

SUNNYSIDE COMMUNITY SERVICES, INC.



FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2023 AND 2022

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CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5-6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8-15



INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Sunnyside Community Services, Inc.
New York, NY

Opinion

We have audited the financial statements of Sunnyside Community Services, Inc. ("Sunnyside"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sunnyside as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Sunnyside and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 2S to the financial statements, Sunnyside changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification ("ASC") Topic 842, *Leases*, effective July 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunnyside's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Sunnyside's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunnyside's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mayer Hoffman McCann CPAs

New York, NY
March 26, 2024

SUNNYSIDE COMMUNITY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents (Notes 2C and 10)	\$ 262,759	\$ 687,133
Government grants receivable, net (Notes 2D, 2G and 4)	5,133,693	5,445,737
Accounts receivable (Notes 2E and 2G)	33,694	105,988
Contributions receivable (Notes 2F and 2G)	200,188	300,248
Prepaid expenses and other assets	762,379	519,920
Operating lease right-of-use assets (Notes 2S and 6)	14,683,994	-
Finance lease right-of-use assets (Notes 2S and 6)	201,341	-
Property and equipment, net (Notes 2H and 5)	1,482,375	1,241,922
Due from affiliates (Note 11)	35,626	-
TOTAL ASSETS	\$ 22,796,049	\$ 8,300,948
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,731,713	\$ 2,376,384
Advances payable and deferred revenue (Note 2I)	608,629	666,304
Bank line of credit (Note 7B)	100,000	-
Deferred rent obligation (Note 2O)	-	1,808,749
Operating lease liability (Notes 2S and 6)	16,679,989	-
Finance lease liability (Notes 2S and 6)	202,506	-
Due to affiliates (Note 11)	138,236	188,290
TOTAL LIABILITIES	19,461,073	5,039,727
COMMITMENTS AND CONTINGENCIES (Note 7)		
NET ASSETS (Note 2B)		
Without donor restrictions:		
Invested in property and equipment	1,482,375	1,241,922
Operations	981,534	1,339,040
Total without donor restrictions	2,463,909	2,580,962
With donor restrictions (Notes 2B and 8)	871,067	680,259
TOTAL NET ASSETS	3,334,976	3,261,221
TOTAL LIABILITIES AND NET ASSETS	\$ 22,796,049	\$ 8,300,948

SUNNYSIDE COMMUNITY SERVICES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	For the Year Ended June 30, 2023			For the Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
GOVERNMENT AND OTHER SUPPORT:						
Government and other grants (Notes 2J and 10)	\$ 17,136,349	\$ -	\$ 17,136,349	\$ 15,121,285	\$ -	\$ 15,121,285
Program service fees (Note 2K)	116,756	-	116,756	101,452	-	101,452
Contributions and grants (Note 2L)	164,064	708,511	872,575	713,283	972,287	1,685,570
Rental income (Note 2N)	150	-	150	8,215	-	8,215
Other income	129,240	-	129,240	28,987	-	28,987
Net assets released from restrictions (Notes 2B and 8)	517,703	(517,703)	-	1,034,999	(1,034,999)	-
TOTAL GOVERNMENT AND OTHER SUPPORT	<u>18,064,262</u>	<u>190,808</u>	<u>18,255,070</u>	<u>17,008,221</u>	<u>(62,712)</u>	<u>16,945,509</u>
OPERATING EXPENSES (Note 2Q):						
Program services						
Senior service program	7,142,237	-	7,142,237	6,568,925	-	6,568,925
Youth service program	7,742,522	-	7,742,522	6,969,751	-	6,969,751
Total program services	<u>14,884,759</u>	<u>-</u>	<u>14,884,759</u>	<u>13,538,676</u>	<u>-</u>	<u>13,538,676</u>
Supporting services						
Management and general	2,960,108	-	2,960,108	2,364,469	-	2,364,469
Fundraising	336,448	-	336,448	319,373	-	319,373
Total supporting services	<u>3,296,556</u>	<u>-</u>	<u>3,296,556</u>	<u>2,683,842</u>	<u>-</u>	<u>2,683,842</u>
TOTAL OPERATING EXPENSES	<u>18,181,315</u>	<u>-</u>	<u>18,181,315</u>	<u>16,222,518</u>	<u>-</u>	<u>16,222,518</u>
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES	<u>(117,053)</u>	<u>190,808</u>	<u>73,755</u>	<u>785,703</u>	<u>(62,712)</u>	<u>722,991</u>
NON-OPERATING ACTIVITIES:						
Occupancy expense in excess of lease payments (Note 2O)	-	-	-	(188,382)	-	(188,382)
TOTAL NON-OPERATING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>(188,382)</u>	<u>-</u>	<u>(188,382)</u>
CHANGE IN NET ASSETS	<u>(117,053)</u>	<u>190,808</u>	<u>73,755</u>	<u>597,321</u>	<u>(62,712)</u>	<u>534,609</u>
NET ASSETS - BEGINNING OF YEAR	<u>2,580,962</u>	<u>680,259</u>	<u>3,261,221</u>	<u>1,983,641</u>	<u>742,971</u>	<u>2,726,612</u>
NET ASSETS - END OF YEAR	<u>\$ 2,463,909</u>	<u>\$ 871,067</u>	<u>\$ 3,334,976</u>	<u>\$ 2,580,962</u>	<u>\$ 680,259</u>	<u>\$ 3,261,221</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, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	Program Services			Supporting Services		Total 2023	Total 2022
	Senior Service Program	Youth Service Program	Total	Management and General	Fundraising		
Salaries (Note 11)	\$ 4,041,953	\$ 5,050,218	\$ 9,092,171	\$ 1,794,122	\$ 160,922	\$ 11,047,215	\$ 9,559,697
Payroll taxes and fringe benefits (Note 9)	987,051	1,041,159	2,028,210	275,396	28,444	2,332,050	2,109,990
Total Personnel Costs	<u>5,029,004</u>	<u>6,091,377</u>	<u>11,120,381</u>	<u>2,069,518</u>	<u>189,366</u>	<u>13,379,265</u>	<u>11,669,687</u>
Consultants (Note 2M)	203,700	292,994	496,694	122,338	36,583	655,615	613,995
Occupancy (Note 6)	608,965	500,014	1,108,979	224,936	29,337	1,363,252	975,435
Communications	68,125	97,988	166,113	40,915	12,235	219,263	210,386
Food	122,432	100,528	222,960	45,223	5,898	274,081	287,856
Supplies/printing	121,800	175,193	296,993	73,151	21,875	392,019	403,898
Travel/transportation	65,850	94,717	160,567	39,548	11,826	211,941	109,325
Client respite and supplemental expense	578,658	-	578,658	-	-	578,658	838,943
Insurance	84,451	102,977	187,428	42,998	-	230,426	288,920
Repairs and maintenance	84,768	121,925	206,693	7,754	15,224	229,671	218,103
Dues and subscriptions	15,642	22,499	38,141	9,395	2,809	50,345	70,738
Advertising expenses (Note 2P)	24,001	34,522	58,523	14,414	4,310	77,247	112,198
Participant expenses	-	-	-	-	-	-	1,758
Depreciation and amortization	95,940	51,843	147,783	119,980	-	267,763	246,919
Lease amortization expense	-	-	-	40,929	-	40,929	-
Bad debt expense	-	-	-	65	-	65	28,207
Other	38,901	55,945	94,846	108,944	6,985	210,775	146,150
TOTAL EXPENSES	<u>\$ 7,142,237</u>	<u>\$ 7,742,522</u>	<u>\$ 14,884,759</u>	<u>\$ 2,960,108</u>	<u>\$ 336,448</u>	<u>\$ 18,181,315</u>	<u>\$ 16,222,518</u>

SUNNYSIDE COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services			Supporting Services		Total 2022
	Senior Service Program	Youth Service Program	Total	Management and General	Fundraising	
Salaries (Note 11)	\$ 3,541,847	\$ 4,591,868	\$ 8,133,715	\$ 1,270,108	\$ 155,874	\$ 9,559,697
Payroll taxes and fringe benefits (Note 9)	896,437	920,864	1,817,301	265,704	26,985	2,109,990
Total Personnel Costs	4,438,284	5,512,732	9,951,016	1,535,812	182,859	11,669,687
Consultants (Note 2M)	190,277	273,719	463,996	114,817	35,182	613,995
Occupancy (Note 6)	411,511	371,758	783,269	164,841	27,325	975,435
Communications	65,199	93,790	158,989	39,342	12,055	210,386
Food	128,585	105,580	234,165	47,496	6,195	287,856
Supplies/printing	125,168	180,058	305,226	75,529	23,143	403,898
Travel/transportation	33,880	48,737	82,617	20,444	6,264	109,325
Client respite and supplemental expense	838,943	-	838,943	-	-	838,943
Insurance	106,091	128,801	234,892	54,028	-	288,920
Repairs and maintenance	67,590	97,230	164,820	40,786	12,497	218,103
Dues and subscriptions	21,922	31,535	53,457	13,228	4,053	70,738
Advertising expenses (Note 2P)	34,770	50,018	84,788	20,981	6,429	112,198
Participant expenses	-	1,758	1,758	-	-	1,758
Depreciation and amortization	88,472	47,807	136,279	110,640	-	246,919
Bad debt expense	-	-	-	28,207	-	28,207
Other	18,233	26,228	44,461	98,318	3,371	146,150
Subtotal	6,568,925	6,969,751	13,538,676	2,364,469	319,373	16,222,518
Add: Adjustments to deferred rent	79,474	71,796	151,270	31,835	5,277	188,382
TOTAL EXPENSES	\$ 6,648,399	\$ 7,041,547	\$ 13,689,946	\$ 2,396,304	\$ 324,650	\$ 16,410,900

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, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 73,755	\$ 534,609
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	65	28,207
Depreciation and amortization	267,763	246,919
Operating lease right-of-use amortization	601,016	-
Finance lease right-of-use amortization	40,929	-
Subtotal	983,528	809,735
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Government grants receivable	311,979	(272,808)
Accounts receivable	72,294	(38,114)
Contributions receivable	100,060	(134,148)
Due from affiliates	(35,626)	-
Prepaid expenses and other assets	(242,459)	(67,563)
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	(644,671)	345,357
Advances payable and deferred revenue	(57,675)	666,304
Deferred rent obligation	(1,808,749)	188,382
Operating lease liability	1,394,979	-
Due to affiliates	(50,054)	(146,781)
Net Cash Provided by Operating Activities	23,606	1,350,364
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(508,216)	(651,623)
Net Cash Used in Investing Activities	(508,216)	(651,623)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bank line of credit	860,000	-
Repayment on borrowings from bank line of credit	(760,000)	(500,000)
Payments on finance lease	(39,764)	-
Net Cash Provided by (Used in) Financing Activities	60,236	(500,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(424,374)	198,741
Cash and cash equivalents- beginning of year	687,133	488,392
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 262,759	\$ 687,133
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 6,533	\$ 4,752

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 12,000 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. ***Cash and cash equivalents*** - Cash and cash equivalents consist of cash and highly liquid investments with maturity dates, when acquired, of three months or less.

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. **Government grants receivable** - Government grants receivable are recorded for expenditures made in accordance with grant agreements.
- E. **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. Accounts receivable at July 1, 2021 was \$67,874.
- F. **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 \$200,188 and \$300,248 as of June 30, 2023 and 2022, respectively, and are due within one year.
- G. **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, 2023 and 2022, Sunnyside determined that an allowance of \$2,161 and \$2,079 was necessary for government grants receivable, no allowance was necessary for accounts receivable and contributions receivable.
- H. **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.
- I. **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.
- J. **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. Government grants and contracts amounted to \$17,136,349 and \$15,121,285 for the years ended June 30, 2023 and 2022, respectively.

Multi-year governmental contracts included under government grants are cancellable by the funder upon its sole discretion. As of June 30, 2023 and 2022, Sunnyside received conditional grants and contracts from government agencies in the aggregate amounts of \$13,235,321 and \$11,192,000, 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, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. **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, 2023 and 2022. 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 for the years ended June 30, 2023 and 2022 consists of revenues for the following programs:

	2023	2022
Youth Service Program	\$ 78,279	\$ 62,975
Senior Service Program	38,477	38,477
	\$ 116,756	\$ 101,452

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

- L. **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.
- M. **Noncash contributions in-kind** - Noncash contributions 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. Sunnyside did not receive any noncash contributions for either of the years ended June 30, 2023 and 2022.
- N. **Rental revenue** - Rental revenue is recognized based on rental agreements signed annually.
- O. **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 prior to the adoption of Financial Accounting Standards Board ("FASB") ASU 2016-02, *Leases*, (Topic 842) as of July 1, 2022 (See Note 2S).
- P. **Advertising expenses** - Advertising costs are charged to operations when incurred. Advertising expenses for the years ended June 30, 2023 and 2022 amounted to \$77,247 and \$112,198, respectively.

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. **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.

R. **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.

S. **Recent accounting pronouncements** – Sunnyside adopted FASB ASU 2016-02, *Leases*, (Topic 842) for the year ended June 30, 2023. The ASU requires organizations that lease assets to recognize the present value of the assets and liabilities for the rights and obligations created by those leases. Sunnyside adopted Topic 842 as of July 1, 2022 as the initial adoption and utilized all of the available practical expedients, which required the recognition of lease assets and liabilities as of that date. As of July 1, 2022, operating and financing lease right-of-use (“ROU”) assets amounted to \$15,285,011 and \$242,269, respectively, and operating and finance lease liabilities amounted to \$17,093,760 and \$242,270, respectively. The adoption of Topic 842 had no effect on the change in net assets as previously reported.

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:

	2023	2022
Cash and cash equivalents	\$ 262,759	\$ 687,133
Accounts receivable, net	33,694	105,988
Contributions receivable	200,188	300,248
Government grants receivable, net	5,133,693	5,445,737
	\$ 5,630,334	\$ 6,539,106

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 two maximum lines of credit totaling \$3.5 million with a financial institution (Note 7B), 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
JUNE 30, 2023 AND 2022

NOTE 4 – GOVERNMENT GRANTS RECEIVABLE

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

	2023	2022
New York City Department for the Aging (“DFTA”)	\$ 1,474,108	\$ 1,691,741
New York City Department of Youth and Community Development (“DYCD”)	1,381,347	1,106,426
New York State Education Department	403,603	434,636
Dormitory Authority of the State of New York (“DASNY”)	32,613	-
New York State Department of Health	773,776	538,992
New York State Office of Children and Family Services	-	333,917
New York City Department of Education	-	342,329
New York City Department of Health and Mental Hygiene	293,036	100,000
New York City Human Resources Administration (“HRA”)	2,079	2,079
New York City Office of Early Childhood Education	177,291	182,553
New York City Department of Design & Construction	265,000	265,000
New York State Department of Labor	-	176,445
Other receivables	326,001	273,698
Sub-total	5,131,854	5,447,816
Allowance for doubtful accounts	(2,161)	(2,079)
Total government grants receivable	\$ 5,133,693	\$ 5,445,737

NOTE 5 – PROPERTY AND EQUIPMENT, NET

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

	2023	2022	Estimated Useful Lives
Leasehold improvements	\$ 4,330,031	\$ 3,914,626	8-15 Years
Furniture and equipment	1,564,029	1,471,218	5 Years
	5,894,060	5,385,844	
Less: accumulated depreciation and amortization	(4,411,685)	(4,143,922)	
Net book value	\$ 1,482,375	\$ 1,241,922	

For the years ended June 30, 2023 and 2022, depreciation and amortization expense amounted to \$267,763 and \$246,919, respectively.

NOTE 6 – LEASES

Sunnyside leases certain office facilities and equipment at various terms under long-term non-cancelable operating lease and finance lease agreements. Sunnyside is obligated under two operating leases for office spaces that expires on June 30, 2043 and December 31, 2036, respectively. Sunnyside also leases various equipment at various lease terms under long-term finance leases, expiring at various dates through 2027.

In addition, Sunnyside subleases a portion of its office space to Home Care under two operating leases, which provide for them to pay as additional rent their pro-rata share of real estate taxes and utilities. One of the leases expires on June 30, 2028 and the other lease expires on December 31, 2024. In the event that government funding is terminated, Home Care may cancel the leases upon giving one month’s notice to Sunnyside.

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 – LEASES (Continued)

As discussed in Note 2S, Sunnyside adopted Topic 842 as of July 1, 2022. Operating leases had no impact to the prior year statement of financial position or its changes in net assets. Comparative information provided in the following paragraphs was determined using the accounting principles in effect as of and the for the year ended June 30, 2022 (i.e., ASC 840). No comparative information is provided for the amounts reported on the statement of financial position as of June 30, 2022 since Sunnyside used the modified retrospective method of transition that does not require restating the prior period.

The operating lease costs for the years ended June 30, 2023 and 2022 were \$1,109,046 and \$680,092, respectively. Total cash paid by Sunnyside in the determination of the lease liability was \$921,798 for the year ended June 30, 2023.

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

Weighted average remaining lease term in years:	
Operating leases	19.55
Finance leases	2.77
Weighted-average discount rate:	
Operating leases	3.32%
Finance leases	3.75%

The operating lease assets and liabilities as of June 30, 2023, totaled \$14,683,994 and \$16,679,989, respectively. The finance lease assets and liabilities as of June 30, 2023, totaled \$201,341 and \$202,506, respectively. The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of June 30, 2023:

	Operating Lease			Finance Lease
	Total Commitments	Sublessor's Share	Sunnyside's Share	Total Commitments
2024	\$ 942,643	\$ 208,707	\$ 733,936	\$ 79,931
2025	966,209	213,925	752,284	76,328
2026	990,364	219,273	771,091	48,521
2027	1,015,123	224,754	790,369	8,370
2028	1,040,501	230,373	810,128	-
Thereafter	<u>18,268,480</u>	<u>-</u>	<u>18,268,480</u>	<u>-</u>
Total minimum lease payments	23,223,320	1,097,032	22,126,288	213,150
Less: amount representing interest	<u>(6,543,331)</u>	<u>(77,050)</u>	<u>(6,466,281)</u>	<u>(10,644)</u>
Operating/finance lease liability	<u>\$ 16,679,989</u>	<u>\$ 1,019,982</u>	<u>\$ 15,660,007</u>	<u>\$ 202,506</u>

NOTE 7 – COMMITMENTS AND CONTINGENCIES

A. *Income Taxes*

Sunnyside believes it has no uncertain tax positions as of June 30, 2023 and 2022 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
JUNE 30, 2023 AND 2022**

NOTE 7 – COMMITMENTS AND CONTINGENCIES (Continued)

B. Line of Credit

Sunnyside has two revolving lines of credit of \$2 million and \$1.5 million with a bank as borrower with Home Care and Citywide as guarantors that matured on December 31, 2023 and March 1, 2024, respectively. The \$1.5 million line of credit expired on March 1, 2024 and was not renewed. The \$2 million line of credit was extended to March 31, 2024 and is currently in the process for full renewal. Interest on the lines were calculated using Bloomberg Short-Term Bank Yield Index Daily Floating Rate plus 2.05% percent points. As of June 30, 2023, the outstanding balance from the lines amounted to \$100,000. As of March 26, 2024, there is no borrowing under the line.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2023 and 2022 are available for the following purposes:

	<u>2023</u>	<u>2022</u>
Senior services	\$ 456,147	\$ 476,384
Youth services	120,636	53,754
Other	<u>294,284</u>	<u>150,121</u>
Total net assets with donor restrictions	<u>\$ 871,067</u>	<u>\$ 680,259</u>

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.

	<u>2023</u>	<u>2022</u>
Senior services	\$ 234,035	\$ 455,957
Youth services	73,118	164,750
Other	<u>210,550</u>	<u>414,292</u>
	<u>\$ 517,703</u>	<u>\$ 1,034,999</u>

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 \$76,991 and \$74,750 for the years ended June 30, 2023 and 2022, respectively.

NOTE 10 – CONCENTRATION

Credit Risk

Cash and cash equivalents 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, 2023 and 2022, there was approximately \$0 and \$288,000, respectively, of cash and cash equivalents held by two banks that exceeded FDIC limits.

Revenue

Sunnyside received grants from various New York City and New York State agencies totaling \$17,136,349 and \$15,121,285, which represented 94% and 89% of total revenues, during the years ended June 30, 2023 and 2022, respectively. Receivables from these New York City and New York State agencies represented 96% and 93%, respectively of total receivables at June 30, 2023 and 2022.

**SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 11 – RELATED-PARTY TRANSACTIONS

As of June 30, 2023 and 2022, Sunnyside owed \$138,236 and \$73,780, respectively, to Citywide. As of June 30, 2023 and 2022, Sunnyside is owed \$35,626 and owes \$114,510, respectively to 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 to Home Care (Note 6). For the years ended June 30, 2023 and 2022, Sunnyside allocated rent and other expenses, as outlined in the table below, to Home Care and Citywide.

	<u>2023</u>	<u>2022</u>
Home Care		
Rent, real estate taxes and utilities expenses	\$ 302,851	\$ 307,040
Salaries, fringe benefits and other expenses	968,460	1,011,019
Citywide		
Rent, real estate taxes and utilities expenses	-	160,654
Salaries, fringe benefits and other expenses	-	445

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, 2023 and 2022, 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 March 26, 2024, the date the financial statements were available to be issued.