the Organization. The IC is controlled by its own Board of Directors, separate from the Organization. The IC and the Organization share common expenses with regard to administrative services. IC is in the process of negotiating a shared service agreement with the Organization.

At June 30, 2024, \$991,000 was owed by IC to the Organization and is included in prepaid expenses and other assets on the accompanying statement of financial position. The amount is related to costs associated with planning and formation of the IC.

* * * * *