

SUNNYSIDE COMMUNITY SERVICES, INC.



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

Years Ended June 30, 2021 and 2020

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

SUNNYSIDE COMMUNITY SERVICES, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Sunnyside Community Services, Inc.

We have audited the accompanying financial statements of Sunnyside Community Services, Inc. ("Sunnyside"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunnyside Community Services, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
February 10, 2022

SUNNYSIDE COMMUNITY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash (Note 11)	\$ 488,392	\$ 2,071,891
Government grants receivable, net (Notes 2C, 2F and 4)	5,201,136	3,984,598
Accounts receivable (Notes 2D and 2F)	67,874	82,080
Contributions receivable (Notes 2E and 2F)	166,100	66,775
Due from affiliates (Note 12)	-	247,413
Prepaid expenses and other assets	452,357	96,261
Property and equipment, net (Notes 2G and 5)	837,218	887,897
TOTAL ASSETS	\$ 7,213,077	\$ 7,436,915
LIABILITIES		
Accounts payable and accrued expenses (Notes 5 and 8D)	\$ 2,031,026	\$ 1,824,363
Advances payable and deferred revenue (Note 2H)	-	12,175
Paycheck Protection Program refundable advance (Note 6)	-	1,970,451
Note payable (Note 7)	500,000	-
Deferred rent obligation (Notes 2N and 8A)	1,620,367	1,420,437
Due to affiliates (Note 12)	335,072	106,328
TOTAL LIABILITIES	4,486,465	5,333,754
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2B)		
Without donor restrictions:		
Invested in property and equipment	837,218	887,897
Operations	1,146,423	555,213
Total without donor restrictions	1,983,641	1,443,110
With donor restrictions (Notes 2B and 9)	742,971	660,051
TOTAL NET ASSETS	2,726,612	2,103,161
TOTAL LIABILITIES AND NET ASSETS	\$ 7,213,077	\$ 7,436,915

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

SUNNYSIDE COMMUNITY SERVICES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	For the Year Ended June 30, 2021			For the Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
GOVERNMENT AND OTHER SUPPORT:						
Government and other grants (Notes 2I and 11)	\$ 11,902,598	\$ -	\$ 11,902,598	\$ 13,167,459	\$ -	\$ 13,167,459
Program service fees (Note 2J)	44,180	-	44,180	202,672	-	202,672
Contributions and grants (Note 2K)	454,710	1,095,976	1,550,686	309,215	660,324	969,539
Contributions in kind (Note 2L)	13,725	-	13,725	-	-	-
Rental income (Note 2M)	-	-	-	104,319	-	104,319
Paycheck Protection Program grant income (Note 6)	1,970,451	-	1,970,451	-	-	-
Other income	28,560	-	28,560	29,721	-	29,721
Net assets released from restrictions (Notes 2B and 9)	1,013,056	(1,013,056)	-	570,885	(570,885)	-
TOTAL GOVERNMENT AND OTHER SUPPORT	<u>15,427,280</u>	<u>82,920</u>	<u>15,510,200</u>	<u>14,384,271</u>	<u>89,439</u>	<u>14,473,710</u>
OPERATING EXPENSES (Note 2P):						
Program services						
Senior service program	6,208,751	-	6,208,751	6,019,372	-	6,019,372
Youth service program	6,155,234	-	6,155,234	5,896,137	-	5,896,137
Total program services	<u>12,363,985</u>	<u>-</u>	<u>12,363,985</u>	<u>11,915,509</u>	<u>-</u>	<u>11,915,509</u>
Supporting services						
Management and general	2,036,037	-	2,036,037	1,965,398	-	1,965,398
Fundraising	286,797	-	286,797	288,342	-	288,342
Total supporting services	<u>2,322,834</u>	<u>-</u>	<u>2,322,834</u>	<u>2,253,740</u>	<u>-</u>	<u>2,253,740</u>
TOTAL OPERATING EXPENSES	<u>14,686,819</u>	<u>-</u>	<u>14,686,819</u>	<u>14,169,249</u>	<u>-</u>	<u>14,169,249</u>
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES	<u>740,461</u>	<u>82,920</u>	<u>823,381</u>	<u>215,022</u>	<u>89,439</u>	<u>304,461</u>
NON-OPERATING ACTIVITIES:						
Occupancy expense in excess of lease payments (Notes 2N and 8A)	(199,930)	-	(199,930)	(219,284)	-	(219,284)
TOTAL NON-OPERATING ACTIVITIES	<u>(199,930)</u>	<u>-</u>	<u>(199,930)</u>	<u>(219,284)</u>	<u>-</u>	<u>(219,284)</u>
CHANGE IN NET ASSETS	540,531	82,920	623,451	(4,262)	89,439	85,177
NET ASSETS - BEGINNING OF YEAR	<u>1,443,110</u>	<u>660,051</u>	<u>2,103,161</u>	<u>1,447,372</u>	<u>570,612</u>	<u>2,017,984</u>
NET ASSETS - END OF YEAR	<u>\$ 1,983,641</u>	<u>\$ 742,971</u>	<u>\$ 2,726,612</u>	<u>\$ 1,443,110</u>	<u>\$ 660,051</u>	<u>\$ 2,103,161</u>

SUNNYSIDE COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Program Services			Supporting Services		Total 2021	Total 2020
	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	\$ 8,456,116
Payroll taxes and fringe benefits (Note 10)	834,939	933,319	1,768,258	250,061	31,142	2,049,461	1,841,860
Total Personnel Costs	<u>4,431,727</u>	<u>4,932,972</u>	<u>9,364,699</u>	<u>1,416,424</u>	<u>181,163</u>	<u>10,962,286</u>	<u>10,297,976</u>
Consultants (Note 2L)	144,289	221,053	365,342	89,092	25,844	480,278	605,751
Occupancy (Note 8A)	448,653	368,384	817,037	165,721	21,615	1,004,373	1,129,958
Communications	61,962	95,964	157,926	38,940	11,480	208,346	189,447
Food	54,820	45,012	99,832	20,249	2,641	122,722	221,780
Supplies/printing	105,158	162,865	268,023	66,086	19,483	353,592	240,951
Travel/transportation	14,710	22,781	37,491	9,244	2,725	49,460	167,828
Client respite and supplemental expense	718,251	-	718,251	-	-	718,251	588,573
Insurance	86,478	112,998	199,476	45,852	-	245,328	162,101
Repairs and maintenance	77,691	120,324	198,015	48,824	14,394	261,233	182,455
Dues and subscriptions	15,919	24,655	40,574	10,004	2,949	53,527	42,476
Postage and shipping	-	-	-	-	-	-	8,998
Advertising expenses (Note 2O)	27,540	42,652	70,192	17,307	5,102	92,601	81,931
Participant expenses	-	4,432	4,432	-	-	4,432	22,403
Depreciation and amortization	91,159	43,969	135,128	29,594	53	164,775	148,668
Bad debt expense	-	-	-	20,001	-	20,001	18,859
Grant expense	-	-	-	-	-	-	100,000
Other (Note 2L)	<u>19,703</u>	<u>30,503</u>	<u>50,206</u>	<u>91,688</u>	<u>3,650</u>	<u>145,544</u>	<u>178,378</u>
Total Costs	<u>6,298,060</u>	<u>6,228,564</u>	<u>12,526,624</u>	<u>2,069,026</u>	<u>291,099</u>	<u>14,886,749</u>	<u>14,388,533</u>
Add: in-kind expenses							
Less: Adjustments to deferred rent	<u>89,309</u>	<u>73,330</u>	<u>162,639</u>	<u>32,989</u>	<u>4,302</u>	<u>199,930</u>	<u>219,284</u>
TOTAL EXPENSES	<u>\$ 6,208,751</u>	<u>\$ 6,155,234</u>	<u>\$ 12,363,985</u>	<u>\$ 2,036,037</u>	<u>\$ 286,797</u>	<u>\$ 14,686,819</u>	<u>\$ 14,169,249</u>

**SUNNYSIDE COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	Program Services			Supporting Services		Total 2020
	Senior Service Program	Youth Service Program	Total	Management and General	Fundraising	
Salaries (Note 12)	\$ 3,405,153	\$ 3,745,537	\$ 7,150,690	\$ 1,154,366	\$ 151,060	\$ 8,456,116
Payroll taxes and fringe benefits (Note 10)	<u>826,133</u>	<u>742,546</u>	<u>1,568,679</u>	<u>243,671</u>	<u>29,510</u>	<u>1,841,860</u>
Total Personnel Costs	4,231,286	4,488,083	8,719,369	1,398,037	180,570	10,297,976
Consultants (Note 2L)	182,089	279,312	461,401	113,699	30,651	605,751
Occupancy (Note 8A)	504,751	414,447	919,198	186,443	24,317	1,129,958
Communications	56,948	87,354	144,302	35,559	9,586	189,447
Food	99,069	81,345	180,414	36,594	4,772	221,780
Supplies/printing	72,430	111,102	183,532	45,227	12,192	240,951
Travel/transportation	50,449	77,386	127,835	31,501	8,492	167,828
Client respite and supplemental expense	588,573	-	588,573	-	-	588,573
Insurance	56,930	74,745	131,675	30,426	-	162,101
Repairs and maintenance	54,846	84,130	138,976	34,247	9,232	182,455
Dues and subscriptions	12,768	19,586	32,354	7,973	2,149	42,476
Postage and shipping	2,705	4,149	6,854	1,689	455	8,998
Advertising expenses (Note 2O)	24,628	37,779	62,407	15,378	4,146	81,931
Participant expenses	-	22,403	22,403	-	-	22,403
Depreciation and amortization	81,100	43,263	124,363	24,226	79	148,668
Bad debt expense	5,669	8,696	14,365	3,540	954	18,859
Grant expense	39,464	60,536	100,000	-	-	100,000
Other (Note 2L)	<u>53,621</u>	<u>82,250</u>	<u>135,871</u>	<u>37,041</u>	<u>5,466</u>	<u>178,378</u>
Total Costs	6,117,326	5,976,566	12,093,892	2,001,580	293,061	14,388,533
Less: Adjustments to deferred rent	<u>97,954</u>	<u>80,429</u>	<u>178,383</u>	<u>36,182</u>	<u>4,719</u>	<u>219,284</u>
TOTAL EXPENSES	<u>\$ 6,019,372</u>	<u>\$ 5,896,137</u>	<u>\$ 11,915,509</u>	<u>\$ 1,965,398</u>	<u>\$ 288,342</u>	<u>\$ 14,169,249</u>

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

SUNNYSIDE COMMUNITY SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 623,451	\$ 85,177
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Bad debt expense	20,001	18,859
Depreciation and amortization	164,775	148,668
Subtotal	808,227	252,704
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Government grants receivable	(1,236,539)	(719,362)
Accounts receivable	14,206	15,878
Contributions receivable	(99,325)	39,925
Due from affiliates	247,413	(90,490)
Prepaid expenses and other assets	(356,096)	(26,359)
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	206,663	473,561
Advances payable and deferred revenue	(12,175)	(35,166)
Paycheck Protection Program refundable advance	(1,970,451)	1,970,451
Deferred rent obligation	199,930	219,284
Due to affiliates	228,744	(195,711)
Net Cash (Used in) Provided by Operating Activities	(1,969,403)	1,904,715
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(114,096)	(405,198)
Net Cash Used in Investing Activities	(114,096)	(405,198)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	-	500,000
Proceeds from note payable	500,000	-
Repayment of line of credit	-	(500,000)
Net Cash Provided by Financing Activities	500,000	-
NET (DECREASE) INCREASE IN CASH	(1,583,499)	1,499,517
Cash - beginning of year	2,071,891	572,374
CASH - END OF YEAR	\$ 488,392	\$ 2,071,891
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 5,197	\$ 14,264

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

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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. ***Government grants receivable*** - Government grants receivable are recorded for expenditures made in accordance with grant agreements.

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. **Accounts receivable** - Accounts receivable consists of receivables from program service fees and is recorded when services are provided. Interest is not accrued or recorded on outstanding receivables.
- E. **Contributions receivable** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Contributions receivable amounted to \$166,100 and \$66,775 as of June 30, 2021 and 2020, respectively, and are due within one year.
- F. **Allowance for doubtful accounts** - Sunnyside determines whether an allowance for doubtful accounts should be provided for grants, contributions and accounts receivable. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of June 30, 2021 and 2020, Sunnyside determined that an allowance of \$15,239 and \$0 was necessary for government grants receivable, an allowance of \$0 and \$10,980, respectively, was necessary for accounts receivable and no allowance was necessary for contributions receivable.
- G. **Property and equipment** - Property and equipment and leasehold improvements are recorded at cost. Items with a cost of \$1,000 or more and an estimated useful life of greater than one year are capitalized. Property and equipment are depreciated on the straight-line method over their estimated useful lives. Amortization of leasehold improvements is recorded on the straight-line method over the term of the lease or the life of the asset, whichever is shorter.
- H. **Advances payable and deferred revenue** - Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, Sunnyside establishes refundable advances from governmental sources.
- I. **Revenue from government sources** - Revenues from government contracts are recognized when reimbursable expenses are incurred under the terms of the contract. Such revenues are subject to audit by the governmental funding sources. No provision for any disallowances is reflected in the financial statements, since management does not anticipate any material adjustments. Laws and regulations related to government programs are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in penalties and exclusion from the government programs. Cost reimbursement type government grants are accounted for under Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). Grants and contracts are recognized as revenue when barriers within the contract are overcome, and there is no right of return/ release from obligation. Grants and contracts amounted to \$11,902,598 and \$13,167,459 for the years ended June 30, 2021 and 2020, respectively.

Multi-year governmental contracts included under government grants are cancellable by the funder upon its sole discretion. As of June 30, 2021 and 2020, Sunnyside received conditional grants and contracts from government agencies in the aggregate amounts of \$3,724,900 and \$9,188,403, 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, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

All performance obligations relate to contracts with a duration of less than one year, therefore, there are no performance obligations or contract balances that are unsatisfied as of June 30, 2021. 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, 2021 and 2020 consists of revenues for the following programs:

	2021	2020
Youth Service Program	\$ 36,769	\$ 52,102
Senior Service Program	7,411	150,570
	\$ 44,180	\$ 202,672

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

- K. **Contributions** - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.
- L. **Donated goods and services** - Donated goods are recorded at their fair value on the date of receipt. Donated services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. For the year ended June 30, 2021, Sunnyside received donated services of \$13,725 and is reflected as contributions in kind and consultant expenses in the accompanying financials statements.
- M. **Rental revenue** - Rental revenue is recognized based on rental agreements signed annually.
- N. **Operating leases** - Rent expense has been recorded on the straight-line basis over the life of the lease. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense. Occupancy expense in excess of lease payments was recorded as a non-operating item in the accompanying statements of activities.
- O. **Advertising expenses** - Advertising costs are charged to operations when incurred. Advertising expenses for the years ended June 30, 2021 and 2020 amounted to \$92,601 and \$81,931, respectively.

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. **Functional allocation of expenses** - The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The accompanying financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, insurance, depreciation and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits and payroll taxes, which are allocated on the basis of estimates of time and effort, and professional services, office expenses, information technology and other, which are allocated on the basis of full time equivalent.

Q. **Use of estimates** - The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual amounts could differ from those estimates.

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>2021</u>	<u>2020</u>
Cash	\$ 488,392	\$ 2,071,891
Accounts receivable, net	67,874	82,080
Contributions receivable	166,100	66,775
Government grants receivable, net	<u>5,201,136</u>	<u>3,984,598</u>
	<u>\$ 5,923,502</u>	<u>\$ 6,205,344</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, 2021 AND 2020

NOTE 4 – GOVERNMENT GRANTS RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
New York City Department for the Aging (“DFTA”)	\$ 1,282,999	\$ 845,205
New York City Department of Youth and Community Development (“DYCD”)	1,218,363	649,157
New York State Education Department	1,095,482	509,516
Dormitory Authority of the State of New York (“DASNY”)	550,000	550,000
New York State Department of Health	650,113	492,195
New York State Office of Children and Family Services	105,369	291,353
New York City Department of Information Technology and Communications	175,685	175,685
New York City Department of Education	-	166,690
Department of Health and Mental Hygiene	17,783	86,000
One City Health	-	67,562
New York State Department of Education	-	15,917
New York City Human Resources Administration (“HRA”)	2,079	2,079
Other receivables	<u>118,502</u>	<u>133,239</u>
Sub-total	5,216,375	3,984,598
Allowance for doubtful accounts	<u>(15,239)</u>	<u>-</u>
Total government grants receivable	<u>\$ 5,201,136</u>	<u>\$ 3,984,598</u>

NOTE 5 – PROPERTY AND EQUIPMENT, NET

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

	<u>2021</u>	<u>2020</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 3,634,591	\$ 3,634,591	8-15 Years
Furniture and equipment	<u>1,099,630</u>	<u>1,298,843</u>	5 Years
	4,734,221	4,933,434	
Less: accumulated depreciation and amortization	<u>(3,897,003)</u>	<u>(4,045,537)</u>	
Net book value	<u>\$ 837,218</u>	<u>\$ 887,897</u>	

For the years ended June 30, 2021 and 2020, depreciation and amortization expense amounted to \$164,775 and \$148,668, respectively.

For the year ended June 30, 2021, Sunnyside wrote-off fully depreciated assets with cost and accumulated depreciation of \$313,309, that were no longer in use.

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, 2021 and 2020 amounted to \$4,752. As of June 30, 2021 and 2020, the capital lease obligation amounted to \$17,250 and \$51,750, respectively, and is included in accounts payable and accrued expenses in the accompanying statements of financial position.

Future minimum lease payments for the server for the year ending June 30, 2022 amount to \$17,250.

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 are not met. For the year ended June 30, 2021, Sunnyside met the conditions and recognized contribution of \$1,970,451 in the accompanying statements 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 Nonprofit Finance Fund. The loan is interest free and matures on November 1, 2021. The principal balance of \$500,000 was outstanding as of June 30, 2021 and 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. Rent credits and charges are accounted for on a straight-line basis over the life of the lease (approximately 27 years), which gives rise to a timing difference that is reflected as deferred rent obligation in the accompanying statements of financial position, amounting to \$1,620,367 and \$1,420,437 as of June 30, 2021 and 2020, respectively. In addition to base rent, Sunnyside is required to pay its pro-rata share of real estate taxes and utilities. Sunnyside may cancel its lease for the senior center as of any July 1 upon at least 120 days’ prior notice if government funding is terminated.

Sunnyside subleases a portion of its office space to Home Care and Citywide under three operating leases, which provide for them to pay as additional rent their pro-rata share of real estate taxes and utilities. Two of the leases expire on June 30, 2022 and the other 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, 2021 and 2020 amounted to \$595,548 and \$654,153, respectively.

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

	Total Commitments	Sublessors Share	Sunnyside’s Share
2022	\$ 813,000	\$ 365,000	\$ 448,000
2023	834,000	10,000	824,000
2024	855,000	10,000	845,000
2025	876,000	5,000	871,000
2026	898,000	-	898,000
Thereafter	<u>19,201,000</u>	<u>-</u>	<u>19,201,000</u>
Total	<u>\$ 23,477,000</u>	<u>\$ 390,000</u>	<u>\$ 23,087,000</u>

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

B. *Income Taxes*

Sunnyside believes it has no uncertain tax positions as of June 30, 2021 and 2020 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 London Inter-Bank Offered Rate ("LIBOR") Daily Floating Rate plus 2.25% percent points. As of June 30, 2021, there is no outstanding balance on this line. As of February 10, 2022, there is no borrowing under this line.

D. *Operational Impact of COVID-19*

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on Sunnyside's business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, Sunnyside is currently unable to fully determine the extent of COVID-19's impact on its business in future periods.

Under the CARES Act, certain payroll tax deferrals have been granted to companies. Included in the payroll tax deferral is the Federal Insurance Contributions Act ("FICA") tax. Sunnyside has decided to defer the employer portion of the FICA tax which amounted to approximately \$272,000 as of June 30, 2021 and is included in accounts payable and accrued expenses. Under the CARES Act, the deferred amount would be due in two equal installments on December 31, 2021 and December 31, 2022. On December 8, 2021, \$136,000 of deferred payroll tax was paid by Sunnyside.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2021 and 2020 are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Senior services	\$ 548,303	\$ 536,081
Youth services	98,504	54,555
Other	<u>96,164</u>	<u>69,415</u>
Total net assets with donor restrictions	<u>\$ 742,971</u>	<u>\$ 660,051</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>2021</u>	<u>2020</u>
Senior services	\$ 486,258	\$ 311,059
Youth services	241,551	28,824
Other	<u>285,247</u>	<u>231,002</u>
	<u>\$ 1,013,056</u>	<u>\$ 570,885</u>

SUNNYSIDE COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
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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 \$61,996 and \$54,242 for the years ended June 30, 2021 and 2020, respectively.

NOTE 11 – CONCENTRATION

Credit Risk

Cash that potentially subjects Sunnyside to a concentration of credit risk includes cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash accounts are insured up to \$250,000 per depositor. As of June 30, 2021 and 2020, there was approximately \$178,000 and \$1,732,000, respectively, of cash held by two banks that exceeded FDIC limits.

Revenue

Sunnyside received grants from various New York City and New York State agencies totaling \$11,902,598 and \$13,167,459, which represented 77% and 91% of total revenues, during the years ended June 30, 2021 and 2020, respectively. 96% of total receivables at June 30, 2021 and 2020 are related to these grants.

NOTE 12 – RELATED-PARTY TRANSACTIONS

As of June 30, 2021 and 2020, Sunnyside owed \$80,495 and \$106,328, respectively, to Citywide. As of June 30, 2021 and 2020, Sunnyside owed Home Care \$254,577 and \$0, and is owed \$0 and \$247,413 from Home Care, 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 7) to Home Care and Citywide. For the years ended June 30, 2021 and 2020, Sunnyside allocated rent and other expenses, as outlined in the table below, to Home Care and Citywide.

	2021	2020
Home Care		
Rent, real estate taxes and utilities expenses	\$ 345,299	\$ 274,673
Salaries, fringe benefits and other expenses	1,250,725	1,189,837
Citywide		
Rent, real estate taxes and utilities expenses	136,068	144,498
Salaries, fringe benefits and other expenses	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, 2021 and 2020, 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 February 10, 2022, the date the financial statements were available to be issued.