



**RESOURCES FOR CHILDREN WITH SPECIAL NEEDS, INC.
d/b/a INCLUDEnyc**

Audited Financial Statements

December 31, 2020
and
December 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Resources for Children with Special Needs, Inc.
d/b/a INCLUDEnyc

Report on the Financial Statements

We have audited the accompanying financial statements of Resources for Children with Special Needs, Inc. d/b/a INCLUDEnyc (the "Organization"), which comprise the statements of financial position as of December 31, 2020 and December 31, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Resources for Children with Special Needs, Inc. d/b/a INCLUDEnyc as of December 31, 2020 and December 31, 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.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

April 14, 2021

RESOURCES FOR CHILDREN WITH SPECIAL NEEDS, INC.
d/b/a INCLUDEnyc
STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31, 2020 AND 2019

	<u>12/31/20</u>	<u>12/31/19</u>
Assets		
Cash and cash equivalents	\$1,332,069	\$331,845
Government grants receivable	924,950	1,178,870
Contributions receivable	306,560	266,679
Investments (Note 3)	1,139,894	1,061,470
Security deposit and prepaid expenses	49,271	60,690
Fixed assets, net of accumulated depreciation (Note 4)	<u>20,968</u>	<u>15,282</u>
 Total assets	 <u><u>\$3,773,712</u></u>	 <u><u>\$2,914,836</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses (Note 8)	\$178,909	\$115,192
Paycheck Protection Program loan (Note 5)	478,682	0
Deferred rent	15,928	27,285
Total liabilities	<u>673,519</u>	<u>142,477</u>
Net assets:		
Without donor restrictions	<u>2,743,899</u>	<u>2,018,284</u>
With donor restrictions:		
For future programs and time periods (Note 6)	150,000	557,667
Donor restricted endowment (Notes 6 and 7)	<u>206,294</u>	<u>196,408</u>
Total net assets with donor restrictions	<u>356,294</u>	<u>754,075</u>
Total net assets	<u>3,100,193</u>	<u>2,772,359</u>
 Total liabilities and net assets	 <u><u>\$3,773,712</u></u>	 <u><u>\$2,914,836</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

RESOURCES FOR CHILDREN WITH SPECIAL NEEDS, INC.
d/b/a INCLUDEnyc
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>12/31/20</u>	<u>12/31/19</u>
Changes in net assets without donor restrictions:		
Support and revenue:		
Government grants	\$3,135,536	\$2,219,688
Foundation contributions	959,334	326,500
Individual donations	339,468	297,854
In-kind contributions (Note 9)	18,233	49,255
Program service revenue	37,934	63,735
Special events proceeds (net of expenses with a direct benefit to donor) (Note 10)	0	162,754
Interest income	16,658	25,068
Net assets released from restrictions (Note 6)	557,667	486,833
Total support and revenue without donor restrictions	<u>5,064,830</u>	<u>3,631,687</u>
Expenses:		
Program services	3,455,346	2,548,848
Management and general	592,454	445,817
Fundraising	318,455	378,161
Total expenses	<u>4,366,255</u>	<u>3,372,826</u>
Net increase in net assets without donor restrictions from operations	<u>698,575</u>	<u>258,861</u>
Non-operating activities:		
Realized and unrealized gain on investments	27,040	83,089
Total non-operating activities	<u>27,040</u>	<u>83,089</u>
Net increase in net assets without donor restrictions	<u>725,615</u>	<u>341,950</u>
Changes in net assets with donor restrictions:		
Foundation contributions	150,000	776,000
Interest income	3,747	6,003
Realized and unrealized gain on investments	6,139	19,970
Net assets released from restrictions	<u>(557,667)</u>	<u>(486,833)</u>
Net (decrease)/increase in net assets with donor restrictions	<u>(397,781)</u>	<u>315,140</u>
Net increase in total net assets	327,834	657,090
Net assets - beginning of year	<u>2,772,359</u>	<u>2,115,269</u>
Net assets - end of year	<u><u>\$3,100,193</u></u>	<u><u>\$2,772,359</u></u>

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RESOURCES FOR CHILDREN WITH SPECIAL NEEDS, INC.
d/b/a INCLUDEnyc
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	December 31, 2020				December 31, 2019			
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$2,316,732	\$313,935	\$203,257	\$2,833,924	\$1,600,238	\$228,985	\$224,761	\$2,053,984
Payroll taxes and benefits (Note 11)	524,389	71,058	46,007	641,454	351,142	50,246	49,320	450,708
Total personnel services	<u>2,841,121</u>	<u>384,993</u>	<u>249,264</u>	<u>3,475,378</u>	<u>1,951,380</u>	<u>279,231</u>	<u>274,081</u>	<u>2,504,692</u>
Printing, design and promotion	10,192	316	10,879	21,387	29,827	1,615	17,949	49,391
Occupancy	246,739	33,435	21,648	301,822	200,834	28,739	28,208	257,781
Sub-contractors	60,092			60,092	71,983			71,983
Professional fees and consultants (including in-kind) (Note 9)	106,374	105,362	12,468	224,204	62,675	69,225	21,862	153,762
Postage, delivery and fulfillment	1,926	611	2,320	4,857	3,353	731	2,728	6,812
Equipment lease and rentals	21,217	2,308	1,439	24,964	39,285	4,831	5,229	49,345
Credit card processing fees		2,084		2,084		4,109		4,109
Dues and membership fees	2,856	1,176	760	4,792	766	1,112	657	2,535
Insurance	7,324	4,881	443	12,648	7,629	4,506	896	13,031
Office supplies and website	70,793	32,760	13,504	117,057	45,403	36,691	15,233	97,327
Program supplies (including in-kind) (Note 9)	5,687			5,687	40,688			40,688
Space rentals	13,976			13,976	13,052			13,052
Telephone and communications	42,409	5,746	3,721	51,876	29,007	4,151	4,074	37,232
Travel, conferences and meetings	13,846	1,087	1,062	15,995	45,131	7,200	699	53,030
Special event expenses (Note 10)				0			43,258	43,258
Bad debt expense		16,232		16,232		2,555		2,555
Depreciation	10,794	1,463	947	13,204	7,835	1,121	1,100	10,056
Total expenses	<u>3,455,346</u>	<u>592,454</u>	<u>318,455</u>	<u>4,366,255</u>	<u>2,548,848</u>	<u>445,817</u>	<u>415,974</u>	<u>3,410,639</u>
Less: direct special event expenses netted with revenue (Note 10)				<u>0</u>			<u>(37,813)</u>	<u>(37,813)</u>
Total expenses for statement of activities	<u><u>\$3,455,346</u></u>	<u><u>\$592,454</u></u>	<u><u>\$318,455</u></u>	<u><u>\$4,366,255</u></u>	<u><u>\$2,548,848</u></u>	<u><u>\$445,817</u></u>	<u><u>\$378,161</u></u>	<u><u>\$3,372,826</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

RESOURCES FOR CHILDREN WITH SPECIAL NEEDS, INC.
d/b/a INCLUDEnyc
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>12/31/20</u>	<u>12/31/19</u>
Cash flows from operating activities:		
Change in net assets	\$327,834	\$657,090
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation	13,204	10,056
Realized and unrealized gain on investments	(33,179)	(103,059)
Contribution restricted for equipment	(15,000)	(10,000)
Changes in assets and liabilities:		
Government grants receivable	253,920	(458,246)
Contributions receivable	(39,881)	(124,388)
Security deposit and prepaid expenses	11,419	(15,102)
Accounts payable and accrued expenses	63,717	(14,579)
Deferred rent	(11,357)	(8,033)
Total adjustments	<u>242,843</u>	<u>(723,351)</u>
Net cash provided by/(used for) operating activities	<u>570,677</u>	<u>(66,261)</u>
Cash flows from investing activities:		
Purchase of fixed assets	(18,890)	0
Proceeds from sale of investments	150,000	0
Purchase of investments	(195,245)	(78,867)
Net cash used for investing activities	<u>(64,135)</u>	<u>(78,867)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	478,682	0
Contribution restricted for equipment	15,000	10,000
Net cash provided by financing activities	<u>493,682</u>	<u>10,000</u>
Net increase/(decrease) in cash and cash equivalents	1,000,224	(135,128)
Cash and cash equivalents - beginning of year	<u>331,845</u>	<u>466,973</u>
Cash and cash equivalents - end of year	<u><u>\$1,332,069</u></u>	<u><u>\$331,845</u></u>
Supplemental disclosure:		
Interest & taxes paid	<u><u>\$0</u></u>	<u><u>\$0</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

RESOURCES FOR CHILDREN WITH SPECIAL NEEDS, INC.
d/b/a INCLUDEnyc
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 1 - Organization

Resources for Children with Special Needs, Inc. d/b/a INCLUDEnyc (the “Organization”) was organized in New York on September 25, 1981 as a non-profit corporation, commencing services in 1983. The Organization’s mission is to promote positive futures and enhance quality of life for young people with disabilities in New York City, ages birth through 26, and their families. The Organization empowers families of young people with any disability with the knowledge, confidence, and skills to make informed decisions, effectively access and navigate systems and services, and to advocate for themselves and other young people with disabilities and their families. The Organization supports educators, youth workers, and other professionals to partner with families for successful, person-centered services, and promotes a family voice in the policy process.

The Organization has been notified by the Internal Revenue Service that it is a not-for-profit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting and Revenue Recognition

The financial statements have been prepared on the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation

The Organization reports information regarding their financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represents those resources for which there are no restrictions by donors as to their use. In previous years, the board designated a portion of net assets to the endowment to be retained for future appropriation. As the funds are internally designated, they are reflected on the financial statements as without donor restrictions.
- *Net Assets With Donor Restrictions* – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

c. Revenue Recognition

The Organization follows ASU 2018-08 (“Topic 605”) for recording contributions. Contributions are recorded at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in one of the classes of net assets described above, depending on the existence and/or nature of any donor-imposed restriction. 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. If donor restricted contributions are satisfied in the same period they are received, they are classified as without donor restrictions.

The Organization records unconditional promises to give as revenue in the period received at net realizable value if expected to be received within one year or at fair value using risk adjusted present value techniques if material and expected to be received after one year. As of December 31, 2020 and 2019, all unconditional promises to give are due within one year.

Government grants received by the Organization are conditional, non-exchange transactions and fall under Topic 605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Payments received in advance of conditions being met are recorded as deferred revenue.

Government grants may be subject to conditions which are defined under ASU No. 2018-08 as both a barrier to entitlement and a right of return of payments, or release from obligations, and are recognized as income once the conditions have been substantially met. As of December 31, 2020, conditional grants that have not been recognized amounted to \$1,952,091, of which \$1,865,716 is conditioned upon qualifying expenses and \$86,375 is conditioned upon conducting programmatic activity. As of December 31, 2019, conditional grants that have not been recognized amounted to \$2,271,962, of which \$2,184,024 is conditioned upon qualifying expenses and \$87,938 is conditioned upon conducting programmatic activity.

Program service revenue falls under Topic 606 and is recognized as the performance obligation is satisfied over the service period. Payments received in advance of performing services are recorded as deferred income and will be recognized as income in the period earned. Fees that have yet to be collected at year end are reflected as receivables.

Management has not established a reserve for uncollectible government grants and contributions receivables because all receivables are considered to be fully collectible based on specific analysis and historical experience. Write-offs, if any, will be recorded as expenses in the year they are deemed to be uncollectible.

d. Cash and Cash Equivalents

The Organization considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents, which includes cash held in banks and money market funds other than those held by the investment manager.

e. Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist of cash, money market accounts and investment securities which have been placed with high-quality financial institutions that management deems to be creditworthy. Investments are subject to market value fluctuations and principal is not guaranteed. At times, balances may exceed federally insured limits. While at year end there were material uninsured balances, management feels they have little risk and has not experienced any losses due to bank failure.

f. Capitalization Policies

Items of property and equipment and leasehold improvements that have a long-term benefit and exceed certain predetermined levels are recorded at cost. Routine maintenance and repair costs that do not materially extend the estimated useful lives of property and equipment are expensed as incurred.

g. Investments

Investments are recorded at fair value, which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Unrealized gains and losses are included as non-operating income. The Organization did not incur any investment fees during the years ended December 31, 2020 and December 31, 2019.

Donated securities are recorded at fair value on the date of the gift and, except as otherwise required by the donor, are immediately sold by the Organization. Since it is the Organization's policy to sell the donated securities upon receipt, the contributions are classified as operating activities in the statements of cash flows unless the donor restricts the use of the contributed resources to long-term purposes, in which case those cash receipts are classified as cash flows from financing activities. The Organization received donated stock of \$24,994 and \$12,886 during the years ended December 31, 2020 and 2019, respectively.

h. Deferred Rent

The Organization recognizes rent expense evenly over the life of the lease using the straight-line method and records deferred rent for the cumulative amount that expenses exceed actual payments. In the latter stages of the lease, deferred rent will be reduced as the amounts of payments exceed the expense recorded.

i. In-Kind Services

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind. See Note 9 for further details.

The Organization pays for most services requiring specific expertise. Board members and other individuals volunteer their time and perform a variety of services that assist the Organization. These services do not meet the criteria of in-kind services and have not been recorded in the financial statements.

j. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

k. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

The following expenses were allocated using time and effort as the basis:

- Salaries

The following expenses were allocated using salaries as the basis:

- Payroll taxes and benefits
- Occupancy
- Professional fees and consultants – IT and cleaning services
- Equipment lease and rentals
- Telephone and communications
- Depreciation

All other expenses have been charged directly to the applicable program or supporting services.

l. Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for years ended December 31, 2017 and later are subject to examination by applicable taxing authorities.

m. New Accounting Pronouncements

FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the December 31, 2022 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional disclosures.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the December 31, 2022 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

Management is in the process of evaluating the impact these standards will have on future financial statements.

Note 3 - Investments

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The following summarizes the composition of investments:

	<u>December 31, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$14,168	\$0	\$0	\$14,168
Mutual funds – equities	385,353	0	0	385,353
Mutual funds – bonds	311,656	0	0	311,656
Exchange traded funds	<u>407,104</u>	<u>0</u>	<u>0</u>	<u>407,104</u>
Total	<u>\$1,118,281</u>	<u>\$0</u>	<u>\$0</u>	\$1,118,281
Money markets and other cash equivalents				<u>21,613</u>
Total investments				<u>\$1,139,894</u>

	<u>December 31, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds – equities	\$398,420	\$0	\$0	\$398,420
Mutual funds – bonds	362,986	0	0	362,986
Exchange traded funds	<u>296,134</u>	<u>0</u>	<u>0</u>	<u>296,134</u>
Total	<u>\$1,057,540</u>	<u>\$0</u>	<u>\$0</u>	\$1,057,540
Money markets and other cash equivalents				<u>3,930</u>
Total investments				<u>\$1,061,470</u>

Level 1 securities are valued at the closing price reported on the active market that they are traded on.

Note 4 - Fixed Assets

Fixed assets consist of the following:

	<u>12/31/20</u>	<u>12/31/19</u>
Equipment	\$104,084	\$85,194
Leasehold improvements	<u>39,019</u>	<u>39,019</u>
	143,103	124,213
Less: accumulated depreciation	<u>(122,135)</u>	<u>(108,931)</u>
Total	<u>\$20,968</u>	<u>\$15,282</u>

Note 5 - Paycheck Protection Program Loan

During the year ended December 31, 2020, the Organization obtained a loan from the SBA in the amount of \$478,682 through the Paycheck Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during periods subsequent to receipt of the loan funds that are greater than predetermined historical periods, that the loan, or a portion thereof, will be forgiven. Portions that are not forgiven will be payable over a two-year period, with a ten-month deferral of payments and interest will accrue at 0.98%.

The Organization has opted to treat the Paycheck Protection Program proceeds as a loan payable in accordance with FASB ASC 470. Under this treatment, the proceeds from the loan will remain as a liability until either the loan is forgiven by the SBA or the Organization pays it off.

Note 6 - Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions:

	<u>December 31, 2020</u>			
	Balance	<u>Increases/</u>	Released	Balance
	<u>1/1/20</u>	<u>(Decreases)</u>	from	<u>12/31/20</u>
			<u>Restrictions</u>	
Programs:				
Equipment	\$10,000	\$15,000	(\$10,000)	\$15,000
Youth Services	100,000	50,000	(100,000)	50,000
Parent and Family Services	10,000	10,000	(10,000)	10,000
Project Possibility	<u>260,000</u>	<u>50,000</u>	<u>(260,000)</u>	<u>50,000</u>
Total program restricted	380,000	125,000	(380,000)	125,000
Time restricted	<u>177,667</u>	<u>25,000</u>	<u>(177,667)</u>	<u>25,000</u>
Total restricted contributions	557,667	150,000	(557,667)	150,000
Endowment fund	<u>196,408</u>	<u>9,886</u>	<u>0</u>	<u>206,294</u>
Total restrictions	<u>\$754,075</u>	<u>\$159,886</u>	<u>(\$557,667)</u>	<u>\$356,294</u>

	December 31, 2019			
	Balance <u>1/1/19</u>	<u>Increases/ (Decreases)</u>	Released from <u>Restrictions</u>	Balance <u>12/31/19</u>
Programs:				
Equipment	\$10,000	\$10,000	(\$10,000)	\$10,000
Youth Services	135,000	100,000	(135,000)	100,000
Parent and Family Services	10,000	10,000	(10,000)	10,000
Project Possibility	<u>113,500</u>	<u>445,000</u>	<u>(298,500)</u>	<u>260,000</u>
Total program restricted	268,500	565,000	(453,500)	380,000
Time restricted	<u>0</u>	<u>211,000</u>	<u>(33,333)</u>	<u>177,667</u>
Total restricted contributions	268,500	776,000	(486,833)	557,667
Endowment fund	<u>170,435</u>	<u>25,973</u>	<u>0</u>	<u>196,408</u>
Total restrictions	<u>\$438,935</u>	<u>\$801,973</u>	<u>(\$486,833)</u>	<u>\$754,075</u>

Note 7 - Endowment

The endowment includes donations totaling \$101,007 that were restricted by donors to be held in perpetuity and investments designated by the Board of Directors to be retained for future appropriation. The Organization has elected to pool this with investments that are part of its board designated net assets.

Interpretation of Relevant Law

The Organization follows New York Prudent Management of Institutional Funds Act ("NYPMIFA"), which the Board of Directors has interpreted as requiring certain amounts to be retained permanently. Absent explicit donor stipulations to the contrary, the fair value of the original gift will be preserved as of the gift date of all donor-restricted endowment funds. However, under certain circumstances, the fair value of the original gift can be appropriated in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, the Organization classifies as endowment corpus (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the donor's intention.

When endowment funds have earnings in excess of amounts that need to be retained as part of the corpus, their earnings are restricted until the board appropriates for expenditure; therefore, they have been classified in the class of net assets with donor restrictions.

Spending Policies

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources available;
- (7) The investment policies;
- (8) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Organization.

There is no formal spending policy, and interest, dividends and other market value gains are being accumulated for future appropriation, if deemed prudent and necessary.

Changes in endowment net assets are as follows:

	December 31, 2020			<u>Total</u>
	<u>Board Designated</u>	<u>Donor Restricted Earnings</u>	<u>Donor Restricted Corpus</u>	
Endowment net assets, beginning of year	\$865,062	\$95,401	\$101,007	\$1,061,470
Interest and dividend income	16,503	3,747	0	20,250
Donated stock/transfers in	24,995	0	0	24,995
Net gain on investments	<u>27,040</u>	<u>6,139</u>	<u>0</u>	<u>33,179</u>
Endowment net assets, end of year	<u>\$933,600</u>	<u>\$105,287</u>	<u>\$101,007</u>	<u>\$1,139,894</u>
	December 31, 2019			
	<u>Board Designated</u>	<u>Donor Restricted Earnings</u>	<u>Donor Restricted Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$709,109	\$69,428	\$101,007	\$879,544
Interest and dividend income	24,978	6,003	0	30,981
Donated stock/transfers in	47,886	0	0	47,886
Net gain on investments	<u>83,089</u>	<u>19,970</u>	<u>0</u>	<u>103,059</u>
Endowment net assets, end of year	<u>\$865,062</u>	<u>\$95,401</u>	<u>\$101,007</u>	<u>\$1,061,470</u>

Endowment Investment Policies

The investment policy for endowment assets is consistent with the investment policy of investments without donor restrictions. A total return strategy is used, and investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A diversified asset allocation strategy is used that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires to be retained as a fund of perpetual duration. There were no such deficiencies as of December 31, 2020 or 2019.

Note 8 - Commitments and Contingencies

The Organization leases its main office space under a non-cancelable lease for specified base rents plus certain escalations including real estate taxes. The lease covers the period of February 2012 through January 2022. During the year ended December 31, 2019, the Organization entered into a sub-lease for additional space. The sublease covers the period of November 2019 through January 2022.

Rent expense was \$288,272 and \$240,930 for the years ended December 31, 2020 and 2019, respectively.

Minimum future obligations are as follows:

Year ending:	December 31, 2021	\$248,377
	December 31, 2022	<u>20,825</u>
Total		<u>\$269,202</u>

The Organization has access to a business revolving line of credit that has a maximum amount of \$100,000 with interest payable at prime plus 1%. There were no outstanding amounts due on the line of credit at December 31, 2020 and December 31, 2019.

The Coronavirus, Aid, Relief and Economic Security Act (CARES Act) allows employers to defer payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. The Organization began deferring the employer portion of social security taxes in the middle of June 2020. As of December 31, 2020, the deferred balance amounted to \$94,764, which is included in accounts payable and accrued expenses on the statement of financial position.

Note 9 - In-Kind Contributions

The following summarizes the in-kind contributions recognized:

	<u>December 31, 2020</u>			
	<u>Total</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>
Professional fees and consultants	<u>\$18,233</u>	<u>\$0</u>	<u>\$18,233</u>	<u>\$0</u>
Total	<u>\$18,233</u>	<u>\$0</u>	<u>\$18,233</u>	<u>\$0</u>

	<u>December 31, 2019</u>			
	<u>Total</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>
Professional fees and consultants	\$16,855	\$0	\$16,855	\$0
Program supplies	<u>32,400</u>	<u>32,400</u>	<u>0</u>	<u>0</u>
Total	<u>\$49,255</u>	<u>\$32,400</u>	<u>\$16,855</u>	<u>\$0</u>

In-kind gifts used for fundraising events, where the donor received a direct benefit, amounted to \$6,457 during the year ended December 31, 2019. There were no in-kind gifts used for fundraising events during the year ended December 31, 2020.

Note 10 - Special Event

The Organization typically holds an annual gala; however, there was no gala held during the year ended December 31, 2020 due to the coronavirus pandemic.

A summary of the special event activity from the annual gala held during the year ended December 31, 2019 is as follows:

	<u>12/31/19</u>
Gross revenue (including in-kind of \$6,457)	\$200,567
Less: expenses with a direct benefit to donor (including in-kind of \$6,457)	<u>(37,813)</u>
	162,754
Less: other event expenses	<u>(5,445)</u>
Net revenue from event	<u>\$157,309</u>

Note 11 - Retirement Plan

The Organization maintains two tax deferred 403(b) retirement plans. Under the first plan, all employees may participate by designating a percentage of their salaries, subject to regulatory limits, to be contributed to the plan on a pre-tax basis. No employer contributions are made to the plan. The second plan, which became effective on January 1, 2015, also allows all employees to participate by designating a percentage of their salaries, subject to regulatory limits, to be contributed to the plan on a pre-tax basis. The employer matches contributions to the plan up to 2%. The Organization contributed approximately \$39,000 and \$30,000 towards this plan during the years ended December 31, 2020 and 2019, respectively.

Note 12 - Liquidity and Availability of Financial Resources

The Organization maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management, the Organization operates its programs within a board approved budget and relies on grants, contributions, and earned income to fund its operations and program activities.

The following reflects the Organization's financial assets that are available to meet cash needs for general expenditures within one year:

	<u>12/31/20</u>	<u>12/31/19</u>
Financial assets at year-end:		
Cash and cash equivalents	\$1,332,069	\$331,845
Grants and contributions receivable due within one year	1,231,510	1,445,549
Investments	<u>1,139,894</u>	<u>1,061,470</u>
Total financial assets	3,703,473	2,838,864
Less amounts not available for general expenditures:		
Donor restricted endowment	(206,294)	(196,408)
Donor contributions restricted to specific purposes	<u>(125,000)</u>	<u>(380,000)</u>
Total amounts not available for general expenditures	<u>(331,294)</u>	<u>(576,408)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$3,372,179</u>	<u>\$2,262,456</u>

The Organization's donor restricted endowment funds are held for long-term purposes; therefore, these assets are not considered available for general expenditures until they are appropriated for spending. Board designated funds are available for operating expenses as needed and are considered available for general expenditures. In addition, the Organization also has a revolving line of credit of \$100,000 which it could draw upon to help manage unanticipated liquidity needs.

Note 13. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statements of financial position through April 14, 2021, the date the financial statements were available to be issued. All events that have occurred subsequent to the statements of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements have been made.

Note 14. Other Matters

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. It is unknown how long these conditions will last and what the complete financial effect will be. Management continues to monitor the outbreak; however, as of the date of these financial statements, the potential impact cannot be quantified.