

SUNNYSIDE COMMUNITY SERVICES, INC.



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

Years Ended June 30, 2022 and 2021

SUNNYSIDE COMMUNITY SERVICES, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED JUNE 30, 2022 AND 2021

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 statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sunnyside as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on 2021 Financial Statements

The financial statements of Sunnyside as of and for the year ended June 30, 2021, were audited by another auditor whose report dated February 10, 2022, expressed an unmodified opinion on those financial statements.

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.

Mayer Hoffman McCann CPAs

The New York Practice of Mayer Hoffman P.C.
An Independent CPA Firm
685 Third Avenue
New York, NY 10017

Phone: 212.503.8800
Fax: 212.370.3759
mhmcpa.com

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 3, 2023

SUNNYSIDE COMMUNITY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents (Notes 2C and 11)	\$ 687,133	\$ 488,392
Government grants receivable, net (Notes 2D, 2G and 4)	5,445,737	5,201,136
Accounts receivable (Notes 2E and 2G)	105,988	67,874
Contributions receivable (Notes 2F and 2G)	300,248	166,100
Prepaid expenses and other assets	519,920	452,357
Property and equipment, net (Notes 2H and 5)	1,241,922	837,218
TOTAL ASSETS	\$ 8,300,948	\$ 7,213,077
LIABILITIES		
Accounts payable and accrued expenses (Note 5)	\$ 2,376,384	\$ 2,031,025
Advances payable and deferred revenue (Note 2I)	666,304	-
Note payable (Note 7)	-	500,000
Deferred rent obligation (Notes 2O and 8A)	1,808,749	1,620,367
Due to affiliates (Note 12)	188,290	335,073
TOTAL LIABILITIES	5,039,727	4,486,465
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2B)		
Without donor restrictions:		
Invested in property and equipment	1,241,922	837,218
Operations	1,339,040	1,146,423
Total without donor restrictions	2,580,962	1,983,641
With donor restrictions (Notes 2B and 9)	680,259	742,971
TOTAL NET ASSETS	3,261,221	2,726,612
TOTAL LIABILITIES AND NET ASSETS	\$ 8,300,948	\$ 7,213,077

SUNNYSIDE COMMUNITY SERVICES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	For the Year Ended June 30, 2022			For the Year Ended June 30, 2021		
	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 11)	\$ 15,121,285	\$ -	\$ 15,121,285	\$ 11,902,598	\$ -	\$ 11,902,598
Program service fees (Note 2K)	101,452	-	101,452	44,180	-	44,180
Contributions and grants (Note 2L)	713,283	972,287	1,685,570	454,710	1,095,976	1,550,686
Contributions in kind (Note 2M)	-	-	-	13,725	-	13,725
Rental income (Note 2N)	8,215	-	8,215	-	-	-
Paycheck Protection Program grant income (Note 6)	-	-	-	1,970,451	-	1,970,451
Other income	28,987	-	28,987	28,560	-	28,560
Net assets released from restrictions (Notes 2B and 9)	1,034,999	(1,034,999)	-	1,013,056	(1,013,056)	-
TOTAL GOVERNMENT AND OTHER SUPPORT	<u>17,008,221</u>	<u>(62,712)</u>	<u>16,945,509</u>	<u>15,427,280</u>	<u>82,920</u>	<u>15,510,200</u>
OPERATING EXPENSES (Note 2Q):						
Program services						
Senior service program	6,568,925	-	6,568,925	6,208,751	-	6,208,751
Youth service program	6,969,751	-	6,969,751	6,155,234	-	6,155,234
Total program services	<u>13,538,676</u>	<u>-</u>	<u>13,538,676</u>	<u>12,363,985</u>	<u>-</u>	<u>12,363,985</u>
Supporting services						
Management and general	2,364,469	-	2,364,469	2,036,037	-	2,036,037
Fundraising	319,373	-	319,373	286,797	-	286,797
Total supporting services	<u>2,683,842</u>	<u>-</u>	<u>2,683,842</u>	<u>2,322,834</u>	<u>-</u>	<u>2,322,834</u>
TOTAL OPERATING EXPENSES	<u>16,222,518</u>	<u>-</u>	<u>16,222,518</u>	<u>14,686,819</u>	<u>-</u>	<u>14,686,819</u>
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES	<u>785,703</u>	<u>(62,712)</u>	<u>722,991</u>	<u>740,461</u>	<u>82,920</u>	<u>823,381</u>
NON-OPERATING ACTIVITIES:						
Occupancy expense in excess of lease payments (Notes 2O and 8A)	(188,382)	-	(188,382)	(199,930)	-	(199,930)
TOTAL NON-OPERATING ACTIVITIES	<u>(188,382)</u>	<u>-</u>	<u>(188,382)</u>	<u>(199,930)</u>	<u>-</u>	<u>(199,930)</u>
CHANGE IN NET ASSETS	597,321	(62,712)	534,609	540,531	82,920	623,451
NET ASSETS - BEGINNING OF YEAR	1,983,641	742,971	2,726,612	1,443,110	660,051	2,103,161
NET ASSETS - END 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>

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, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	Program Services			Supporting Services		Total 2022	Total 2021
	Senior Service Program	Youth Service Program	Total	Management and General	Fundraising		
Salaries (Note 12)	\$ 3,541,847	\$ 4,591,868	\$ 8,133,715	\$ 1,270,108	\$ 155,874	\$ 9,559,697	\$ 8,912,825
Payroll taxes and fringe benefits (Note 10)	896,437	920,864	1,817,301	265,704	26,985	2,109,990	2,049,461
Total Personnel Costs	<u>4,438,284</u>	<u>5,512,732</u>	<u>9,951,016</u>	<u>1,535,812</u>	<u>182,859</u>	<u>11,669,687</u>	<u>10,962,286</u>
Consultants (Note 2M)	190,277	273,719	463,996	114,817	35,182	613,995	480,278
Occupancy (Note 8A)	411,511	371,758	783,269	164,841	27,325	975,435	804,443
Communications	65,199	93,790	158,989	39,342	12,055	210,386	208,346
Food	128,585	105,580	234,165	47,496	6,195	287,856	122,722
Supplies/printing	125,168	180,058	305,226	75,529	23,143	403,898	353,592
Travel/transportation	33,880	48,737	82,617	20,444	6,264	109,325	49,460
Client respite and supplemental expense	838,943	-	838,943	-	-	838,943	718,251
Insurance	106,091	128,801	234,892	54,028	-	288,920	245,328
Repairs and maintenance	67,590	97,230	164,820	40,786	12,497	218,103	261,233
Dues and subscriptions	21,922	31,535	53,457	13,228	4,053	70,738	53,527
Advertising expenses (Note 2P)	34,770	50,018	84,788	20,981	6,429	112,198	92,601
Participant expenses	-	1,758	1,758	-	-	1,758	4,432
Depreciation and amortization	88,472	47,807	136,279	110,640	-	246,919	164,775
Bad debt expense	-	-	-	28,207	-	28,207	20,001
Other	<u>18,233</u>	<u>26,228</u>	<u>44,461</u>	<u>98,318</u>	<u>3,371</u>	<u>146,150</u>	<u>145,544</u>
Subtotal	6,568,925	6,969,751	13,538,676	2,364,469	319,373	16,222,518	14,686,819
Add: Adjustments to deferred rent	<u>79,474</u>	<u>71,796</u>	<u>151,270</u>	<u>31,835</u>	<u>5,277</u>	<u>188,382</u>	<u>199,930</u>
TOTAL EXPENSES	<u>\$ 6,648,399</u>	<u>\$ 7,041,547</u>	<u>\$ 13,689,946</u>	<u>\$ 2,396,304</u>	<u>\$ 324,650</u>	<u>\$ 16,410,900</u>	<u>\$ 14,886,749</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, 2021

	Program Services			Supporting Services		Total 2021
	Senior Service Program	Youth Service Program	Total	Management and General	Fundraising	
Salaries (Note 12)	\$ 3,596,788	\$ 3,999,653	\$ 7,596,441	\$ 1,166,363	\$ 150,021	\$ 8,912,825
Payroll taxes and fringe benefits (Note 10)	834,939	933,319	1,768,258	250,061	31,142	2,049,461
Total Personnel Costs	4,431,727	4,932,972	9,364,699	1,416,424	181,163	10,962,286
Consultants (Note 2M)	144,289	221,053	365,342	89,092	25,844	480,278
Occupancy (Note 8A)	359,344	295,054	654,398	132,732	17,313	804,443
Communications	61,962	95,964	157,926	38,940	11,480	208,346
Food	54,820	45,012	99,832	20,249	2,641	122,722
Supplies/printing	105,158	162,865	268,023	66,086	19,483	353,592
Travel/transportation	14,710	22,781	37,491	9,244	2,725	49,460
Client respite and supplemental expense	718,251	-	718,251	-	-	718,251
Insurance	86,478	112,998	199,476	45,852	-	245,328
Repairs and maintenance	77,691	120,324	198,015	48,824	14,394	261,233
Dues and subscriptions	15,919	24,655	40,574	10,004	2,949	53,527
Advertising expenses (Note 2P)	27,540	42,652	70,192	17,307	5,102	92,601
Participant expenses	-	4,432	4,432	-	-	4,432
Depreciation and amortization	91,159	43,969	135,128	29,594	53	164,775
Bad debt expense	-	-	-	20,001	-	20,001
Other	19,703	30,503	50,206	91,688	3,650	145,544
Subtotal	6,208,751	6,155,234	12,363,985	2,036,037	286,797	14,686,819
Less: Adjustments to deferred rent	89,309	73,330	162,639	32,989	4,302	199,930
TOTAL EXPENSES	\$ 6,298,060	\$ 6,228,564	\$ 12,526,624	\$ 2,069,026	\$ 291,099	\$ 14,886,749

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, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 534,609	\$ 623,451
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	28,207	20,001
Depreciation and amortization	246,919	164,775
Subtotal	809,735	808,227
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Government grants receivable	(272,808)	(1,236,539)
Accounts receivable	(38,114)	14,206
Contributions receivable	(134,148)	(99,325)
Due from affiliates	-	247,413
Prepaid expenses and other assets	(67,563)	(356,096)
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	345,357	206,663
Advances payable and deferred revenue	666,304	(12,175)
Paycheck Protection Program refundable advance	-	(1,970,451)
Deferred rent obligation	188,382	199,930
Due to affiliates	(146,781)	228,744
Net Cash Provided by (Used in) Operating Activities	1,350,364	(1,969,403)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(651,623)	(114,096)
Net Cash Used in Investing Activities	(651,623)	(114,096)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	-	500,000
Repayment of note payable	(500,000)	-
Net Cash (Used in) Provided by Financing Activities	(500,000)	500,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	198,741	(1,583,499)
Cash and cash equivalents- beginning of year	488,392	2,071,891
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 687,133	\$ 488,392
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 4,752	\$ 5,197

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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, 2022 AND 2021

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.
- 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 \$300,248 and \$166,100 as of June 30, 2022 and 2021, 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, 2022 and 2021, Sunnyside determined that an allowance of \$2,079 and \$15,239 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 \$15,121,285 and \$11,902,598 for the years ended June 30, 2022 and 2021, respectively.

Multi-year governmental contracts included under government grants are cancellable by the funder upon its sole discretion. As of June 30, 2022 and 2021, Sunnyside received conditional grants and contracts from government agencies in the aggregate amounts of \$11,192,000 and \$3,724,900, 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, 2022 AND 2021

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, 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, 2022 and 2021 consists of revenues for the following programs:

	2022	2021
Youth Service Program	\$ 62,975	\$ 36,769
Senior Service Program	38,477	7,411
	\$ 101,452	\$ 44,180

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. **Donated services** - 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. For the years ended June 30, 2022 and 2021, Sunnyside received donated services of \$0 and \$13,725, respectively, and is reflected as donated services and consultant expenses in the accompanying financials statements. Donated services recognized comprise of pro bono legal services from attorneys providing Sunnyside with various trainings. These services are valued and reported at the estimated fair value in the financial statements based on current rates for similar legal services. The contributed services are utilized for general operations.
- 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.
- P. **Advertising expenses** - Advertising costs are charged to operations when incurred. Advertising expenses for the years ended June 30, 2022 and 2021 amounted to \$112,198 and \$92,601, respectively.

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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.

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 687,133	\$ 488,392
Accounts receivable, net	105,988	67,874
Contributions receivable	300,248	166,100
Government grants receivable, net	<u>5,445,737</u>	<u>5,201,136</u>
	<u>\$ 6,539,106</u>	<u>\$ 5,923,502</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 8C), 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, 2022 AND 2021

NOTE 4 – GOVERNMENT GRANTS RECEIVABLE

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

	<u>2022</u>	<u>2021</u>
New York City Department for the Aging (“DFTA”)	\$ 1,691,741	\$ 1,282,999
New York City Department of Youth and Community Development (“DYCD”)	1,106,426	1,218,363
New York State Education Department	434,636	1,095,482
Dormitory Authority of the State of New York (“DASNY”)	-	550,000
New York State Department of Health	538,992	650,113
New York State Office of Children and Family Services	333,917	105,369
New York City Department of Information Technology and Communications	-	175,685
New York City Department of Education	342,329	-
New York City Department of Health and Mental Hygiene	100,000	17,783
New York City Human Resources Administration (“HRA”)	2,079	2,079
New York City Office of Early Childhood Education	182,553	-
New York City Department of Design & Construction	265,000	-
New York State Department of Labor	176,445	-
Other receivables	<u>273,698</u>	<u>118,502</u>
Sub-total	5,447,816	5,216,375
Allowance for doubtful accounts	<u>(2,079)</u>	<u>(15,239)</u>
Total government grants receivable	<u>\$ 5,445,737</u>	<u>\$ 5,201,136</u>

NOTE 5 – PROPERTY AND EQUIPMENT, NET

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

	<u>2022</u>	<u>2021</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 3,914,626	\$ 3,634,591	8-15 Years
Furniture and equipment	<u>1,471,218</u>	<u>1,099,630</u>	5 Years
	5,385,844	4,734,221	
Less: accumulated depreciation and amortization	<u>(4,143,922)</u>	<u>(3,897,003)</u>	
Net book value	<u>\$ 1,241,922</u>	<u>\$ 837,218</u>	

For the years ended June 30, 2022 and 2021, depreciation and amortization expense amounted to \$246,919 and \$164,775, 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, 2022 and 2021 amounted to \$4,752. As of June 30, 2022 and 2021, the capital lease obligation amounted to \$0 and \$17,250, respectively, and is included in accounts payable and accrued expenses in the accompanying statements of financial position.

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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 Security 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 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 refundable advance as the conditions were not met. For the year ended June 30, 2021, Sunnyside met the conditions and recognized a contribution of \$1,970,451 in the accompanying statement of activities. Sunnyside received full forgiveness on the loan on July 26, 2021.

NOTE 7 – NOTE PAYABLE

In November 2020, Sunnyside obtained an unsecured business loan in the amount of \$500,000 from the Nonprofit Finance Fund. The loan is interest free and matures on November 1, 2021. The loan was fully repaid on October 29, 2021.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. *Lease Commitments*

Sunnyside is obligated under an operating lease for its office space that expires on June 30, 2043. On November 3, 2021, Sunnyside entered into a new lease as an extension to the existing office space at a separate location. The lease agreement is between Sunnyside and 52-41 Center LLC, a New York limited liability company. Rent credits and charges are accounted for on a straight-line basis over the life of the lease, which gives rise to a timing difference that is reflected as deferred rent obligation in the accompanying statements of financial position, amounting to \$1,808,749 and \$1,620,367 as of June 30, 2022 and 2021, 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, 2022, and were subsequently renewed until June 30, 2028. The other lease expires on December 31, 2024. 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, 2022 and 2021 amounted to \$680,092 and \$595,548, respectively.

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

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

	<u>Total Commitments</u>	<u>Sublessors Share</u>	<u>Sunnyside's Share</u>
2023	\$ 1,124,000	\$ 214,000	\$ 910,000
2024	1,152,000	219,000	933,000
2025	1,180,000	219,000	961,000
2026	1,210,000	220,000	990,000
2027	1,240,000	225,000	1,015,000
Thereafter	<u>19,538,000</u>	<u>230,000</u>	<u>19,308,000</u>
Total	<u>\$ 25,444,000</u>	<u>\$ 1,327,000</u>	<u>\$ 24,117,000</u>

B. *Income Taxes*

Sunnyside believes it has no uncertain tax positions as of June 30, 2022 and 2021 in accordance with ASC Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

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 December 31, 2022. Interest on this line is calculated using the Bloomberg Short-term Bank Yield Daily Floating Rate plus 2.05% percent points. As of June 30, 2022, there is no outstanding balance on this line. As of March 3, 2023, there is no borrowing under this line.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2022 and 2021 are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Senior services	\$ 476,384	\$ 548,303
Youth services	53,754	98,504
Other	<u>150,121</u>	<u>96,164</u>
Total net assets with donor restrictions	<u>\$ 680,259</u>	<u>\$ 742,971</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>2022</u>	<u>2021</u>
Senior services	\$ 455,957	\$ 486,258
Youth services	164,750	241,551
Other	<u>414,292</u>	<u>285,247</u>
	<u>\$ 1,034,999</u>	<u>\$ 1,013,056</u>

**SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 10 – 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 \$74,750 and \$61,996 for the years ended June 30, 2022 and 2021, respectively.

NOTE 11 – 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, 2022 and 2021, there was approximately \$288,000 and \$178,000, 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 \$15,121,285 and \$11,902,598, which represented 89% and 77% of total revenues, during the years ended June 30, 2022 and 2021, respectively. 93% and 96% of total receivables at June 30, 2022 and 2021 are related to these grants.

NOTE 12 – RELATED-PARTY TRANSACTIONS

As of June 30, 2022 and 2021, Sunnyside owed \$73,780 and \$80,495, respectively, to Citywide. As of June 30, 2022 and 2021, Sunnyside owed Home Care \$114,510 and \$254,577, respectively. 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 8) to Home Care and Citywide. For the years ended June 30, 2022 and 2021, Sunnyside allocated rent and other expenses, as outlined in the table below, to Home Care and Citywide.

	<u>2022</u>	<u>2021</u>
Home Care		
Rent, real estate taxes and utilities expenses	\$ 307,040	\$ 345,299
Salaries, fringe benefits and other expenses	1,011,019	1,250,725
Citywide		
Rent, real estate taxes and utilities expenses	160,654	136,068
Salaries, fringe benefits and other expenses	445	288

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, 2022 and 2021, there were no transactions between Sunnyside and Woodysun and no balances were outstanding. Woodysun is not controlled by Sunnyside.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through March 3, 2023, the date the financial statements were available to be issued.