Northside Center for Child Development, Inc. and Northside Center for Child Development Day School

Combined Financial Statements
and Supplementary Schedules
Year Ended June 30, 2017

Northside Center for Child Development, Inc. and Northside Center for Child Development Day School

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Year Ended June 30, 2017

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and Northside Center for Child Development Day School

Contents

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Independent Auditor's Report

To the Board of Directors
Northside Center for Child Development, Inc. and
Northside Center for Child Development Day School
New York, New York

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Northside Center for Child Development, Inc. and Northside Center for Child Development Day School, which comprise the combined statement of financial position as of June 30, 2017, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Northside Center for Child Development, Inc. and Northside Center for Child Development Day School as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary combining schedule of financial position and combining schedule of activities are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Northside Center for Child Development, Inc. and Northside Center for Child Development Day School 2016 combined financial statements, and our report dated December 1, 2016, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

BDO USA, LLP

December 1, 2017

Northside Center for Child Development, Inc. and Northside Center for Child Development Day School

Combined Statement of Financial Position (with comparative totals for 2016)

June 30,	**2017**	2016
Assets		
Current:		
Cash and cash equivalents (Note 2)	**$ 3,447,505**	$ 4,490,491
Investments, at fair value (Notes 2, 3, 11 and 13)	**6,561,571**	5,761,329
Accounts receivable, net (Notes 2 and 4)	**3,125,594**	2,404,142
Net pledges receivable, current portion (Notes 2 and 5)	**2,436,415**	2,668,055
Prepaid expenses and other assets	**108,501**	138,829
Total Current Assets	**15,679,586**	15,462,846
Pledges Receivable, Net of Current Portion (Notes 2 and 5)	**1,530,500**	1,563,000
Fixed Assets, Net (Notes 2 and 6)	**2,023,213**	2,192,630
Total Assets	**$19,233,299**	$19,218,476
Liabilities and Net Assets		
Liabilities		
Current:		
Accounts payable and accrued expenses	**$ 184,667**	$ 213,874
Accrued salaries and related liabilities (Note 8)	**965,467**	1,018,807
Deferred revenue	**-**	102,300
Due to governmental agencies, current portion (Note 7)	**1,103,872**	892,644
Total Current Liabilities	**2,254,006**	2,227,625
Due to Governmental Agencies, Net of Current Portion (Note 7)	**3,949,592**	4,524,042
Total Liabilities	**6,203,598**	6,751,667
Commitments and Contingencies (Notes 2, 7, 8, 9 and 10)		
Net Assets (Notes 2, 11, 12 and 13):		
Unrestricted	**3,143,676**	1,134,736
Unrestricted - Board designated for future programs	**2,500,000**	2,500,000
Total Unrestricted	**5,643,676**	3,634,736
Temporarily restricted - other	**2,598,187**	4,219,582
Temporarily restricted - building fund	**4,695,743**	4,518,934
Total Temporary Restricted	**7,293,930**	8,738,516
Permanently restricted	**92,095**	93,557
Total Net Assets	**13,029,701**	12,466,809
Total Liabilities and Net Assets	**$19,233,299**	$19,218,476

See accompanying notes to combined financial statements.

Northside Center for Child Development, Inc.
and Northside Center for Child Development Day School

Combined Statement of Activities
(with comparative totals for 2016)

Year ended June 30,

	Unrestricted		Temporarily	Permanently	Totals	
	Current	Board Designated	Restricted Funds	Restricted Funds	**2017**	2016
Support and Revenue From Operations:						
Government support and revenue (Note 2)	$19,961,261	$ -	$ -	$ -	**$19,961,261**	$17,745,162
Contributions and miscellaneous income	345,916	-	1,766,612	-	**2,112,528**	3,353,695
Investment income (loss)	11,701	-	691	(1,462)	**10,930**	89,704
Net assets released from restrictions (Note 12)	3,211,889	-	(3,211,889)	-	**-**	-
Total Support and Revenue From Operations	23,530,767	-	(1,444,586)	(1,462)	**22,084,719**	21,188,561
Expenses:						
Program services:						
Day school	4,847,403	-	-	-	**4,847,403**	4,455,108
Clinic	4,924,224	-	-	-	**4,924,224**	4,352,118
Head Start	7,819,794	-	-	-	**7,819,794**	7,693,337
Administration for Children's Services	984,677	-	-	-	**984,677**	856,852
Youth services	316,576	-	-	-	**316,576**	325,021
Restricted funds	2,183,158	-	-	-	**2,183,158**	2,039,221
Total Program Services	21,075,832	-	-	-	**21,075,832**	19,721,657
Supporting services:						
Management and general	1,142,792	-	-	-	**1,142,792**	1,263,319
Fundraising	597,240	-	-	-	**597,240**	559,636
Total Supporting Services	1,740,032	-	-	-	**1,740,032**	1,822,955
Total Expenses	22,815,864	-	-	-	**22,815,864**	21,544,612
Excess (Deficiency) of Support and Revenue From Operations Over Expenses	714,903	-	(1,444,586)	(1,462)	**(731,145)**	(356,051)
Nonoperating Revenue:						
Special events, net of expenses of $271,543 and $328,300 for 2017 and 2016, respectively	1,294,037	-	-	-	**1,294,037**	1,253,333
Change in Net Assets	2,008,940	-	(1,444,586)	(1,462)	**562,892**	897,282
Net Assets, Beginning of Year	1,134,736	2,500,000	8,738,516	93,557	**12,466,809**	11,569,527
Net Assets, End of Year	**$ 3,143,676**	**$2,500,000**	**$ 7,293,930**	**$92,095**	**$13,029,701**	$12,466,809

See accompanying notes to combined financial statements.

Northside Center for Child Development, Inc.
and Northside Center for Child Development Day School

Combined Statement of Functional Expenses
(with comparative totals for 2016)

Year ended June 30,

	Program Services							Supporting Services			Total Expenses	
	Day School	Clinic	Head Start	Administration for Children's Services	Youth Services	Restricted Funds	Total	Management and General	Fundraising	Total	**2017**	2016
Salaries and wages	$2,092,553	$2,381,422	$3,302,497	$569,236	$246,605	$ 928,151	$ 9,520,464	$ 474,083	$304,312	$ 778,395	**$10,298,859**	$ 9,858,021
Payroll taxes and employee benefits	724,876	952,500	840,187	123,219	35,367	136,843	2,812,992	208,132	54,746	262,878	**3,075,870**	3,099,208
Total Salaries and Related Benefits	2,817,429	3,333,922	4,142,684	692,455	281,972	1,064,994	12,333,456	682,215	359,058	1,041,273	**13,374,729**	12,957,229
Fee for service professionals	1,225,411	751,606	432,348	97,529	173	733,643	3,240,710	85,861	127,282	213,143	**3,453,853**	2,927,957
Building occupancy	259,162	128,528	1,179,821	16,580	-	67,824	1,651,915	48,261	6,612	54,873	**1,706,788**	1,741,831
Telephone and telegraph	12,488	21,698	62,371	13,844	-	8,994	119,395	9,070	5,307	14,377	**133,772**	119,041
Temporary staff	76,984	200,473	81,406	50,903	-	75,859	485,625	117,604	34,170	151,774	**637,399**	643,079
Supplies and equipment	64,143	54,151	382,898	15,760	213	62,471	579,636	15,345	10,742	26,087	**605,723**	640,547
Food	-	-	248,162	-	33,399	584	282,145	10	1,892	1,902	**284,047**	277,928
Transportation	3,439	94,528	18,935	12,264	-	7,808	136,974	3,692	2,152	5,844	**142,818**	138,555
Equipment rental and maintenance	100,871	103,848	295,103	11,390	-	42,634	553,846	19,779	4,595	24,374	**578,220**	554,392
Insurance	28,524	31,370	41,114	5,320	-	2,244	108,572	12,720	5,852	18,572	**127,144**	130,435
Bad debt expense	165,618	89,158	-	-	-	-	254,776	-	-	-	**254,776**	55,449
Interest expense	-	-	-	-	-	-	-	94,191	-	94,191	**94,191**	-
Administrative and miscellaneous	90,490	107,487	297,224	68,632	819	116,103	680,755	54,044	39,578	93,622	**774,377**	683,091
Total Expenses Before Depreciation	4,844,559	4,916,769	7,182,066	984,677	316,576	2,183,158	20,427,805	1,142,792	597,240	1,740,032	**22,167,837**	20,869,534
Depreciation (Note 6)	2,844	7,455	637,728	-	-	-	648,027	-	-	-	**648,027**	675,078
Total Functional Expenses	**$4,847,403**	**$4,924,224**	**$7,819,794**	**$984,677**	**$316,576**	**$2,183,158**	**$21,075,832**	**$1,142,792**	**$597,240**	**$1,740,032**	**$22,815,864**	$21,544,612

See accompanying notes to combined financial statements.

Northside Center for Child Development, Inc.
and Northside Center for Child Development Day School

Combined Statement of Cash Flows
(with comparative totals for 2016)

Year ended June 30,	**2017**	2016
Cash Flows From Operating Activities:		
Change in net assets	**$ 562,892**	$ 897,282
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized loss (gain) on investments	**94,178**	(10,991)
Realized (gain) loss on investments	**(12,634)**	8,720
Donated stock	**-**	(160,856)
Depreciation	**648,027**	675,078
Bad debt expense	**254,776**	55,449
Change in present value of pledges receivable	**(19,123)**	(9,641)
Capital campaign contributions	**(22,500)**	(579,225)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**(976,228)**	(973,179)
Pledges receivable	**283,263**	(647,827)
Prepaid expenses and other assets	**30,328**	157,278
Increase (decrease) in:		
Accounts payable and accrued expenses	**(29,206)**	14,649
Accrued salaries and related liabilities	**(53,341)**	57,426
Deferred revenue	**(102,300)**	102,300
Due to governmental agencies	**(363,222)**	148,822
Net Cash Provided By (Used In) Operating Activities	**294,910**	(264,715)
Cash Flows From Investing Activities:		
Purchases of investments	**(5,375,036)**	(160,768)
Proceeds from sales of investments	**4,493,250**	751,611
Purchases of fixed assets	**(478,610)**	(446,799)
Net Cash (Used In) Provided By Investing Activities	**(1,360,396)**	144,044
Cash Flows From Financing Activities:		
Contributions restricted for long-term purposes:		
Capital Campaign	**22,500**	579,225
Net (Decrease) Increase in Cash and Cash Equivalents	**(1,042,986)**	458,554
Cash and Cash Equivalents, Beginning of Year	**4,490,491**	4,031,937
Cash and Cash Equivalents, End of Year	**$ 3,447,505**	$4,490,491

See accompanying notes to combined financial statements.

1. Description of Organization

Northside Center for Child Development, Inc. ("Northside Center") and Northside Center for Child Development Day School (the "Day School") (collectively, the "Center") operate a comprehensive treatment center dedicated to meeting the social, emotional and educational needs of children and their families, principally through the operation of their Clinic and the Day School special education programs.

2. Summary of Significant Accounting Policies

(a) Principles of Combination

The financial statements of Northside Center and the Day School are combined as the two entities are related by common board membership and substantially identical management. Intercompany accounts and transactions have been eliminated in combination.

(b) Basis of Presentation

The combined financial statements have been prepared on an accrual basis. In the combined statement of financial position, assets are presented in order of liquidity or conversion to cash and liabilities are presented according to their maturity resulting in the use of cash, respectively.

(c) Financial Statement Presentation

The classification of the Center's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted and unrestricted, be displayed in a combined statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a combined statement of activities.

The classes of net assets are defined as follows:

Permanently Restricted – Net assets resulting from contributions and other inflows of assets whose use by the Center is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Center.

Temporarily Restricted – Net assets resulting from contributions and other inflows of assets whose use by the Center is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Center pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

Unrestricted - Board Designated for Future Programs – Net assets consist of all monies or assets contributed to the Center which are designated for future programs by the Board of Directors of the Center.

Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(d) Cash and Cash Equivalents

The Center considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

(e) Fair Value Measurements

Accounting Standards Codification ("ASC") 820, "Fair Value Measurement," defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. ASC 820 established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Center classifies fair value balances based on the fair value hierarchy defined by ASC 820 as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 instruments.

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 asset or liability'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.

(f) Investment Income

Investment income is recognized when earned and consists of interest and dividends. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

(g) Provision for Doubtful Accounts

The Center provides an allowance for doubtful accounts for accounts which are specifically identified by management as to their uncertainty in regards to collectability. Accounts receivable is mainly comprised of government support and contributions revenue.

(h) Revenue Recognition

(i) Government Support

The Center receives substantially all its revenue for services provided to approved participants from third-party reimbursement agencies, primarily Medicaid and the State Education Department of New York. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. Retroactive adjustments have been accounted for as due to governmental agencies (Note 7).

(ii) Contributions and Promises to Give

Contributions and unconditional promises to give are recorded as revenue when either unsolicited cash is received or when donors make an unconditional promise to give. Contributions and unconditional promises to give are classified as either unrestricted, temporarily restricted, or permanently restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets realized from restriction.

(i) Fixed Assets

Fixed assets are recorded at cost or, if contributed, at market value at date of contribution. Maintenance and repairs are charged to expense and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the related assets. The estimated useful lives of the assets are as follows:

Furniture, fixtures and equipment	3-14 years
Leasehold improvements	14 years

(j) Impairment of Long-Lived Assets

ASC 360, "Property, Plant and Equipment," requires the Center to review long-lived assets, such as fixed assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no impairments in 2017.

(k) Contributed Services

For the year ended June 30, 2017, the value of contributed services meeting the requirements for recognition in the combined financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Center.

(l) Income Taxes

The Center was incorporated in the State of New York and is exempt from Federal and state income taxes under Section 501c(3) of the Internal Revenue Code and therefore has made no provision for income taxes in the accompanying combined financial statements. The Center has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2017.

Under ASC 740, "Accounting for Uncertainty in Income Taxes," an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained upon examination by a taxing authority. The Center does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The Center has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Center has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required to do so. For the year ended June 30, 2017, there were no interest or penalties recorded or included in the combined statement of activities. Management believes that the Center is no longer subject to income tax examinations for years prior to 2014.

(m) Comparative Financial Information

The combined financial statements include certain prior-year summarized comparative information. With respect to the combined statement of activities, the prior year information is presented in total, not by net asset class. With respect to the combined statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's combined financial statements for the year ended June 30, 2016, from which the summarized information was derived.

(n) Use of Estimates

In preparing combined financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the combined financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

(o) Allocation Methodology

Common costs incurred for the administration of the various programs are allocated directly to respective programs as incurred and/or utilizing predetermined allocation rates established by management.

(p) Net Asset Classification

On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). This law, which is a modified version of The Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), makes significant changes to the rules governing how New York not-for-profit organizations may manage, invest and spend their endowment funds. The new law is designated to allow organizations to cope more easily with fluctuations in the value of their endowment and to afford them greater access to funds needed to support their programs and services in difficult financial times. This law should provide some relief to organizations that have found themselves with underwater endowments. It also expands the options available to organizations seeking relief from donor restrictions on funds that have become obsolete, impracticable or wasteful. NYPMIFA applies to New York not-for-profit, education and religious corporations, associations organized and operated exclusively for charitable purposes and certain trusts.

(q) *Risks and Uncertainties*

The Center's investments primarily consist of a variety of investment securities and investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of the Center's investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying combined financial statements.

(r) *Concentration of Credit Risk*

The financial instruments that potentially subject the Center to concentration of credit risk consist primarily of cash and cash equivalents. At various times, the Center has cash deposits at financial institutions which exceed the Federal Depository Insurance Coverage ("FDIC") limit.

(s) *Reclassifications*

Certain prior year balances have been reclassified to be consistent with the current year financial statement presentation.

(t) *New Accounting Pronouncements*

Revenue From Contracts With Customers (Topic 606)

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 that deferred the effective date for the Center until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its combined financial statements.

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial positon and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use ("ROU") model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Center's fiscal years beginning after December 15, 2019, with early adoption permitted. Management is currently evaluating the impact of this ASU on its combined financial statements.

Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Center's combined financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on their combined financial statements.

3. Investments and Fair Value Measurements

The following table shows, by level within the fair value hierarchy, the Center's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2017. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Center's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels.

June 30, 2017

	Level 1	Level 2	Level 3	Total
Money market funds	$ 886,620	$ -	$	$ 886,620
Equity securities – domestic	39,165	-	-	39,165
Mutual funds – fixed income	499,003	-	-	499,003
Corporate bonds	-	3,348,111	-	3,348,111
Government bonds	-	1,265,302	-	1,265,302
Certificates of deposit	523,370	-	-	523,370
	$1,948,158	$4,613,413	$-	$6,561,571

The Center's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of the Center's policies regarding this hierarchy. A description of the valuation techniques applied to the Center's major categories of assets and liabilities measured at fair value are as follows:

Money Market Funds

Money market funds are valued at net asset value ("NAV").

Equity Securities

Investments in securities traded on a National Securities Exchange or listed on NASDAQ are valued at the last reported sales price on the last business day of the year. The valuation of these investments is based on Level 1 inputs within the hierarchy used in measuring fair value.

Mutual Funds

Mutual funds are valued at NAV. The valuation of these investments is based on Level 1 inputs within the hierarchy used in measuring fair value.

Corporate and Government Bonds

The Center has investments in fixed income securities which consist of corporate and government bonds. The Center's custodian prices these investments using nationally recognized pricing services. U.S. Treasury securities are valued using quoted market prices and are categorized as Level 1 within the fair value hierarchy. Since fixed income securities other than U.S. Treasury securities generally do not trade on a daily basis; the pricing services prepare estimates of fair value measurements for these securities using the proprietary pricing applications which include available relevant market information, benchmark curves, benchmarking of similar securities, sector groupings and matrix pricing. These investments are classified as Level 2 within the hierarchy used in measuring fair value.

Certificates of Deposit

Certificates of deposit are valued at cost plus interest, which approximates fair value.

The Center had no financial assets and liabilities that were measured at fair value on a non-recurring basis during the year ended June 30, 2017. In addition, there were no transfers between levels during the year ended June 30, 2017.

Cost and respective fair values of investments at June 30, 2017 are as follows:

June 30, 2017	Cost	Fair Value
Money market funds	$ 886,620	$ 886,620
Equity securities – domestic	30,316	39,165
Mutual funds – fixed income	501,048	499,003
Corporate bonds	3,394,932	3,348,111
Government bonds	1,315,976	1,265,302
Certificates of deposit	515,866	523,370
	$6,644,758	$6,561,571

4. Accounts Receivable, Net

At June 30, 2017, accounts receivable, net consisted of the following:

Medicaid	$ 131,893
State Education Department and New York City	1,879,153
Third party insurance	354,092
Grants	1,036,690
Other	65,443
	3,467,271
Less: Allowance for doubtful accounts	(341,677)
	$3,125,594

5. Pledges Receivable

As of June 30, 2017, the Center had pledges receivable for the following purposes:

June 30, 2017	
Unrestricted:	
GALA, net of allowance for doubtful accounts of $18,500	$ 220,350
Restricted:	
Other	1,361,765
Capital campaign	2,465,695
Total	$4,047,810

The net present value of pledges receivable was calculated using a discount rate equal to the risk-free interest rate, which is the U.S. Treasury note interest rate in effect at the time the contributions are made and equal in duration to the length of time that contribution is expected to be paid over.

The following represents future payments due:

Amount due in:	
2017	$2,537,310
2-5 years	1,380,500
Thereafter	150,000
	4,067,810
Net present value discount	(100,895)
Net present value	$3,966,915

6. Fixed Assets, Net

Fixed assets, net, consists of the following:

June 30, 2017	
Furniture, fixtures and equipment	$ 4,013,402
Leasehold improvements	3,914,489
Total fixed assets	7,927,891
Less: Accumulated depreciation and amortization	(5,904,678)
Fixed assets, net	$ 2,023,213

For the year ended June 30, 2017, depreciation totaled $648,027.

7. Due to Governmental Agencies

(a) Occasionally, funding source adjustments relating to prior years are adjusted in the current year. The causes of these adjustments include funding source audit findings, rate appeals, additional funds received above an original contract amount, etc. The Center has established a liability to provide for potential funding source adjustments. The total due to governmental agencies at June 30, 2017 was $546,682. The funds have been set aside to satisfy this liability.

(b) In October 2016, the Center entered into an agreement with the New York State Office of the Medicaid Inspector General ("OMIG") in connection with overpayment amounts received by the Center, identified in a final audit report by OMIG, in the amount of $4,924,675. This agreement requires the Center to make monthly payments amounting to $46,433 until the liability is fully settled. Interest is to be accrued at three (3%) percent on a monthly basis commencing upon the execution of the agreement by both parties. The balance as of June 30, 2017 was $4,506,782. The future minimum payments under this agreement are as follows:

Fiscal year ending	
2018	$ 557,190
2019	557,190
2020	557,190
2021	557,190
2022	557,190
Thereafter	1,720,832
Total	$4,506,782

8. Pension Plans

(a) The Center is a participant in the 1199 SEIU Healthcare Employees Pension Fund multi-employer pension plan. This plan is a noncontributory defined benefit plan covering substantially all union employees with one full year of continuous service. Total pension expense under this plan was $119,241.

(b) The Center maintains a defined contribution retirement plan for all salaried employees who have completed one year of service. Employer contributions are determined annually by the Center. It is the policy of the Center to fund pension costs as they accrue. Benefits, which are limited to plan assets, vest immediately. Total pension expense under this plan was $228,055.

(c) The Center has also established a supplemental executive plan to provide additional retirement benefits for selected executive employees. As of the year ended June 30, 2017, the Center had recorded approximately $440,000 in benefit obligations, which is included in accrued salaries and related liabilities in the combined statement of financial position. Total pension expense under this plan was approximately $52,000 in contributions.

9. Lease Commitments

The Center leases office space under operating leases. At June 30, 2017, future minimum rental payments under these operating leases are as follows:

Fiscal year ending	Amount
2018	$ 672,887
2019	325,737
2020	325,467
2021	318,915
2022	314,068
Thereafter	4,691,759
Total	$6,648,833

Rent expense for the year ended June 30, 2017 was $1,201,712.

10. Line of Credit

The Center has a $400,000 line of credit from a financial institution that is secured by the Center's assets. The line of credit is subject to annual renewal upon receipts of the renewal letter from the financial organization. The line of credit bears interest at a variable rate equal to the 1-month London Interbank Offered Rate ("LIBOR") plus 6.049% (7.275% at June 30, 2017). As of June 30, 2017, there were no outstanding borrowings from the line of credit.

11. Board Designated Endowment Fund

In 2002, certain members of the Board of Directors, in their individual capacities, undertook to establish an endowment fund for the benefit of the Center. The use of principal and income is to be retained for future site enhancements, space and program operations. At June 30, 2017, the Board designated endowment fund amounted to $2,500,000.

12. Temporarily Restricted Net Assets and Net Assets Released from Restrictions

Temporarily restricted net assets consisted of the following:

June 30, 2017	
Mamie Phipps Scholarship Fund	$ 206,644
Library Endowment Fund	214,442
Capital Campaign Buildings fund	4,695,743
Other restricted funds	2,177,101
Total	$7,293,930

Net assets were released from donor restrictions in 2017 by incurring expenses satisfying the restricted purposes specified by donors or obtaining a letter from donor that allows the release of funds from restriction:

June 30, 2017	
Capital Campaign Buildings fund	$ 246,068
Other restricted funds	1,965,821
Alan Patricof	1,000,000
Total	$3,211,889

13. Endowment Fund

The Center maintains a donor-restricted endowment fund (the "Endowment Fund") that has been classified as permanently restricted net assets. As required by accounting principles generally accepted in the United States, net assets associated with permanently restricted donor funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Center has interpreted 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 Endowment Fund is classified as permanently restricted net assets and includes the following:

a. the original value of gifts donated to the permanent endowment;

b. the original value of subsequent gifts to the permanent endowment; and

c. accumulation of the permanent endowment made in accordance with the direction of applicable donor instructions.

The remaining portion of the Endowment Fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the donor's intent. In accordance with NYPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate the Endowment Fund:

d. the duration and preservation of the Endowment Fund;

e. the purposes of the Endowment Fund

f. general economic conditions;

g. the possible effect of inflation and deflation;

h. the expected total return from income and the appreciation of investments;

i. other resources of the Endowment Fund; and

j. the investment policies of the Endowment Fund.

The following table provides reconciliation of beginning and ending balances as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment balances as of July 1, 2016	$31,711	$ -	$93,557	$125,268
Interest and dividend income	-	4,869	-	4,869
Appropriations	4,869	(4,869)	-	-
Realized and unrealized loss	-	-	(1,462)	(1,462)
	$36,580	$ -	$92,095	$128,675

14. Subsequent Events

The Center entered into a lease agreement dated June 29, 2017 with a builder to lease a portion of space in a proposed development in Harlem. The builder anticipates closing on the construction loan June 30, 2018, with an anticipated completion date for the building of June 30, 2022. Pursuant to the lease agreement, the Center has deposited $1,000,000 into a separate bank account to support its financial commitment to the proposed development. In turn, to protect the Center, the builder has signed a promissory note for $1,000,000 to the Center. The lease term is for 40 years, with an initial annual lease payment of $606,000.

The Center's management has performed subsequent events procedures through December 1, 2017, which is the date the combined financial statements were available to be issued and there were no subsequent events requiring adjustment to the combined financial statements or disclosures as stated herein.

Supplementary Schedules

Northside Center for Child Development, Inc.
and Northside Center for Child Development Day School

Combining Schedule of Financial Position
(with comparative totals for 2016)

June 30,

	Northside Center	Day School	Eliminations	Total 2017	Total 2016
Assets					
Current:					
Cash and cash equivalents	$ 2,862,750	$ 584,755	$ -	**$ 3,447,505**	$ 4,490,491
Investments, at fair value	6,561,571	-	-	**6,561,571**	5,761,329
Accounts receivable, net	2,514,411	611,183	-	**3,125,594**	2,404,142
Net pledges receivable, current portion	2,436,415	-	-	**2,436,415**	2,668,055
Due from affiliate	-	1,488,388	(1,488,388)	**-**	-
Prepaid expenses and other assets	106,938	1,563	-	**108,501**	138,829
Total Current Assets	14,482,085	2,685,889	(1,488,388)	**15,679,586**	15,462,846
Pledges Receivable, Net of Current Portion	1,530,500	-	-	**1,530,500**	1,563,000
Fixed Assets, Net	2,016,799	6,414	-	**2,023,213**	2,192,630
Total Assets	**$18,029,384**	**$2,692,303**	**$(1,488,388)**	**$19,233,299**	$19,218,476
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable and accrued expenses	$ 165,798	$ 18,869	$ -	**$ 184,667**	$ 213,874
Accrued salaries and related liabilities	851,836	113,631	-	**965,467**	1,018,807
Deferred revenue	-	-	-	**-**	102,300
Due to affiliate	1,488,388	-	(1,488,388)	**-**	-
Due to governmental agencies, current portion (Note 7)	1,080,180	23,692	-	**1,103,872**	892,644
Total Current Liabilities	3,586,202	156,192	(1,488,388)	**2,254,006**	2,227,625
Due to Governmental Agencies, Net of Current Portion (Note 7)	3,949,592	-	-	**3,949,592**	4,524,042
Total Liabilities	7,535,794	156,192	(1,488,388)	**6,203,598**	6,751,667
Commitments and Contingencies					
Net Assets:					
Unrestricted	607,565	2,536,111	-	**3,143,676**	1,134,736
Unrestricted - Board designated for future programs	2,500,000	-	-	**2,500,000**	2,500,000
Total Unrestricted	3,107,565	2,536,111	-	**5,643,676**	3,634,736
Temporarily restricted - other	2,598,187	-	-	**2,598,187**	4,219,582
Temporarily restricted - building fund	4,695,743	-	-	**4,695,743**	4,518,934
Total Temporary Restricted	7,293,930	-	-	**7,293,930**	8,738,516
Permanently restricted	92,095	-	-	**92,095**	93,557
Total Net Assets	10,493,590	2,536,111	-	**13,029,701**	12,466,809
Total Liabilities and Net Assets	**$18,029,384**	**$2,692,303**	**$(1,488,388)**	**$19,233,299**	$19,218,476

Northside Center for Child Development, Inc.
and Northside Center for Child Development Day School

Combining Schedule of Activities
(with comparative totals for 2016)

Year ended June 30,	Northside Center	Day School	Total 2017	Total 2016
Support and Revenue From Operations:				
Government support and revenue	$14,928,377	$5,032,884	**$19,961,261**	$17,745,162
Contributions and miscellaneous income	2,112,237	291	**2,112,528**	3,353,695
Investment income	10,930	-	**10,930**	89,704
Total Support and Revenue From Operations	17,051,544	5,033,175	**22,084,719**	21,188,561
Expenses:				
Program services:				
Day school	-	4,847,403	**4,847,403**	4,455,108
Clinic	4,924,224	-	**4,924,224**	4,352,118
Head Start	7,819,794	-	**7,819,794**	7,693,337
Administration for Children's Services	984,677	-	**984,677**	856,852
Youth services	316,576	-	**316,576**	325,021
Restricted funds	2,183,158	-	**2,183,158**	2,039,221
Total Program Services	16,228,429	4,847,403	**21,075,832**	19,721,657
Supporting services:				
Management and general	1,142,792	-	**1,142,792**	1,263,319
Fundraising	597,240	-	**597,240**	559,636
Total Supporting Services	1,740,032	-	**1,740,032**	1,822,955
Total Expenses	17,968,461	4,847,403	**22,815,864**	21,544,612
(Deficiency) Excess of Support and Revenue From Operations Over Expenses	(916,917)	185,772	**(731,145)**	(356,051)
Nonoperating Revenue:				
Special events, net of expenses of $271,543 and $328,300 for 2017 and 2016, respectively	1,294,037	-	**1,294,037**	1,253,333
Change in Net Assets	377,120	185,772	**562,892**	897,282
Net Assets, Beginning of Year	10,116,470	2,350,339	**12,466,809**	11,569,527
Net Assets, End of Year	**$10,493,590**	**$2,536,111**	**$13,029,701**	$12,466,809