

**SUNNYSIDE COMMUNITY SERVICES, INC.**



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

**Years Ended June 30, 2018 and 2017**

**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, 2018 AND 2017**

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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, 2018 and 2017, 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 audits 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, 2018 and 2017, 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.

*Marks Paneth LLP*

New York, NY  
January 25, 2019

**SUNNYSIDE COMMUNITY SERVICES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Cash (Note 8)	\$ 710,861	\$ 809,060
Government grants receivable, net (Notes 2C, 2E and 3)	3,134,808	2,121,090
Accounts receivable (Note 2E)	105,773	82,684
Contributions receivable (Notes 2D and 2E)	178,500	72,500
Due from affiliates (Note 9)	95,747	-
Prepaid expenses and other assets	98,765	76,827
Property and equipment, net (Notes 2F and 4)	384,147	230,962
<b>TOTAL ASSETS</b>	<b>\$ 4,708,601</b>	<b>\$ 3,393,123</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,386,261	\$ 928,733
Advances payable and deferred revenue (Note 2G)	39,160	62,369
Deferred rent obligation (Notes 2M and 5A)	962,986	706,814
Due to affiliates (Note 9)	315,603	425,031
<b>TOTAL LIABILITIES</b>	<b>2,704,010</b>	<b>2,122,947</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 5)</b>		
<b>NET ASSETS</b>		
Unrestricted:		
Invested in property and equipment	384,147	230,962
Operations	842,142	424,369
Total unrestricted	1,226,289	655,331
Temporarily restricted (Notes 2B and 6)	778,302	614,845
<b>TOTAL NET ASSETS</b>	<b>2,004,591</b>	<b>1,270,176</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,708,601</b>	<b>\$ 3,393,123</b>

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

**SUNNYSIDE COMMUNITY SERVICES, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	For the Year ended June 30, 2018			For the Year ended June 30, 2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>GOVERNMENT AND OTHER SUPPORT:</b>						
Government and other grants (Notes 2H and 8)	\$ 11,870,904	\$ -	\$ 11,870,904	\$ 8,905,591	\$ -	\$ 8,905,591
Program service fees (Note 2I)	420,863	-	420,863	404,600	-	404,600
Contributions and grants (Note 2J)	326,676	496,912	823,588	296,764	409,295	706,059
Special events (net of direct expenses of \$11,761 and \$9,450, respectively)	112,715	-	112,715	95,502	-	95,502
Contributions in kind (Note 2K)	2,647	-	2,647	15,205	-	15,205
Rental income (Note 2L)	89,925	-	89,925	63,850	-	63,850
Other income	33,662	-	33,662	30,568	-	30,568
Net assets released from restrictions (Notes 2B and 6)	333,455	(333,455)	-	419,602	(419,602)	-
<b>TOTAL GOVERNMENT AND OTHER SUPPORT</b>	<b>13,190,847</b>	<b>163,457</b>	<b>13,354,304</b>	<b>10,231,682</b>	<b>(10,307)</b>	<b>10,221,375</b>
<b>OPERATING EXPENSES</b> (Notes 2O and 10):						
Program services						
Senior service program	5,439,507	-	5,439,507	4,916,381	-	4,916,381
Youth service program	5,185,749	-	5,185,749	3,150,821	-	3,150,821
Total program services	10,625,256	-	10,625,256	8,067,202	-	8,067,202
Supporting services						
Management and general	1,511,671	-	1,511,671	1,432,463	-	1,432,463
Fundraising	226,790	-	226,790	388,293	-	388,293
Total supporting services	1,738,461	-	1,738,461	1,820,756	-	1,820,756
<b>TOTAL OPERATING EXPENSES</b>	<b>12,363,717</b>	<b>-</b>	<b>12,363,717</b>	<b>9,887,958</b>	<b>-</b>	<b>9,887,958</b>
<b>CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES</b>	<b>827,130</b>	<b>163,457</b>	<b>990,587</b>	<b>343,724</b>	<b>(10,307)</b>	<b>333,417</b>
<b>NON-OPERATING ACTIVITIES:</b>						
Occupancy expense in excess of lease payments (Notes 2M, 5A and 10)	(256,172)	-	(256,172)	(391,470)	-	(391,470)
<b>TOTAL NON-OPERATING ACTIVITIES</b>	<b>(256,172)</b>	<b>-</b>	<b>(256,172)</b>	<b>(391,470)</b>	<b>-</b>	<b>(391,470)</b>
<b>CHANGE IN NET ASSETS</b>	<b>570,958</b>	<b>163,457</b>	<b>734,415</b>	<b>(47,746)</b>	<b>(10,307)</b>	<b>(58,053)</b>
NET ASSETS - BEGINNING OF YEAR	655,331	614,845	1,270,176	703,077	625,152	1,328,229
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 1,226,289</b>	<b>\$ 778,302</b>	<b>\$ 2,004,591</b>	<b>\$ 655,331</b>	<b>\$ 614,845</b>	<b>\$ 1,270,176</b>

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**  
(With Comparative Totals for the Year Ended June 30, 2017)

	Program Services			Supporting Services		Total 2018	Total 2017
	Senior Service Program	Youth Service Program	Total	Management and General	Fundraising		
Salaries (Note 9)	\$ 3,313,418	\$ 3,184,791	\$ 6,498,209	\$ 805,410	\$ 116,512	\$ 7,420,131	\$ 6,139,197
Payroll taxes and fringe benefits (Note 7)	726,343	584,453	1,310,796	197,575	21,769	1,530,140	1,193,009
<b>Total Personnel Costs</b>	<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>	<u>7,332,206</u>
Consultants (Note 2K)	141,678	216,513	358,191	89,215	17,184	464,590	420,169
Occupancy (Note 5A)	391,978	321,866	713,844	144,787	18,884	877,515	783,928
Communications	22,953	35,077	58,030	14,025	2,784	74,839	64,951
Food	80,881	123,604	204,485	49,420	9,810	263,715	205,457
Supplies/printing	68,143	104,137	172,280	41,637	8,265	222,182	163,955
Travel/transportation	51,377	78,514	129,891	31,392	6,231	167,514	86,015
Client respite and supplemental expense	358,366	-	358,366	-	-	358,366	221,000
Insurance	36,704	39,604	76,308	10,519	-	86,827	58,538
Repairs and maintenance	90,620	138,486	229,106	55,371	10,991	295,468	150,134
Dues and subscriptions	11,970	18,292	30,262	7,314	1,452	39,028	30,189
Postage and shipping	5,510	8,420	13,930	3,366	668	17,964	15,274
Advertising expenses (Note 2N)	29,204	44,629	73,833	17,844	3,542	95,219	83,837
Participant expenses	-	152,146	152,146	-	-	152,146	37,464
Depreciation and amortization	39,295	26,624	65,919	372	79	66,370	55,592
Bad debt expense	4,454	6,807	11,261	2,722	540	14,523	10,064
Other (Note 2K)	66,613	101,786	168,399	40,702	8,079	217,180	169,185
<b>TOTAL EXPENSES</b>	<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>	<u>\$ 9,887,958</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, 2017**

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total 2017</u>
	<u>Senior Service Program</u>	<u>Youth Service Program</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 2,850,662	\$ 2,287,943	\$ 5,138,605	\$ 770,436	\$ 230,156	\$ 6,139,197
Payroll taxes and fringe benefits (Note 7)	556,503	397,850	954,353	195,742	42,914	1,193,009
<b>Total Personnel Costs</b>	<u>3,407,165</u>	<u>2,685,793</u>	<u>6,092,958</u>	<u>966,178</u>	<u>273,070</u>	<u>7,332,206</u>
Consultants (Note 2K)	245,448	43,048	288,496	106,889	24,784	420,169
Occupancy (Note 5A)	364,527	254,593	619,120	134,874	29,934	783,928
Communications	39,367	6,904	46,271	14,705	3,975	64,951
Food	124,527	21,840	146,367	46,516	12,574	205,457
Supplies/printing	99,373	17,429	116,802	37,119	10,034	163,955
Travel/transportation	52,134	9,143	61,277	19,474	5,264	86,015
Client respite and supplemental expense	221,000	-	221,000	-	-	221,000
Insurance	35,796	18,884	54,680	3,167	691	58,538
Repairs and maintenance	92,175	15,641	107,816	33,313	9,005	150,134
Dues and subscriptions	18,298	3,209	21,507	6,835	1,847	30,189
Postage and shipping	9,257	1,624	10,881	3,458	935	15,274
Advertising expenses (Note 2N)	50,813	8,912	59,725	18,981	5,131	83,837
Participant expenses	-	37,464	37,464	-	-	37,464
Depreciation and amortization	47,858	7,283	55,141	372	79	55,592
Bad debt expense	6,100	1,070	7,170	2,278	616	10,064
Other (Note 2K)	102,543	17,984	120,527	38,304	10,354	169,185
<b>TOTAL EXPENSES</b>	<u>\$ 4,916,381</u>	<u>\$ 3,150,821</u>	<u>\$ 8,067,202</u>	<u>\$ 1,432,463</u>	<u>\$ 388,293</u>	<u>\$ 9,887,958</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, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 734,415	\$ (58,053)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	14,523	10,064
Depreciation and amortization	66,370	55,592
Subtotal	815,308	7,603
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Government grants receivable	(1,013,718)	(930,586)
Accounts receivable	(37,612)	(22,446)
Contributions receivable	(106,000)	7,548
Due from affiliates	(95,747)	-
Prepaid expenses and other assets	(21,938)	(7,851)
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	457,528	208,288
Advances payable and deferred revenue	(23,209)	(273,754)
Deferred rent obligation	256,172	391,470
Due to affiliates	(109,428)	37,726
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>121,356</b>	<b>(582,002)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property and equipment	(219,555)	(8,033)
<b>Cash Used in Investing Activities</b>	<b>(219,555)</b>	<b>(8,033)</b>
<b>NET DECREASE IN CASH</b>	<b>(98,199)</b>	<b>(590,035)</b>
Cash - beginning of the year	809,060	1,399,095
<b>CASH - END OF YEAR</b>	<b>\$ 710,861</b>	<b>\$ 809,060</b>

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



**SUNNYSIDE COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**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. Unrestricted – represents resources available for support of Sunnyside’s operations over which the Board of Directors has discretionary control which includes:
    - **Operations** - consists of unrestricted net assets whose use is available for daily operations.
    - **Invested in property and equipment** - consists of unrestricted net assets whose balance is invested in the furniture and equipment held for use in operations, less any liabilities related to those assets.
  - b. Temporarily restricted – 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), temporarily restricted net assets are reclassified to unrestricted net assets 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, 2018 AND 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- D. **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 \$178,500 and \$72,500 as of June 30, 2018 and 2017, respectively, and are due within one year.
- E. **Allowance for doubtful accounts** - Sunnyside determines whether an allowance for uncollectible 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, 2018 and 2017, Sunnyside determined that no allowance was necessary for government grants receivable, contributions and accounts receivable.
- F. **Property and equipment** - Property and equipment and leasehold improvements are recorded at cost. Items with a cost of \$1,000 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.
- G. **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.
- H. **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.
- I. **Program service fees** - Fees from the Organization's adult day and college readiness programs are recognized during the period the related services are provided.
- J. **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 either temporarily or permanently 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, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions.
- K. **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 goods and services of \$2,647 and \$15,205 were received during the years ended June 30, 2018 and 2017, respectively, and are reflected in the financial statements as follows:

	2018	2017	
Consultants	\$ 2,647	\$ 15,205	
Other	-	-	
	\$ 2,647	\$ 15,205	

**SUNNYSIDE COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- L. **Rental revenue** - Rental revenue is recognized based on rental agreements signed annually.
- M. **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.
- N. **Advertising expenses** - Advertising costs are charged to operations when incurred. Advertising expenses for the years ended June 30, 2018 and 2017, amounted to \$95,219 and \$83,837, respectively.
- O. **Functional allocation of expenses** - Because Sunnyside is a multi-program/multi-funded organization, certain costs have been allocated on the statements of functional expenses between functional and supporting services as determined by management. Such allocations conform to those made in seeking funds from third-party sources.
- P. **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.

**NOTE 3 – GOVERNMENT GRANTS RECEIVABLE, NET**

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

	<u>2018</u>	<u>2017</u>
New York City Department of Youth and Community Development	\$ 920,446	\$ 556,338
New York State Education Department	648,010	253,136
New York City Department for the Aging (“DFTA”)	479,277	575,595
New York State Department of Health	435,417	412,333
New York City Department of Education	279,561	180,320
New York City Department of Information Technology and Communications	175,685	-
Department of Health and Mental Hygiene	58,592	63,092
New York City Human Resources Administration (“HRA”)	44,979	37,583
New York State Office of Children and Family Services	22,760	23,637
New York State Office of Temporary and Disability Assistance	32,268	-
Other receivables	<u>37,813</u>	<u>19,056</u>
Total government grants receivable	3,134,808	2,121,090
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
Total government grants receivable, net	<u>\$ 3,134,808</u>	<u>\$ 2,121,090</u>

**SUNNYSIDE COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 4 – PROPERTY AND EQUIPMENT, NET**

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

	2018	2017	Estimated Useful Lives
Leasehold improvements	\$ 3,305,078	\$ 3,305,078	8-15 Years
Furniture and equipment	882,008	662,453	5 Years
	4,187,086	3,967,531	
Less: accumulated depreciation and amortization	(3,802,939)	(3,736,569)	
Net book value	\$ 384,147	\$ 230,962	

For the years ended June 30, 2018 and 2017, depreciation and amortization expenses amounted to \$66,370 and \$55,592, respectively.

**NOTE 5 – 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 liability in the accompanying statements of financial position, amounting to \$962,986 and \$706,814 as of June 30, 2018 and 2017, 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 expired on June 30, 2018 and the other expires on December 31, 2019. 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, 2018 and 2017 amounted to \$656,318 and \$729,495, respectively.

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

	Total Commitments	Sublessors Share	Sunnyside's Share
2019	\$ 755,000	\$ 339,000	\$ 416,000
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
Thereafter	21,831,000	-	21,831,000
Total	\$ 25,801,000	\$ 1,383,000	\$ 24,418,000

**SUNNYSIDE COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 5 – COMMITMENTS AND CONTINGENCIES (Continued)**

**B. *Income Taxes***

Sunnyside believes it has no uncertain tax positions as of June 30, 2018 and 2017 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 6 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2018 and 2017 are available for the following purposes:

	2018	2017
Senior services	\$ 575,528	\$ 488,087
Youth services	121,195	96,679
Other	81,579	30,079
Total temporarily restricted net assets	\$ 778,302	\$ 614,845

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

	2018	2017
Senior services	\$ 143,221	\$ 177,202
Youth services	189,234	237,400
Other	1,000	5,000
	\$ 333,455	\$ 419,602

**NOTE 7 – 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 \$34,780 and \$35,998 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 8 – 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, 2018 and 2017, there was approximately \$532,000 and \$633,000, 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 \$11,870,904 and \$8,905,591, which represented 89% and 87% of total revenues, during the years ended June 30, 2018 and 2017, respectively. 92% and 93% of total receivables at June 30, 2018 and 2017, respectively, are related to these grants.

**SUNNYSIDE COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 9 – RELATED-PARTY TRANSACTIONS**

As of June 30, 2018, Sunnyside owed \$315,603 to Citywide and is owed \$95,747 from Home Care. As of June 30, 2017, Sunnyside owed \$176,651 to Home Care and \$248,380 to Citywide. 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 5) to Home Care and Citywide. In 2018 and 2017, Sunnyside allocated rent and other expenses, as outlined in the table below, to Home Care and Citywide.

	<u>2018</u>	<u>2017</u>
Home Care		
Rent, real estate taxes and utilities expenses	\$ 249,920	\$ 214,874
Salaries, fringe benefits and other expenses	675,715	673,615
Citywide		
Rent, real estate taxes and utilities expenses	159,922	136,918
Salaries, fringe benefits and other expenses	714,479	692,161

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, 2018 and 2017, there were no transactions between Sunnyside and Woodysun and no balances were outstanding. Woodysun is not controlled by Sunnyside.

**NOTE 10 – FUNCTIONAL EXPENSES**

Functional expenses inclusive of deferred rent expense for the years ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Senior service program	\$ 5,561,535	\$ 5,091,251
Youth service program	5,288,866	3,289,049
Management and general	1,536,778	1,497,055
Fundraising	<u>232,710</u>	<u>402,073</u>
	<u>\$ 12,619,889</u>	<u>\$ 10,279,428</u>

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated, for potential recognition and disclosure of, events subsequent to the date of the statement of financial position through January 25, 2019, the date the financial statements were available to be issued.