

SUNNYSIDE COMMUNITY SERVICES, INC.



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

Years Ended June 30, 2020 and 2019

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, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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
February 9, 2021

SUNNYSIDE COMMUNITY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash (Note 10)	\$ 2,071,891	\$ 572,374
Government grants receivable (Notes 2C, 2F and 4)	3,984,598	3,265,236
Accounts receivable, net (Notes 2D and 2F)	82,080	116,817
Contributions receivable (Notes 2E and 2F)	66,775	106,700
Due from affiliates (Note 11)	247,413	156,923
Prepaid expenses and other assets	96,261	69,902
Property and equipment, net (Notes 2G and 5)	887,897	631,367
TOTAL ASSETS	\$ 7,436,915	\$ 4,919,319
LIABILITIES		
Accounts payable and accrued expenses (Note 5)	\$ 1,824,363	\$ 1,350,802
Advances payable and deferred revenue (Note 2H)	12,175	47,341
Paycheck Protection Program refundable advance (Note 6)	1,970,451	-
Deferred rent obligation (Notes 2N and 7A)	1,420,437	1,201,153
Due to affiliates (Note 11)	106,328	302,039
TOTAL LIABILITIES	5,333,754	2,901,335
COMMITMENTS AND CONTINGENCIES (Note 7)		
NET ASSETS (Note 2B)		
Without donor restrictions:		
Invested in property and equipment	887,897	631,367
Operations	555,213	816,005
Total without donor restrictions	1,443,110	1,447,372
With donor restrictions (Notes 2B and 8)	660,051	570,612
TOTAL NET ASSETS	2,103,161	2,017,984
TOTAL LIABILITIES AND NET ASSETS	\$ 7,436,915	\$ 4,919,319

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

SUNNYSIDE COMMUNITY SERVICES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	For the Year Ended June 30, 2020			For the Year Ended June 30, 2019		
	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 10)	\$ 13,167,459	\$ -	\$ 13,167,459	\$ 12,638,507	\$ -	\$ 12,638,507
Program service fees (Note 2J)	202,672	-	202,672	307,606	-	307,606
Contributions and grants (Note 2K)	309,215	660,324	969,539	330,663	206,631	537,294
Special events (net of direct expenses of \$10,640 in 2019)	-	-	-	90,715	-	90,715
Contributions in kind (Note 2L)	-	-	-	1,674	-	1,674
Rental income (Note 2M)	104,319	-	104,319	103,374	-	103,374
Other income	29,721	-	29,721	17,675	-	17,675
Net assets released from restrictions (Notes 2B and 8)	570,885	(570,885)	-	414,321	(414,321)	-
TOTAL GOVERNMENT AND OTHER SUPPORT	14,384,271	89,439	14,473,710	13,904,535	(207,690)	13,696,845
OPERATING EXPENSES (Note 2P):						
Program services						
Senior service program	6,009,968	-	6,009,968	5,724,835	-	5,724,835
Youth service program	5,881,711	-	5,881,711	5,739,374	-	5,739,374
Total program services	11,891,679	-	11,891,679	11,464,209	-	11,464,209
Supporting services						
Management and general	1,984,168	-	1,984,168	1,758,335	-	1,758,335
Fundraising	293,402	-	293,402	222,741	-	222,741
Total supporting services	2,277,570	-	2,277,570	1,981,076	-	1,981,076
TOTAL OPERATING EXPENSES	14,169,249	-	14,169,249	13,445,285	-	13,445,285
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES	215,022	89,439	304,461	459,250	(207,690)	251,560
NON-OPERATING ACTIVITIES:						
Occupancy expense in excess of lease payments (Notes 2N and 7A)	(219,284)	-	(219,284)	(238,167)	-	(238,167)
TOTAL NON-OPERATING ACTIVITIES	(219,284)	-	(219,284)	(238,167)	-	(238,167)
CHANGE IN NET ASSETS	(4,262)	89,439	85,177	221,083	(207,690)	13,393
NET ASSETS - BEGINNING OF YEAR	1,447,372	570,612	2,017,984	1,226,289	778,302	2,004,591
NET ASSETS - END OF YEAR	\$ 1,443,110	\$ 660,051	\$ 2,103,161	\$ 1,447,372	\$ 570,612	\$ 2,017,984

SUNNYSIDE COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Program Services			Supporting Services		Total 2020	Total 2019
	Senior Service Program	Youth Service Program	Total	Management and General	Fundraising		
Salaries (Note 11)	\$ 3,405,153	\$ 3,745,537	\$ 7,150,690	\$ 1,154,366	\$ 151,060	\$ 8,456,116	\$ 8,109,711
Payroll taxes and fringe benefits (Note 9)	826,133	742,546	1,568,679	243,671	29,510	1,841,860	1,726,996
Total Personnel Costs	<u>4,231,286</u>	<u>4,488,083</u>	<u>8,719,369</u>	<u>1,398,037</u>	<u>180,570</u>	<u>10,297,976</u>	<u>9,836,707</u>
Consultants (Note 2L)	182,089	279,312	461,401	113,699	30,651	605,751	530,041
Occupancy (Note 7A)	504,751	414,447	919,198	186,443	24,317	1,129,958	1,097,440
Communications	56,948	87,354	144,302	35,559	9,586	189,447	151,932
Food	99,069	81,345	180,414	36,594	4,772	221,780	276,541
Supplies/printing	72,430	111,102	183,532	45,227	12,192	240,951	203,441
Travel/transportation	50,449	77,386	127,835	31,501	8,492	167,828	159,218
Client respite and supplemental expense	588,573	-	588,573	-	-	588,573	578,048
Insurance	56,930	74,745	131,675	30,426	-	162,101	116,677
Repairs and maintenance	54,846	84,130	138,976	34,247	9,232	182,455	159,401
Dues and subscriptions	12,768	19,586	32,354	7,973	2,149	42,476	46,238
Postage and shipping	2,705	4,149	6,854	1,689	455	8,998	14,998
Advertising expenses (Note 2O)	24,628	37,779	62,407	15,378	4,146	81,931	57,633
Participant expenses	-	22,403	22,403	-	-	22,403	34,661
Depreciation and amortization	81,100	43,263	124,363	24,226	79	148,668	93,930
Bad debt expense	5,669	8,696	14,365	3,540	954	18,859	3,309
Grant expense	30,060	46,110	76,170	18,770	5,060	100,000	146,021
Other (Note 2L)	53,621	82,250	135,871	37,041	5,466	178,378	187,856
Total Costs	<u>6,107,922</u>	<u>5,962,140</u>	<u>12,070,062</u>	<u>2,020,350</u>	<u>298,121</u>	<u>14,388,533</u>	<u>13,694,092</u>
Less: Cost of direct benefits to donors	-	-	-	-	-	-	10,640
Less: Adjustments to deferred rent	97,954	80,429	178,383	36,182	4,719	219,284	238,167
TOTAL EXPENSES	<u>\$ 6,009,968</u>	<u>\$ 5,881,711</u>	<u>\$ 11,891,679</u>	<u>\$ 1,984,168</u>	<u>\$ 293,402</u>	<u>\$ 14,169,249</u>	<u>\$ 13,445,285</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, 2019

	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total 2019</u>
	<u>Senior Service Program</u>	<u>Youth Service Program</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries (Note 11)	\$ 3,261,460	\$ 3,740,689	\$ 7,002,149	\$ 994,064	\$ 113,498	\$ 8,109,711
Payroll taxes and fringe benefits (Note 9)	763,858	690,488	1,454,346	247,287	25,363	1,726,996
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>
Consultants (Note 2L)	158,827	244,528	403,355	107,295	19,391	530,041
Occupancy (Note 7A)	490,226	402,519	892,745	181,079	23,616	1,097,440
Communications	45,671	70,314	115,985	30,371	5,576	151,932
Food	153,732	91,471	245,203	16,148	15,190	276,541
Supplies/printing	61,154	94,153	155,307	40,668	7,466	203,441
Travel/transportation	47,861	73,686	121,547	31,828	5,843	159,218
Client respite and supplemental expense	578,048	-	578,048	-	-	578,048
Insurance	49,322	53,219	102,541	14,136	-	116,677
Repairs and maintenance	47,916	73,771	121,687	31,864	5,850	159,401
Dues and subscriptions	13,899	21,399	35,298	9,243	1,697	46,238
Postage and shipping	4,508	6,941	11,449	2,998	551	14,998
Advertising expenses (Note 2O)	17,324	26,673	43,997	11,521	2,115	57,633
Participant expenses	-	34,661	34,661	-	-	34,661
Depreciation and amortization	34,064	47,487	81,551	12,299	80	93,930
Bad debt expense	2,990	211	3,201	91	17	3,309
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
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>
Less: Cost of direct benefits to donors	-	-	-	-	10,640	10,640
Less: Adjustments to deferred rent	106,389	87,355	193,744	39,298	5,125	238,167
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>

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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 85,177	\$ 13,393
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	18,859	3,309
Depreciation and amortization	148,668	93,930
Subtotal	252,704	110,632
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Government grants receivable	(719,362)	(130,428)
Accounts receivable	15,878	(14,353)
Contributions receivable	39,925	71,800
Due from affiliates	(90,490)	(61,176)
Prepaid expenses and other assets	(26,359)	27,292
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	473,561	(33,888)
Advances payable and deferred revenue	(35,166)	8,181
Paycheck Protection Program refundable advance	1,970,451	-
Deferred rent obligation	219,284	238,167
Due to affiliates	(195,711)	(13,564)
Net Cash Provided by Operating Activities	1,904,715	202,663
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(405,198)	(341,150)
Net Cash Used in Investing Activities	(405,198)	(341,150)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	500,000	-
Repayment of line of credit	(500,000)	-
Net Cash Provided by Financing Activities	-	-
NET INCREASE (DECREASE) IN CASH	1,499,517	(138,487)
Cash - beginning of year	572,374	710,861
CASH - END OF YEAR	\$ 2,071,891	\$ 572,374
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 14,264	\$ 9,451

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

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 16,000 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, 2020 AND 2019

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 \$66,775 and \$106,700 as of June 30, 2020 and 2019, 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, 2020 and 2019, Sunnyside determined that no allowance was necessary for government grants receivable and contributions receivable, and an allowance of \$10,980 and \$16,577, respectively, was necessary for accounts receivable as of June 30, 2020 and 2019.
- G. **Property and equipment** - Property and equipment and leasehold improvements are recorded at cost. Items with a cost of \$1,000 or more and an 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. Cost reimbursement type government grants are accounted for under Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). Grants and contracts are recognized as revenue when barriers within the contract are overcome, and there is no right of return/ release from obligation. Grants and contracts amounted to \$13,167,459 and \$12,638,507 for the years ended June 30, 2020 and 2019, respectively.

Multi-year governmental contracts included under government grants are cancellable by the funder upon its sole discretion. As of June 30, 2020 and 2019, Sunnyside received conditional grants and contracts from government agencies in the aggregate amounts of \$9,188,403 and \$1,608,487, respectively, that have not been recorded in the accompanying financial statements, as they have not been earned. These grants and contracts require Sunnyside to provide certain services as specified in the contracts. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts and Sunnyside may be required to return the funds already remitted.

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. **Program service fees** - Fees from Sunnyside's adult day and youth service programs are recognized and recorded during the period the related services are provided. Receivables are due in full when billed when revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by Sunnyside in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Sunnyside measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

All performance obligations relate to contracts with a duration of less than one year, therefore, there are no performance obligations or contract balances that are unsatisfied as of June 30, 2020. The performance obligations for these contracts are completed when the service is completed and upon submission of required documentation. Sunnyside determines the transaction price based on established rates and contracts for services provided. Program service revenue consists of revenues for the following programs:

	2020	2019
Youth Service Program	\$ 52,102	\$ 44,093
Senior Service Program	150,570	263,513
	\$ 202,672	\$ 307,606

Program service revenue is accounted for under ASU 2014-09, "Revenue from Contracts with Customers" (Topic 606).

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.

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 \$0 and \$1,674 were received during the years ended June 30, 2020 and 2019, 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, 2020 and 2019 amounted to \$81,931 and \$57,633, respectively.

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and payroll taxes, which are allocated on the basis of estimates of time and effort, and 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. **Reclassifications** - Certain line items in the June 30, 2019 financial statements have been reclassified to conform to the June 30, 2020 presentation. Such reclassifications had no effect on net assets previously reported.

S. **Recent accounting pronouncements** - Financial Accounting Standards Board (“FASB”) ASU 2014-09, “Revenue from Contracts with Customers” (Topic 606) was adopted by Sunnyside for the year ended June 30, 2020. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services as further described in Note 2J.

FASB ASU 2018-08, “Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made” (Topic 958) was also adopted by Sunnyside for the year ended June 30, 2020. The core guidance is to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution is conditional as further described in Note 2I.

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 statements of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash	\$ 2,071,891	\$ 572,374
Accounts receivable, net	82,080	116,817
Contributions receivable	66,775	106,700
Government grants receivable	<u>3,984,598</u>	<u>3,265,236</u>
	<u>\$ 6,205,344</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. Sunnyside also strives to collect receivables on a timely basis from all types of debtors. In addition, Sunnyside has a maximum line of credit totaling \$2 million with a financial institution (Note 7C), which can be drawn upon if needed.

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.

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 – GOVERNMENT GRANTS RECEIVABLE

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

	<u>2020</u>	<u>2019</u>
New York City Department for the Aging (“DFTA”)	\$ 845,205	\$ 309,696
New York City Department of Youth and Community Development	649,157	953,212
Dormitory Authority of the State of New York (“DASNY”)	550,000	192,266
New York State Education Department	509,516	706,753
New York State Department of Health	492,195	473,779
New York State Office of Children and Family Services	291,353	161,258
New York City Department of Information Technology and Communications	175,685	175,685
New York City Department of Education	166,690	181,581
Department of Health and Mental Hygiene	86,000	16,950
One City Health	67,562	-
New York State Department of Education	15,917	-
New York State Office of Temporary and Disability Assistance	-	24,988
New York State Office for the Aging	-	10,000
New York City Human Resources Administration (“HRA”)	2,079	31,296
Other receivables	<u>133,239</u>	<u>27,772</u>
Total government grants receivable	<u>\$ 3,984,598</u>	<u>\$ 3,265,236</u>

NOTE 5 – PROPERTY AND EQUIPMENT, NET

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

	<u>2020</u>	<u>2019</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 3,634,591	\$ 3,386,513	8-15 Years
Furniture and equipment	<u>1,298,843</u>	<u>1,141,723</u>	5 Years
	4,933,434	4,528,236	
Less: accumulated depreciation and amortization	<u>(4,045,537)</u>	<u>(3,896,869)</u>	
Net book value	<u>\$ 887,897</u>	<u>\$ 631,367</u>	

For the years ended June 30, 2020 and 2019, depreciation and amortization expense amounted to \$148,668 and \$93,930, respectively.

In 2019, Sunnyside entered into a 36-month capital lease agreement for the purchase of its server and has an option to purchase the server at the end of the term at a purchase price of \$1. Sunnyside recorded a capital lease asset and liability of \$103,499 for the equipment based on the total lease payments at the inception of the lease. Interest expense on the lease for each of the years ended June 30, 2020 and 2019 amounted to \$4,752. As of June 30, 2020 and 2019, the capital lease obligation amounted to \$51,750 and \$86,249, respectively, and is included in accounts payable and accrued expenses in the accompanying statements of financial position.

Future minimum lease payments for the server are payable as follows:

2021	\$ 34,500
2022	<u>17,250</u>
	<u>\$ 51,750</u>

SUNNYSIDE COMMUNITY SERVICES, INC.
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NOTE 6 – PAYCHECK PROTECTION PROGRAM REFUNDABLE ADVANCE

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Stability Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration (“SBA”) sector of the government. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven. Sunnyside applied for this loan through an SBA authorized lender. The loan, amounting to \$2,070,451, was approved and funded on May 8, 2020. In June 2020, \$100,000 was returned.

In accounting for the terms of the PPP loan, Sunnyside is guided by FASB Accounting Standards Codification (“ASC”) 958-605, *Revenue Recognition - Contributions*. Accordingly, Sunnyside has accounted for this under ASC 958-605 as a conditional contribution. As of June 30, 2020, \$1,970,451 was recorded as a refundable advance until the conditions are substantially met.

NOTE 7 – 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 \$1,420,437 and \$1,201,153 as of June 30, 2020 and 2019, 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, 2020 and 2019 amounted to \$654,153 and \$654,203, 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>
2021	\$ 794,000	\$ 346,000	\$ 448,000
2022	813,000	355,000	458,000
2023	834,000	-	834,000
2024	855,000	-	855,000
2025	876,000	-	876,000
Thereafter	<u>20,099,000</u>	<u>-</u>	<u>20,099,000</u>
Total	<u>\$ 24,271,000</u>	<u>\$ 701,000</u>	<u>\$ 23,570,000</u>

B. Income Taxes

Sunnyside believes it has no uncertain tax positions as of June 30, 2020 and 2019 in accordance with ASC Topic 740, “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 – COMMITMENTS AND CONTINGENCIES (Continued)

C. *Line of Credit*

Sunnyside has a \$2 million revolving line of credit with a bank as borrower with Home Care and Citywide as guarantors that matures on March 31, 2021. Interest on this line is calculated using the London Inter-Bank Offered Rate (“LIBOR”) Daily Floating Rate plus 2.25% percent points. As of June 30, 2020, there is no outstanding balance on this line. As of February 9, 2021, there is no borrowing under this line.

D. *Operational Impact of COVID-19*

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on Sunnyside’s business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, Sunnyside is currently unable to fully determine the extent of COVID-19’s impact on its business in future periods. Sunnyside’s performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States. Sunnyside continues to monitor evolving economic and general business conditions and the actual and potential impacts on our financial position and results.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2020 and 2019 are available for the following purposes:

	2020	2019
Senior services	\$ 536,081	\$ 481,916
Youth services	54,555	67,029
Other	69,415	21,667
Total net assets with donor restrictions	\$ 660,051	\$ 570,612

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.

	2020	2019
Senior services	\$ 311,059	\$ 313,719
Youth services	28,824	83,102
Other	231,002	17,500
	\$ 570,885	\$ 414,321

NOTE 9 – 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 \$54,242 and \$47,667 for the years ended June 30, 2020 and 2019, respectively.

SUNNYSIDE COMMUNITY SERVICES, INC.
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NOTE 10 – 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, 2020 and 2019, there was approximately \$1,732,000 and \$386,000, respectively, of cash held by two banks that exceeded FDIC limits.

Revenue

Sunnyside received grants from various New York City and New York State agencies totaling \$13,167,459 and \$12,638,507, which represented 91% and 92% of total revenues, during the years ended June 30, 2020 and 2019, respectively. 96% and 94% of total receivables at June 30, 2020 and 2019, respectively, are related to these grants.

NOTE 11 – RELATED-PARTY TRANSACTIONS

As of June 30, 2020 and 2019, Sunnyside owed \$106,328 and \$302,039, respectively, to Citywide. As of June 30, 2020 and 2019, Sunnyside is owed \$247,413 and \$156,923, 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 7) to Home Care and Citywide. In 2020 and 2019, Sunnyside allocated rent and other expenses, as outlined in the table below, to Home Care and Citywide.

	<u>2020</u>	<u>2019</u>
Home Care		
Rent, real estate taxes and utilities expenses	\$ 274,673	\$ 272,213
Salaries, fringe benefits and other expenses	1,189,837	1,101,368
Citywide		
Rent, real estate taxes and utilities expenses	144,498	164,232
Salaries, fringe benefits and other expenses	-	369,268

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, 2020 and 2019, there were no transactions between Sunnyside and Woodysun and no balances were outstanding. Woodysun is not controlled by Sunnyside.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through February 9, 2021, the date the financial statements were available to be issued.

In November 2020, Sunnyside received a working capital loan of \$500,000 from Nonprofit Finance Fund that bears no interest. The loan matures and is due on November 1, 2021.