

SUNNYSIDE COMMUNITY SERVICES, INC.



**Financial Statements
(Together with Independent Auditors' Report)**

Years Ended June 30, 2019 and 2018

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

SUNNYSIDE COMMUNITY SERVICES, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Sunnyside Community Services, Inc.

We have audited the accompanying financial statements of Sunnyside Community Services, Inc. ("Sunnyside"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 auditor's 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 Sunnyside Community Services, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019, Sunnyside adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Marks Paneth LLP
New York, NY
February 13, 2020

SUNNYSIDE COMMUNITY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash (Note 9)	\$ 572,374	\$ 710,861
Government grants receivable (Notes 2C, 2F and 4)	3,265,236	3,134,808
Accounts receivable, net (Notes 2D and 2F)	116,817	105,773
Contributions receivable (Notes 2E and 2F)	106,700	178,500
Due from affiliates (Note 10)	156,923	95,747
Prepaid expenses and other assets	71,473	98,765
Property and equipment, net (Notes 2G and 5)	631,367	384,147
TOTAL ASSETS	\$ 4,920,890	\$ 4,708,601
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,352,373	\$ 1,386,261
Advances payable and deferred revenue (Note 2H)	47,341	39,160
Deferred rent obligation (Notes 2N and 6A)	1,201,153	962,986
Due to affiliates (Note 10)	302,039	315,603
TOTAL LIABILITIES	2,902,906	2,704,010
COMMITMENTS AND CONTINGENCIES (Note 6)		
NET ASSETS (Note 2B)		
Without donor restrictions:		
Invested in property and equipment	631,367	384,147
Operations	816,005	842,142
Total without donor restrictions	1,447,372	1,226,289
With donor restrictions (Notes 2B and 7)	570,612	778,302
TOTAL NET ASSETS	2,017,984	2,004,591
TOTAL LIABILITIES AND NET ASSETS	\$ 4,920,890	\$ 4,708,601

The accompanying notes are an integral part of these financial statements.

SUNNYSIDE COMMUNITY SERVICES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	For the Year Ended June 30, 2019			For the Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
GOVERNMENT AND OTHER SUPPORT:						
Government and other grants (Notes 2I and 9)	\$ 12,638,507	\$ -	\$ 12,638,507	\$ 11,870,904	\$ -	\$ 11,870,904
Program service fees (Note 2J)	307,606	-	307,606	420,863	-	420,863
Contributions and grants (Note 2K)	330,663	206,631	537,294	326,676	496,912	823,588
Special events (net of direct expenses of \$10,640 and \$11,761, respectively)	90,715	-	90,715	112,715	-	112,715
Contributions in kind (Note 2L)	1,674	-	1,674	2,647	-	2,647
Rental income (Note 2M)	103,374	-	103,374	89,925	-	89,925
Other income	17,675	-	17,675	33,662	-	33,662
Net assets released from restrictions (Notes 2B and 7)	414,321	(414,321)	-	333,455	(333,455)	-
TOTAL GOVERNMENT AND OTHER SUPPORT	13,904,535	(207,690)	13,696,845	13,190,847	163,457	13,354,304
OPERATING EXPENSES (Note 2P):						
Program services						
Senior service program	5,724,835	-	5,724,835	5,439,507	-	5,439,507
Youth service program	5,739,374	-	5,739,374	5,185,749	-	5,185,749
Total program services	11,464,209	-	11,464,209	10,625,256	-	10,625,256
Supporting services						
Management and general	1,758,335	-	1,758,335	1,511,671	-	1,511,671
Fundraising	222,741	-	222,741	226,790	-	226,790
Total supporting services	1,981,076	-	1,981,076	1,738,461	-	1,738,461
TOTAL OPERATING EXPENSES	13,445,285	-	13,445,285	12,363,717	-	12,363,717
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES	459,250	(207,690)	251,560	827,130	163,457	990,587
NON-OPERATING ACTIVITIES:						
Occupancy expense in excess of lease payments (Notes 2N and 6A)	(238,167)	-	(238,167)	(256,172)	-	(256,172)
TOTAL NON-OPERATING ACTIVITIES	(238,167)	-	(238,167)	(256,172)	-	(256,172)
CHANGE IN NET ASSETS	221,083	(207,690)	13,393	570,958	163,457	734,415
NET ASSETS - BEGINNING OF YEAR	1,226,289	778,302	2,004,591	655,331	614,845	1,270,176
NET ASSETS - END OF YEAR	\$ 1,447,372	\$ 570,612	\$ 2,017,984	\$ 1,226,289	\$ 778,302	\$ 2,004,591

The accompanying notes are an integral part of these financial statements.

SUNNYSIDE COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	Program Services			Supporting Services		Total 2019	Total 2018
	Senior Service Program	Youth Service Program	Total	Management and General	Fundraising		
Salaries (Note 10)	\$ 3,261,460	\$ 3,740,689	\$ 7,002,149	\$ 994,064	\$ 113,498	\$ 8,109,711	\$ 7,420,131
Payroll taxes and fringe benefits (Note 8)	763,858	690,488	1,454,346	247,287	25,363	1,726,996	1,530,140
Total Personnel Costs	<u>4,025,318</u>	<u>4,431,177</u>	<u>8,456,495</u>	<u>1,241,351</u>	<u>138,861</u>	<u>9,836,707</u>	<u>8,950,271</u>
Consultants (Note 2L)	158,827	244,528	403,355	107,295	19,391	530,041	464,590
Occupancy (Note 6A)	490,226	402,519	892,745	181,079	23,616	1,097,440	1,133,687
Communications	45,671	70,314	115,985	30,371	5,576	151,932	74,839
Food	153,732	91,471	245,203	16,148	15,190	276,541	275,476
Supplies/printing	61,154	94,153	155,307	40,668	7,466	203,441	222,182
Travel/transportation	47,861	73,686	121,547	31,828	5,843	159,218	167,514
Client respite and supplemental expense	578,048	-	578,048	-	-	578,048	358,366
Insurance	49,322	53,219	102,541	14,136	-	116,677	86,827
Repairs and maintenance	47,916	73,771	121,687	31,864	5,850	159,401	295,468
Dues and subscriptions	13,899	21,399	35,298	9,243	1,697	46,238	39,028
Postage and shipping	4,508	6,941	11,449	2,998	551	14,998	17,964
Advertising expenses (Note 2O)	17,324	26,673	43,997	11,521	2,115	57,633	95,219
Participant expenses	-	34,661	34,661	-	-	34,661	152,146
Depreciation and amortization	34,064	47,487	81,551	12,299	80	93,930	66,370
Bad debt expense	2,990	211	3,201	91	17	3,309	14,523
Grant expense	43,894	67,579	111,473	29,189	5,359	146,021	-
Other (Note 2L)	56,470	86,940	143,410	37,552	6,894	187,856	217,180
Total Costs	<u>5,831,224</u>	<u>5,826,729</u>	<u>11,657,953</u>	<u>1,797,633</u>	<u>238,506</u>	<u>13,694,092</u>	<u>12,631,650</u>
Less: Cost of direct benefits to donors	-	-	-	-	10,640	10,640	11,761
Less: Adjustments to deferred rent	106,389	87,355	193,744	39,298	5,125	238,167	256,172
TOTAL EXPENSES	<u>\$ 5,724,835</u>	<u>\$ 5,739,374</u>	<u>\$ 11,464,209</u>	<u>\$ 1,758,335</u>	<u>\$ 222,741</u>	<u>\$ 13,445,285</u>	<u>\$ 12,363,717</u>

The accompanying notes are an integral part of these financial statements.

SUNNYSIDE COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total 2018</u>
	<u>Senior Service Program</u>	<u>Youth Service Program</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries (Note 10)	\$ 3,313,418	\$ 3,184,791	\$ 6,498,209	\$ 805,410	\$ 116,512	\$ 7,420,131
Payroll taxes and fringe benefits (Note 8)	726,343	584,453	1,310,796	197,575	21,769	1,530,140
Total Personnel Costs	<u>4,039,761</u>	<u>3,769,244</u>	<u>7,809,005</u>	<u>1,002,985</u>	<u>138,281</u>	<u>8,950,271</u>
Consultants (Note 2L)	141,678	216,513	358,191	89,215	17,184	464,590
Occupancy (Note 6A)	506,409	415,829	922,238	187,053	24,396	1,133,687
Communications	22,953	35,077	58,030	14,025	2,784	74,839
Food	80,881	123,604	204,485	49,420	21,571	275,476
Supplies/printing	68,143	104,137	172,280	41,637	8,265	222,182
Travel/transportation	51,377	78,514	129,891	31,392	6,231	167,514
Client respite and supplemental expense	358,366	-	358,366	-	-	358,366
Insurance	36,704	39,604	76,308	10,519	-	86,827
Repairs and maintenance	90,620	138,486	229,106	55,371	10,991	295,468
Dues and subscriptions	11,970	18,292	30,262	7,314	1,452	39,028
Postage and shipping	5,510	8,420	13,930	3,366	668	17,964
Advertising expenses (Note 2O)	29,204	44,629	73,833	17,844	3,542	95,219
Participant expenses	-	152,146	152,146	-	-	152,146
Depreciation and amortization	39,295	26,624	65,919	372	79	66,370
Bad debt expense	4,454	6,807	11,261	2,722	540	14,523
Other (Note 2L)	66,613	101,786	168,399	40,702	8,079	217,180
Total Costs	<u>5,553,938</u>	<u>5,279,712</u>	<u>10,833,650</u>	<u>1,553,937</u>	<u>244,063</u>	<u>12,631,650</u>
Less: Cost of direct benefits to donors	-	-	-	-	11,761	11,761
Less: Adjustments to deferred rent	114,431	93,963	208,394	42,266	5,512	256,172
TOTAL EXPENSES	<u>\$ 5,439,507</u>	<u>\$ 5,185,749</u>	<u>\$ 10,625,256</u>	<u>\$ 1,511,671</u>	<u>\$ 226,790</u>	<u>\$ 12,363,717</u>

The accompanying notes are an integral part of these financial statements.

SUNNYSIDE COMMUNITY SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 13,393	\$ 734,415
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	3,309	14,523
Depreciation and amortization	93,930	66,370
Subtotal	110,632	815,308
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Government grants receivable	(130,428)	(1,013,718)
Accounts receivable	(14,353)	(37,612)
Contributions receivable	71,800	(106,000)
Due from affiliates	(61,176)	(95,747)
Prepaid expenses and other assets	27,292	(21,938)
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	(33,888)	457,528
Advances payable and deferred revenue	8,181	(23,209)
Deferred rent obligation	238,167	256,172
Due to affiliates	(13,564)	(109,428)
Net Cash Provided by Operating Activities	202,663	121,356
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(341,150)	(219,555)
Cash Used in Investing Activities	(341,150)	(219,555)
NET DECREASE IN CASH	(138,487)	(98,199)
Cash - beginning of year	710,861	809,060
CASH - END OF YEAR	\$ 572,374	\$ 710,861

The accompanying notes are an integral part of these financial statements.

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Sunnyside Community Services, Inc. (“Sunnyside”) is a not-for-profit organization located in western Queens whose mission is to strengthen the community by providing a continuum of vital services and activities that enrich the lives of individuals of all ages. Founded as a senior center in 1974, Sunnyside has grown in step with community needs. Today, Sunnyside serves approximately 14,000 individuals each year including children, youth, adults, and seniors. Sunnyside’s services for youth and families provide holistic support to students from early childhood through to college and seek to involve parents as full partners in their children’s education. Sunnyside’s workforce development and training programs prepare members of the community for the job market, and work to connect them with meaningful employment. Sunnyside provides a comprehensive range of services that enables seniors to stay healthy and independent and to remain living safely in their homes for as long as possible and Sunnyside’s home care services enable individuals who struggle with the activities of daily living to remain living safely in their homes. Sunnyside’s primary sources of revenue are government grants and contributions.

The agency is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The accompanying financial statements were prepared to present the financial position, changes in net assets and cash flows of only Sunnyside Community Services, Inc., and do not include the financial position, changes in net assets and cash flows of its related organizations: Sunnyside Home Care Project, Inc. (“Home Care”), and Sunnyside Citywide Home Care Services, Inc. (“Citywide”).

On July 28, 2017, Sunnyside CDPAP, Inc. was incorporated under the laws of the State of New York as a for profit business corporation. This corporation is a wholly owned subsidiary of Sunnyside Community Services, Inc. The accounts of Sunnyside CDPAP, Inc. are immaterial to Sunnyside’s financial statements and are, therefore, not included.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of accounting*** - The accompanying financial statements of Sunnyside have been prepared on the accrual basis of accounting. Sunnyside adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. ***Basis of presentation*** - Sunnyside maintains its net assets under the following two classes:
- a. Net assets without donor restrictions – includes funds having no restriction as to use or purpose imposed by donors. It represents resources available for support of Sunnyside’s operations over which the Board of Directors has discretionary control which includes:
 - **Operations** - consists of net assets without donor restrictions whose use is available for general operations.
 - **Invested in property and equipment** - consists of net assets without donor restrictions whose balance is invested in the furniture and equipment held for use in operations, less any liabilities related to those assets.
 - b. Net assets with donor restrictions – represents assets that are subject to donor-imposed stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.
- C. ***Government grants receivable*** - Government grants receivable are recorded for expenditures made in accordance with grant agreements.

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. **Accounts receivable** - Accounts receivable consists of receivables from program service fees and is recorded when services are provided. Interest is not accrued or recorded on outstanding receivables.
- E. **Contributions receivable** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. 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. Conditional promises to give are not included as support until the conditions are substantially met. Contributions receivable amounted to \$106,700 and \$178,500 as of June 30, 2019 and 2018, respectively, and are due within one year.
- F. **Allowance for doubtful accounts** - Sunnyside determines whether an allowance for doubtful accounts should be provided for grants, contributions and accounts receivable. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of June 30, 2019 and 2018, Sunnyside determined that no allowance was necessary for government grants receivable and contributions receivable, and an allowance of \$16,577 and \$13,724, respectively, was necessary for accounts receivable as of June 30, 2019 and 2018.
- G. **Property and equipment** - Property and equipment and leasehold improvements are recorded at cost. Items with a cost of \$1,000 or more and estimated useful life of greater than one year are capitalized. Property and equipment are depreciated on the straight-line method over their estimated useful lives. Amortization of leasehold improvements is recorded on the straight-line method over the term of the lease or the life of the asset, whichever is shorter.
- H. **Advances payable and deferred revenue** - Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, Sunnyside establishes refundable advances from governmental sources.
- I. **Revenue from government sources** - Revenues from government contracts are recognized when reimbursable expenses are incurred under the terms of the contract. Such revenues are subject to audit by the governmental funding sources. No provision for any disallowances is reflected in the financial statements, since management does not anticipate any material adjustments. Laws and regulations related to government programs are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in penalties and exclusion from the government programs.
- J. **Program service fees** - Fees from Sunnyside's adult day and college readiness programs are recognized during the period the related services are provided.
- K. **Contributions** - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. 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 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 statements of activities as net assets released from restrictions.

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- L. ***Donated goods and services*** - Donated goods are recorded at their fair value on the date of receipt. Donated services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. Donated services of \$1,674 and \$2,647 were received during the years ended June 30, 2019 and 2018, respectively, and are reflected as contributions in kind and consultant expenses in the accompanying financial statements.
- M. ***Rental revenue*** - Rental revenue is recognized based on rental agreements signed annually.
- N. ***Operating leases*** - Rent expense has been recorded on the straight-line basis over the life of the lease. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense. Occupancy expense in excess of lease payments was recorded as a non-operating item in the accompanying statements of activities.
- O. ***Advertising expenses*** - Advertising costs are charged to operations when incurred. Advertising expenses for the years ended June 30, 2019 and 2018, amounted to \$57,633 and \$95,219, respectively.
- P. ***Functional allocation of expenses*** - The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The accompanying financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, insurance, depreciation and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, which are allocated on the basis of estimates of time and effort, professional services, office expenses, information technology and other, which are allocated on the basis of full time equivalent.

- Q. ***Use of estimates*** - The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual amounts could differ from those estimates.
- R. ***Recent accounting pronouncements*** - Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities* was adopted for the year ended June 30, 2019. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure on liquid resources and expense allocation. These changes had no impact on the change in net assets for the year ended June 30, 2018. Due to these changes, Sunnyside has reclassified prior periods and fully comparative financial statements are presented. Net assets as of June 30, 2018 were renamed to conform to the new presentation.

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Cash and cash equivalents	\$ 572,374
Accounts receivable	116,817
Contributions receivable	106,700
Government grants receivable	<u>3,265,236</u>
	<u>\$ 4,061,127</u>

Sunnyside regularly monitors liquidity required to meet its operating needs while also striving to maximize the investment of its available funds. This is done by comparing on a weekly basis funds available to actual expenses to be paid. The Organization also strives to collect receivables on a timely basis from all types of debtors.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Sunnyside considers all expenditures related to its ongoing activities of Sunnyside's programs as well as the conduct of services undertaken to support those activities to be general expenditures. Donor restricted funds for various programs are considered available for the general expenditures to conduct those programs.

NOTE 4 – GOVERNMENT GRANTS RECEIVABLE

Government grants receivable consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
New York City Department of Youth and Community Development	\$ 953,212	\$ 920,446
New York State Education Department	706,753	648,010
New York City Department for the Aging ("DFTA")	309,696	479,277
New York State Department of Health	473,779	435,417
Dormitory Authority of the State of New York ("DASNY")	192,266	-
New York City Department of Education	181,581	279,561
New York City Department of Information Technology and Communications	175,685	175,685
New York State Office of Children and Family Services	161,258	22,760
Department of Health and Mental Hygiene	16,950	58,592
New York City Human Resources Administration ("HRA")	31,296	44,979
New York State Office of Temporary and Disability Assistance	24,988	32,268
New York State Office for the Aging	10,000	-
Other receivables	<u>27,772</u>	<u>37,813</u>
Total government grants receivable	<u>\$ 3,265,236</u>	<u>\$ 3,134,808</u>

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following as of June 30:

	<u>2019</u>	<u>2018</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 3,386,513	\$ 3,305,078	8-15 Years
Furniture and equipment	<u>1,141,723</u>	<u>882,008</u>	5 Years
	4,528,236	4,187,086	
Less: accumulated depreciation and amortization	<u>(3,896,869)</u>	<u>(3,802,939)</u>	
Net book value	<u>\$ 631,367</u>	<u>\$ 384,147</u>	

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 – PROPERTY AND EQUIPMENT, NET (Continued)

For the years ended June 30, 2019 and 2018, depreciation and amortization expense amounted to \$93,930 and \$66,370, respectively.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

A. Lease Commitments

Sunnyside is obligated under an operating lease for its office space that expires on June 30, 2043. Rent credits and charges are accounted for on a straight-line basis over the life of the lease (approximately 27 years), which gives rise to a timing difference that is reflected as deferred rent obligation in the accompanying statements of financial position, amounting to \$1,201,153 and \$962,986 as of June 30, 2019 and 2018, respectively. In addition to base rent, Sunnyside is required to pay its pro rata share of real estate taxes and utilities. Sunnyside may cancel its lease for the senior center as of any July 1 upon at least 120 days' prior notice if government funding is terminated.

Sunnyside subleases a portion of its office space to Home Care and Citywide under three operating leases, which provide for them to pay as additional rent their pro rata share of real estate taxes and utilities. Two of the leases expire on June 30, 2018 and the other expires on December 31, 2024. Sunnyside signed an extension of the two expired office space subleases through June 30, 2022. In the event that governmental funding is terminated, Home Care and Citywide may cancel the leases upon giving one month's notice to Sunnyside.

Rent expense for the years ended June 30, 2019 and 2018 amounted to \$654,203 and \$656,318, respectively.

The future minimum lease payments, subject to cancellation, are as follows:

	<u>Total Commitments</u>	<u>Sublessors Share</u>	<u>Sunnyside's Share</u>
2020	\$ 774,000	\$ 343,000	\$ 431,000
2021	794,000	346,000	448,000
2022	813,000	355,000	458,000
2023	834,000	-	834,000
2024	855,000	-	855,000
Thereafter	<u>20,975,000</u>	<u>-</u>	<u>20,975,000</u>
Total	<u>\$ 25,045,000</u>	<u>\$ 1,044,000</u>	<u>\$ 24,001,000</u>

B. Income Taxes

Sunnyside believes it has no uncertain tax positions as of June 30, 2019 and 2018 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2019 and 2018 are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Senior services	\$ 481,916	\$ 651,254
Youth services	67,029	96,881
Other	<u>21,667</u>	<u>30,167</u>
Total net assets with donor restrictions	<u>\$ 570,612</u>	<u>\$ 778,302</u>

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NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2019	2018
Senior services	\$ 313,719	\$ 143,221
Youth services	83,102	189,234
Other	17,500	1,000
	\$ 414,321	\$ 333,455

NOTE 8 – PENSION PLAN

Sunnyside maintains a 403(b) pension plan which covers all full-time employees. On an annual basis, the Board determines a discretionary contribution for employees who are 21 years of age and have completed two years of service. Sunnyside's contributions amounted to \$47,667 and \$34,780 for the years ended June 30, 2019 and 2018, respectively.

NOTE 9 – CONCENTRATION

Credit Risk

Cash that potentially subjects Sunnyside to a concentration of credit risk includes cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash accounts are insured up to \$250,000 per depositor. As of June 30, 2019 and 2018, there was approximately \$386,000 and \$532,000, respectively, of cash held by one bank that exceeded FDIC limits.

Revenue

Sunnyside received grants from various New York City and New York State agencies totaling \$12,638,507 and \$11,870,904, which represented 92% and 89% of total revenues, during the years ended June 30, 2019 and 2018, respectively. 94% and 92% of total receivables at June 30, 2019 and 2018, respectively, are related to these grants.

NOTE 10 – RELATED-PARTY TRANSACTIONS

As of June 30, 2019 and 2018, Sunnyside owed \$302,039 and \$315,603, respectively, to Citywide. As of June 30, 2019 and 2018, Sunnyside is owed \$156,923 and \$95,747, respectively, from Home Care. These represent normal operating expenses and advances, are noninterest-bearing and are due on demand.

In addition, Sunnyside subleases a portion of its office space (Note 6) to Home Care and Citywide. In 2019 and 2018, Sunnyside allocated rent and other expenses, as outlined in the table below, to Home Care and Citywide.

	2019	2018
Home Care		
Rent, real estate taxes and utilities expenses	\$ 272,213	\$ 249,920
Salaries, fringe benefits and other expenses	1,101,368	675,715
Citywide		
Rent, real estate taxes and utilities expenses	164,232	159,922
Salaries, fringe benefits and other expenses	369,268	714,479

The Woodysun Housing Development Fund Corporation ("Woodysun"), a tax-exempt organization, is a related party to Sunnyside by virtue of Sunnyside's membership in Woodysun. During the years ended June 30, 2019 and 2018, there were no transactions between Sunnyside and Woodysun and no balances were outstanding. Woodysun is not controlled by Sunnyside.

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NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through February 13, 2020, the date the financial statements were available to be issued.

Subsequent to year end, Sunnyside obtained a \$2 million revolving line of credit with a bank as borrower with Home Care and Citywide as guarantors. Interest on this line is subject to change from time to time based on changes in an independent index which is the London Interbank Offered Rate (the “Index”). Interest will be calculated using a rate of 2.5% points over the Index. As of February 13, 2020, there is \$500,000 borrowed under this line.