

**OSSINING CHILDREN'S CENTER, INC.**

**FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT**

**JUNE 30, 2020**



**Skody Scot & Company, CPAs, P.C.**

**OSSINING CHILDREN'S CENTER, INC.**

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## INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of  
Ossining Children's Center, Inc.

We have audited the accompanying financial statements of Ossining Children's Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, expenses by function and natural classification, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Ossining Children's Center, Inc. as of June 30, 2020, 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.

*Skody Scot & Company, CPAs, P.C.*

New York, NY  
October 16, 2020

**OSSINING CHILDREN'S CENTER, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2020**

**ASSETS**

Cash and cash equivalents	\$ 6,444,750
Investments	1,862,136
Contributions receivable, net	4,657,485
Prepaid expenses	52,051
Property and equipment, net	14,292,024
Security deposits	2,925
Endowment:	
Investments	502,542
Total assets	\$27,813,913

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable and accrued expenses	\$ 99,484
Construction payable	2,246,859
Construction retainage	1,015,357
Refundable advance	10,000
Loans payable	8,223,865
Total liabilities	11,595,565
Commitments and contingencies (see notes)	
Net Assets:	
Without donor restrictions	7,935,743
With donor restrictions	8,282,605
Total net assets	16,218,348
Total liabilities and net assets	\$27,813,913

**See accompanying notes to the financial statements.**

**OSSINING CHILDREN'S CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues:			
Contributions	\$ 298,005	\$ 1,109,982	\$ 1,407,987
Government grants	1,634,080	125,000	1,759,080
Program service revenue	449,944	-	449,944
Special events:			
Event revenue	191,881	-	191,881
Less: direct benefits	(16,212)	-	(16,212)
Net special event income	175,669	-	175,669
Investment return	105,797	30,714	136,511
Net assets released from restriction:			
Satisfaction of purpose restrictions	2,028,286	(2,028,286)	-
Expiration of time restrictions	2,724,929	(2,724,929)	-
Total support and revenues	<u>7,416,710</u>	<u>(3,487,519)</u>	<u>3,929,191</u>
Expenses:			
Program services	1,995,323	-	1,995,323
Management and general	659,976	-	659,976
Fundraising	171,972	-	171,972
Total expenses	<u>2,827,271</u>	<u>-</u>	<u>2,827,271</u>
Increase/(Decrease) in net assets	4,589,439	(3,487,519)	1,101,920
Net assets, beginning of year - restated	<u>3,346,304</u>	<u>11,770,124</u>	<u>15,116,428</u>
Net assets, end of year	<u>\$ 7,935,743</u>	<u>\$ 8,282,605</u>	<u>\$ 16,218,348</u>

**See accompanying notes to the financial statements.**

**OSSINING CHILDREN'S CENTER, INC.  
STATEMENT OF EXPENSES BY FUNCTION  
AND NATURAL CLASSIFICATION  
YEAR ENDED JUNE 30, 2020**

	<u>Supporting Services</u>			Total Expenses
	Program Services	Management and General	Fundraising	
Personnel costs:				
Salaries	\$1,448,780	\$ 170,445	\$ 85,222	\$1,704,447
Payroll taxes	108,527	12,768	6,384	127,679
Employee benefits	159,031	18,709	9,355	187,095
Total personnel costs	<u>1,716,338</u>	<u>201,922</u>	<u>100,961</u>	<u>2,019,221</u>
Direct expenses:				
Bad debt	-	5,155	-	5,155
Bank charges & processing fees	208	276	14,233	14,717
Classroom equipment & supplies	25,436	-	-	25,436
Classroom programs	18,558	-	-	18,558
Consultants & outside contractors	-	4,309	-	4,309
Depreciation	62,000	-	-	62,000
Equipment and software	203	2,952	1,251	4,406
Event costs - other	87,605	-	-	87,605
Food	46,597	16,692	134	63,423
Insurance	806	22,881	-	23,687
Interest	-	129,929	-	129,929
Licensing and inspection	4,234	-	-	4,234
Office supplies & expenses	3,085	30,762	5,114	38,961
Postage and delivery	593	2,442	10,158	13,193
Printing	2,600	-	25,503	28,103
Professional fees	-	109,356	-	109,356
Program expenses - other	2,451	-	-	2,451
Promotion	-	1,513	14,618	16,131
Property taxes	-	40,315	-	40,315
Rent and utilities	7,657	56,119	-	63,776
Repairs and maintenance	1,019	21,806	-	22,825
Telephone and communications	-	9,537	-	9,537
Transportation	12,400	187	-	12,587
Travel and meetings	3,533	3,823	-	7,356
Total direct expenses	<u>278,985</u>	<u>458,054</u>	<u>71,011</u>	<u>808,050</u>
Total expenses	<u>\$1,995,323</u>	<u>\$ 659,976</u>	<u>\$ 171,972</u>	<u>\$2,827,271</u>

**See accompanying notes to the financial statements.**

**OSSINING CHILDREN'S CENTER, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2020**

Cash flows from operating activities:	
Increase/(decrease) in net assets	\$ 1,101,920
Adjustments for non-cash items included in operating activities:	
Amortization of discount on pledges	(4,213)
Bad debt	5,155
Depreciation	62,000
(Gains)/Losses on investments	(32,501)
Changes in assets and liabilities:	
Contributions receivable	2,684,020
Prepaid expenses	(22,580)
Security deposits	250
Accounts payable and accrued expenses	46,805
Construction payable	2,091,542
Construction retainage	1,015,357
Refundable advance	10,000
Net cash provided/(used) by operating activities	<u>6,957,755</u>
Cash flows from investing activities:	
Purchase of property and equipment	(10,941,113)
Proceeds from sale of investments	1,015,828
Purchase of investments	(1,016,021)
Net cash provided/(used) by investing activities	<u>(10,941,306)</u>
Cash flows from financing activities:	
Proceeds from loans	8,223,865
Net cash provided/(used) by financing activities	<u>8,223,865</u>
Net increase/(decrease) in cash and cash equivalents	4,240,314
Cash and cash equivalents at beginning of year	<u>2,204,436</u>
Cash and cash equivalents at end of year	<u><u>\$ 6,444,750</u></u>
Supplementary Information:	
Interest paid	<u><u>\$ 129,929</u></u>

**See accompanying notes to the financial statements.**

**OSSINING CHILDREN'S CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS**

**1. Nature of Activities and Summary of Significant Accounting Policies**

**Organization:** Ossining Children's Center, Inc., formerly known as The Christ Child Day Nursery, Inc., (hereafter referred to as the Organization) is a not-for-profit corporation, incorporated in the State of New York on June 14, 1906.

**Tax exempt status:** The Organization has been granted tax-exempt status by the Internal Revenue Service under Internal Revenue Code Section 501(c)(3) in 1950. The Internal Revenue Service has further determined that the Organization is a Type III functionally integrated supporting organization under 509(a)(3). Accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements include any uncertain tax positions.

**Programs and services provided:** The Organization's mission is to provide care for children in a safe, nurturing, and enriching environment while their parents work with the goal of creating a foundation for children's life-long intellectual, social, emotional and physical growth, and services as an advocate for families. The Organization does this by providing early childhood programs that nurture each child's unique developmental path during the critical formative years of 8 weeks through the age of 5 years old. The school-age program provides before and after school care and educational enrichment, as well as a full-time recreational and enrichment during school holidays and vacations, and full day camp programs in the summer.

**Major source of income:** The Organization derives most of its income from contributions from individuals, corporations, foundations, government grants, from special events, and from tuition fees.

**Basis of accounting:** The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Change in accounting principle:** On January 1, 2019, the Organization adopted FASB ASU 2014-09 *Revenue from Contracts with Customers* using the full retrospective approach. Analysis of various provisions of the standards resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

**Cash equivalents:** For purposes of the statement of financial position and the statement of cash flows, the Organization considers as cash equivalents money market funds and all highly liquid resources, such as certificates of deposit with an original maturity of three months or less.



**OSSINING CHILDREN'S CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**1. Nature of Activities and Summary of Significant Accounting Policies (continued)**

**Investments:** All investments are measured at fair value on a recurring basis and are reported at their fair values as of June 30, 2020 in the statement of financial position.

The Organization initially records the investments it receives as a donation at the fair value as of the dates the investments are donated to the Organization and thereafter carries such investments at current fair values.

Investment income (interest and dividends) is recognized as revenue in the period earned, and gains and losses (realized and unrealized) are recognized in the period they occur.

**Receivables:** Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The allowance for bad debt is maintained at a level that, in management's judgment, is adequate to absorb uncollectible receivables. The allowance for bad debt was \$14,905 at June 30, 2020.

**Estimates and assumptions:** Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**Net assets:** Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. This classification includes net assets designated by the board or management for a specified purpose.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature (endowment), where the donor stipulates that resources be maintained in perpetuity.

**OSSINING CHILDREN'S CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**1. Nature of Activities and Summary of Significant Accounting Policies (continued)**

**Revenue recognition:** The Organization recognizes contributions when an unconditional pledge is made. Conditional promises to give, which have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. At June 30, 2020, the Organization did not have any conditional pledges that were not recognized.

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as support with donor restrictions and increases in net assets with donor restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as support with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Investment income and gains restricted by donors are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Program service revenue relates to fees received in exchange for program services, mainly school tuition. Revenue is recognized when the program service is provided. Any revenue received which has not been earned is recorded as deferred income.

The Organization receives grants from governmental agencies. Depending upon the terms of the grant, it can be either an exchange transaction or a contribution. In accordance with grant provisions, the grant can be an expense reimbursement grant which requires that approved expenses be incurred prior to reimbursement by the grantor. Other grants permit advances of grant funds or full payment of grant funds at the start of the grant. If the grant is an exchange type grant, all unreimbursed expenses, for approved purposes, as of year-end are recorded as receivables and any unexpended advances are recorded as refundable advances or deferred income. If the grant is a contribution, it is recognized in accordance with the contribution recognition policy described above.

The Organization receives special events revenue which contains both an exchange component and a conditional contribution component. Both components are recognized when the event takes place. Any event revenue received in advance of the event is recorded as deferred income.

**OSSINING CHILDREN'S CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS**

**1. Nature of Activities and Summary of Significant Accounting Policies (continued)**

**Functional expense allocation:** The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of expenses by function and natural classification. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and related expenses based on estimated time and effort and office supplies and expenses, food, insurance, postage, rent and utilities, telephone and communications, and travel based on usage. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

**Property and equipment:** The Organization capitalizes certain property and equipment with estimated lives of three years or more. Property and equipment are stated at cost or donated value, less accumulated depreciation. Depreciation is computed on the straight-line basis over the respective assets' estimated useful lives of five to ten years. Expenditures for maintenance and repairs are charged to current operations.

**2. Cash and Cash Equivalents**

Cash and cash equivalents include cash encumbered by loan covenants. As of June 30, 2020, the components of cash and cash equivalents are as follows:

Unencumbered cash	\$ 5,329,885
Unencumbered money market funds	770,644
Cash encumbered by loan covenant	<u>344,221</u>
Total	<u>\$ 6,444,750</u>

**3. Contributions Receivable**

Long term pledges are discounted at 1%. As of June 30, 2020, pledges are expected to be realized in the following periods:

In one year or less	\$ 1,924,231
Between one to two years	1,417,333
Between two to three years	1,369,833
Between three to four years	<u>24,000</u>
	4,735,397
Less: Unamortized discount	( 63,007)
Allowance for bad debt	<u>( 14,905)</u>
	<u>\$ 4,657,485</u>

**4. Revenue from Contracts with Customers**

All of the revenue derived from contracts with customers during fiscal year 2020 was fully earned in the same annual reporting period. Detail of revenue from contracts with customers during the year ended June 30, 2020, is as follows

Tuition	<u>\$ 449,944</u>
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**OSSINING CHILDREN'S CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**5. Property and Equipment**

Property and equipment by major class consisted of the following at June 30, 2020:

Non-depreciable:	
Land	\$ 1,800,000
Construction in progress	11,998,200
Depreciable:	
Buildings	961,022
Building improvements	415,845
Playground	303,135
Furniture and fixtures	44,441
Machinery and equipment	173,030
Less: accumulated depreciation	<u>( 1,403,649)</u>
	<u>\$ 14,292,024</u>

**6. Construction Retainage**

During the year ended June 30, 2018, the Organization received a donation of land for the purpose of building a new school building. The Organization expects to finish construction of the building and open it to classes during fiscal year 2021. As of June 30, 2020, the Organization has incurred costs of \$11,998,200 related to construction. The contract with the builder calls for a percentage of cost to be retained until the building is complete and receives a certificate of occupancy. As of June 30, 2020, construction retainage totaled \$1,015,357. In addition, \$2,246,859 of construction payable reported in the statement of financial position as of June 30, 2020 is related to construction that has been completed but not paid for as of that date.

**7. Concentrations**

**Revenue:** For the year ended June 30, 2020, approximately 30% of the Organization's total revenue was provided by two major government contracts. In addition, \$492,930 of government revenue were one-time contributions. If the one-time contributions are included, the concentration increased to approximately 43%. It is always possible that benefactors, grantors or contributors might be lost in the near term. In the event funding is reduced, the Organization's ability to continue providing services at the current level would be greatly diminished.

**Insurance coverage:** The Organization maintains its cash, cash equivalents, and investments in various accounts. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. The Securities Investor Protection Corporation (SIPC) insures securities up to \$500,000 per financial institution. At times, the balances of the accounts may have exceeded the insured limits during the year ended June 30, 2020.

**OSSINING CHILDREN'S CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS**

**8. Net Assets Without Donor Restrictions**

As of June 30, 2020, net assets without donor restrictions consisted of the following:

Undesignated	\$ 7,028,164
Board designated operating reserve	<u>907,579</u>
	<u>\$ 7,935,743</u>

**9. Net Assets With Donor Restrictions**

As of June 30, 2020, net assets with donor restrictions are available as follows:

Subject to expenditure for specified purpose:

Building fund	\$ 725,000
Special education	27,000
Scholarships	88,760
COVID cleaning	3,000

Subject to when a specified event occurs:

Land not in service	<u>1,800,000</u>
Total	<u>2,643,760</u>

Subject to passage of time 5,136,303

Endowments:

Subject to endowment spending policy  
and appropriation:  
Scholarships

502,542  
\$ 8,282,605

**10. Commitments and Contingencies**

The Organization is party to several non-cancelable operating leases set to expire at various times between 2021 and 2024. As of June 30, 2020, the minimum aggregate annual rentals for all existing long-term leases are as follows:

Year ended June 30, 2021 -	\$ 48,000
2022 -	22,000
2023 -	21,000
2024 -	<u>21,000</u>
Total	<u>\$ 112,000</u>

Total rent and related expense charged to operations for the year ended June 30, 2020 was \$63,776.

**OSSINING CHILDREN'S CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**11. Fair Value Measurement of Investments**

The Financial Accounting Standards Board (FASB) requires enhanced disclosures about investments that are measured and reported at fair value. FASB establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Investments falling within Level 1 of the fair value hierarchy are valued using inputs based upon quoted prices in active markets for identical investments. Investments that are typically included in Level 1 are listed equity securities, publicly traded mutual funds, and exchange traded funds.

Level 2: Investments falling within Level 2 of the fair value hierarchy are valued using significant observable inputs other than prices quoted in active markets. Examples of Level 2 inputs are model-driven prices, quoted prices for similar investments in active markets, and quoted prices for identical or similar investments in inactive markets. Investments that are typically included in Level 2 are municipal bonds, corporate bonds, and government debt securities.

Level 3: Investments falling within Level 3 of the fair value hierarchy are valued using methodology that is unobservable and significant to the fair value measurement. Level 3 inputs require significant management judgment or estimation. Investments that are typically included in this category are investments in limited partnerships, and investments in private companies or unregistered securities.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of June 30, 2020, all of the Organization's investments are Level 1 as defined by the above fair value hierarchy.

**OSSINING CHILDREN'S CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS**

**12. Investments**

The Organization's investments are stated at fair values, based on quoted prices in active markets (all Level 1 Measurements), and consist of marketable mutual funds. Fair values and unrealized appreciation/(depreciation) at June 30, 2020 are summarized as follows:

Fair market values	\$ 2,364,678
Less: Cost	<u>( 1,974,871)</u>
Unrealized appreciation	<u>\$ 389,807</u>

**13. Loans and Notes Payable**

In September 2019, the Organization took out a \$9,700,000 construction loan that allows the Organization to draw down funds as needed for the construction of their new building. The construction loan has a floating, annual interest rate of 1% above prime. For the first 24 months, interest-only payments are required. Interest is charged on the outstanding loan balance each month. After 24 months, the loan converts to a 5-year mini-perm loan. At that time, principal payments will be due in addition to interest payments. Payments are due to begin on January 1, 2021. As of June 30, 2020, \$8,073,865 is outstanding relating to this loan. During the year ended June 30, 2020, the Organization paid \$129,929 of interest for the outstanding balance of this loan.

In May 2020, the Organization received a \$150,000 loan from the United States Small Business Administration (SBA). The loan charges an annual interest rate of 2.75%. Monthly payments are due to start in May 2021 and will continue for 30 years.

As of June 30, 2020, minimum annual loan payments, including implied interest on the SBA loan, are as follows:

Year ended June 30, 2021	\$ 3,701,282
2022	3,257,692
2023	2,507,692
2024	257,692
2025 through 2051	<u>206,402</u>
	<u>\$ 9,930,760</u>

**14. Government Grants**

The Organization was awarded various government grants to support its programs. Total revenue recognized under the grants amounted to \$1,759,080 during the year ended June 30, 2020.

**OSSINING CHILDREN'S CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**15. Endowment**

The Organization's endowment is comprised of two funds that have been established for the purpose of generating income, which can be used for student scholarships. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. When amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA, the Organization reclassifies net assets with donor restrictions to net assets without donor restrictions. 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 various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of the investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income, with acceptable levels of risk.

Endowment assets are invested in an asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, if appropriate, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed in order not to expose the fund to unacceptable levels of risk.



**OSSINING CHILDREN'S CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS**

**15. Endowment (continued)**

*Spending Policy.* The donor restriction states that distributions from the endowment can only be made for scholarships. Distributions can only be made out of investment return and the initial gift amount must be maintained in perpetuity.

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

Donor-restricted endowment funds:	
Original donor-restricted gift amount required to be maintained in perpetuity by donor	\$ 326,665
Unappropriated investment gains	<u>175,877</u>
	<u>\$ 502,542</u>

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	With Donor Restrictions
Endowment net assets, beginning of year	\$ 487,415
Contributions	14,413
Investment Income	30,714
Appropriated for expenditure	<u>( 30,000)</u>
Endowment net assets, end of year	<u>\$ 502,542</u>

**16. Restatements**

Due to errors in prior years, two prior period adjustments were made that affected beginning balances in fiscal year 2020. The two prior period adjustments and their affect are as follows:

-The first error was that board designated operating reserves were included with net assets with donor restrictions. An adjustment was made to beginning net assets to move \$623,858 from net assets with donor restriction to net assets without donor restrictions.

-The second error was that an unconditional \$4,800,000 multi-year pledge with an implied time restriction was not recognized due to the fact that there is a requirement to report to the donor. The reporting requirement was administrative and not related to the purpose of the pledge. An adjustment was made to recognize the pledge and to record a discount on the pledge. The affect was to increase beginning receivables by \$4,800,000, increase pledge discounts by \$58,937, and increase net assets with donor restrictions by \$4,741,063.

**OSSINING CHILDREN'S CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS**

**17. Liquidity and Availability of Financial Assets**

The Organization regularly monitors liquidity required to meet its operating needs and other obligations as they come due. As part of the Organization's liquidity plan, a board designated operating reserve is maintained. The reserve can be used, with board approval, for any unforeseen and unusual liquidity needs.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

The following reflects the Organization's financial assets, as of June 30, 2020, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

Financial assets:	
Cash and cash equivalents	\$ 6,444,750
Investments	2,364,678
Receivables, net	<u>4,657,485</u>
Total financial assets	13,466,913
Less those unavailable for general expenditures within one year:	
Restricted for endowment	( 502,542)
Designated for operating reserve	( 907,579)
Restricted for building	( 725,000)
Receivables scheduled to be received in more than one year	( 2,748,159)
Cash encumbered by loan covenant	( 344,221)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,239,412</u>

**18. Subsequent Events**

Management has evaluated subsequent events through October 16, 2020, the date the financial statements were available to be issued, to evaluate whether any such events warrant adjustment to any reported amounts or inclusion of additional disclosures. No such adjustments or disclosures were judged to be necessary.