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

Combined Financial Statements
and Supplementary Schedules
Year Ended June 30, 2018

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

Combined Financial Statements and Supplementary Schedules

Year Ended June 30, 2018

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

Contents

Tel: 212-885-800
Fax: 212-697-1299
www.bdo.com

100 Park Avenue
New York, NY 10017

Independent Auditor's Report

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, 2018, 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, 2018, 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 2017 combined financial statements, and our report dated December 1, 2017 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, 2017 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

BDO USA, LLP

November 29, 2018

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

Combined Statement of Financial Position
(with comparative totals for 2017)

June 30,		**2018**		2017
Assets				
Current				
Cash and cash equivalents (Note 2)	$	**2,326,762**	$	3,447,505
Investments, at fair value (Notes 2, 11, and 13)		**7,432,605**		6,561,571
Accounts receivable, net of allowance for doubtful accounts of $347,087 and $341,667 in 2018 and 2017, respectively (Notes 2 and 4)		**3,318,056**		3,125,594
Pledges receivable, current portion for doubtful accounts (Notes 2 and 5)		**2,801,854**		2,436,415
Prepaid expenses and other assets		**253,147**		108,501
Total Current Assets		**16,132,424**		15,679,586
Pledges Receivable, less current portion and net of discount (Notes 2 and 5)		**1,989,411**		1,530,500
Fixed Assets, net (Notes 2 and 6)		**2,230,495**		2,023,213
Total Assets	$	**20,352,330**	$	19,233,299
Liabilities and Net Assets				
Liabilities				
Current				
Accounts payable and accrued expenses	$	**179,959**	$	184,667
Accrued salaries and related liabilities (Note 8)		**992,948**		965,467
Due to governmental agencies, current portion (Note 7)		**1,040,372**		1,103,872
Total Current Liabilities		**2,213,279**		2,254,006
Due to Governmental Agencies, less current portion (Note 7)		**3,392,402**		3,949,592
Total Liabilities		**5,605,681**		6,203,598
Commitments and Contingencies (Notes 2, 7, 8, 9, and 10)				
Net Assets (Notes 2, 11, 12 and 13)				
Unrestricted - operating		**3,118,223**		3,143,676
Unrestricted - Board designated for future programs		**2,500,000**		2,500,000
Total Unrestricted		**5,618,223**		5,643,676
Temporarily restricted - other		**1,531,959**		2,598,187
Temporarily restricted - building fund		**7,504,372**		4,695,743
Total Temporary Restricted		**9,036,331**		7,293,930
Permanently restricted		**92,095**		92,095
Total Net Assets		**14,746,649**		13,029,701
Total Liabilities and Net Assets	$	**20,352,330**	$	19,233,299

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 2017)

Year ended June 30,

	Unrestricted		Temporarily	Permanently	Totals	
	Current	Board Designated	Restricted Funds	Restricted Funds	**2018**	2017
Support and Revenue from Operations						
Government support and revenue (Note 2)	$ 19,297,056	$ -	$ -	$ -	**$ 19,297,056**	$ 19,961,261
Contributions and miscellaneous income	357,791	-	3,917,064	-	**4,274,855**	2,112,528
Investment income	29,492	-	5,284	-	**34,776**	10,930
Net assets released from restrictions (Note 12)	2,179,947	-	(2,179,947)	-	**-**	-
Total Support and Revenue from Operations	21,864,286	-	1,742,401	-	**23,606,687**	22,084,719
Expenses						
Program services:						
Day school	4,892,782	-	-	-	**4,892,782**	4,847,403
Clinic	4,940,434	-	-	-	**4,940,434**	4,924,224
Head Start	7,607,913	-	-	-	**7,607,913**	7,819,794
Administration for Children's Services	1,444,270	-	-	-	**1,444,270**	984,677
Youth services	338,458	-	-	-	**338,458**	316,576
Restricted funds	1,597,433	-	-	-	**1,597,433**	2,183,158
Total Program Services	20,821,290	-	-	-	**20,821,290**	21,075,832
Supporting services:						
Management and general	1,410,383				**1,410,383**	1,142,792
Fundraising	599,675	-	-	-	**599,675**	597,240
Total Supporting Services	2,010,058	-	-	-	**2,010,058**	1,740,032
Total Expenses	22,831,348	-	-	-	**22,831,348**	22,815,864
Excess (Deficiency) of Support and Revenue from Operations Over Expenses	(967,062)	-	1,742,401	-	**775,339**	(731,145)
Nonoperating Revenue						
Special events, net of expenses of $243,810 and $271,543 for 2018 and 2017, respectively	941,609	-	-	-	**941,609**	1,294,037
Change in Net Assets	(25,453)	-	1,742,401	-	**1,716,948**	562,892
Net Assets, beginning of year	3,143,676	2,500,000	7,293,930	92,095	**13,029,701**	12,466,809
Net Assets, end of year	$ 3,118,223	$ 2,500,000	$ 9,036,331	$ 92,095	**$ 14,746,649**	$ 13,029,701

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 2017)

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	**2018**	2017
Salaries and wages	$ 2,221,722	$ 2,357,793	$ 3,215,136	$ 811,778	$ 245,095	$ 701,707	$ 9,553,231	$ 580,071	$ 291,593	$ 871,664	**$10,424,895**	$ 10,298,859
Payroll taxes and employee benefits	651,451	976,773	814,155	186,091	37,975	129,145	2,795,590	153,294	60,825	214,119	**3,009,709**	3,075,870
Total Salaries and Related Benefits	2,873,173	3,334,566	4,029,291	997,869	283,070	830,852	12,348,821	733,365	352,418	1,085,783	**13,434,604**	13,374,729
Fee for service professionals	1,379,361	687,087	462,654	168,780	713	470,487	3,169,082	108,815	122,387	231,202	**3,400,284**	3,453,853
Building occupancy	258,821	149,084	1,157,841	19,149	3,040	69,074	1,657,009	37,425	6,690	44,115	**1,701,124**	1,706,788
Telephone and telegraph	17,347	28,726	106,255	17,555	407	8,472	178,762	6,312	3,500	9,812	**188,574**	133,772
Temporary staff	48,356	152,402	147,753	95,158	-	23,813	467,482	350,362	55,134	405,496	**872,978**	637,399
Supplies and equipment	154,308	73,735	234,562	63,016	3,000	43,625	572,246	7,924	2,938	10,862	**583,108**	605,723
Food	-	826	261,096	225	39,249	1,400	302,796	207	4,328	4,535	**307,331**	284,047
Transportation	5,982	83,295	18,401	11,133	3,046	3,755	125,612	5,925	2,366	8,291	**133,903**	142,818
Equipment rental and maintenance	112,220	97,457	274,666	25,076	1,389	36,381	547,189	13,825	3,672	17,497	**564,686**	578,220
Insurance	27,850	31,435	38,901	5,675	1,264	6,887	112,012	12,457	5,255	17,712	**129,724**	127,144
Bad debt expense	-	5,410	-	-	-	-	5,410	-	-	-	**5,410**	254,776
Interest expense	-	-	-	-	-	-	-	127,555	-	127,555	**127,555**	94,191
Administrative and miscellaneous	4,270	287,498	276,405	40,634	3,280	102,687	714,774	6,211	40,987	47,198	**761,972**	774,377
Total Expenses, before depreciation and amortization	4,881,688	4,931,521	7,007,825	1,444,270	338,458	1,597,433	20,201,195	1,410,383	599,675	2,010,058	**22,211,253**	22,167,837
Depreciation and Amortization (Note 6)	11,094	8,913	600,088	-	-	-	620,095	-	-	-	**620,095**	648,027
Total Functional Expenses	$ 4,892,782	$ 4,940,434	$ 7,607,913	$ 1,444,270	$ 338,458	$ 1,597,433	$ 20,821,290	$ 1,410,383	$ 599,675	$ 2,010,058	**$22,831,348**	$ 22,815,864

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 2017)

Year ended June 30,		**2018**		2017
Cash Flows from Operating Activities				
Change in net assets	$	**1,716,948**	$	562,892
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Unrealized loss on investments		**102,724**		94,178
Realized loss (gain) on investments		**19,728**		(12,634)
Depreciation and amortization		**620,095**		648,027
Bad debt expense		**5,410**		254,776
Change in present value of pledges receivable		**(40,194)**		(19,123)
Capital Campaign contributions		**(2,554,193)**		(22,500)
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable		**(197,872)**		(976,228)
Pledges receivable, net		**(784,156)**		283,263
Prepaid expenses and other assets		**(144,646)**		30,328
Increase (decrease) in:				
Accounts payable and accrued expenses		**(4,708)**		(29,206)
Accrued salaries and related liabilities		**27,481**		(53,341)
Deferred revenue		**-**		(102,300)
Due to governmental agencies		**(620,690)**		(363,222)
Net Cash Provided By (Used In) Operating Activities		**(1,854,073)**		294,910
Cash Flows from Investing Activities				
Purchases of investments		**(2,433,800)**		(5,375,036)
Proceeds from sales of investments		**1,440,314**		4,493,250
Purchases of fixed assets		**(827,377)**		(478,610)
Net Cash Used In Investing Activities		**(1,820,863)**		(1,360,396)
Net Decrease in Cash and Cash Equivalents		**(1,120,743)**		(1,042,986)
Cash and Cash Equivalents, beginning of year		**3,447,505**		4,490,491
Cash and Cash Equivalents, end of year	$	**2,326,762**	$	3,447,505
Cash Paid for Interest	$	**127,555**	$	94,191

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

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.

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.

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. The income and net capital appreciation from all permanently restricted assets are available for unrestricted and temporarily restricted purposes.

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 as "net assets released from restrictions" and reported in the combined statement of activities. Temporarily restricted contributions and grants, the requirements of which are met in the year of donation, are reported as unrestricted.

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

Unrestricted – Board-Designated for Future Use – Net assets consisting of all assets or monies contributed to the Center, which are designated for future operations by the Board of Directors of the Center.

Cash and Cash Equivalents

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

Fair Value Measurements

U.S. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the Center would use in pricing its asset or liability based on independently derived and objectively determinable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Organization are traded. The Center estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers administering each investment based on the best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 - Valuation is based on quoted market prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Valuations are based on: (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in inactive markets, (c) inputs other than quoted prices that are observable for the asset or liability, and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Valuation is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

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.

Provision for Doubtful Accounts

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

As of June 30, 2018, the allowance for doubtful accounts was $347,087.

Revenue Recognition

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).

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.

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

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 2018.

Contributed Services

For the year ended June 30, 2018, 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.

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 2018.

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, 2018, 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 2015.

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, 2017, from which the summarized information was derived.

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.

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.

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 and associations organized and operated exclusively for charitable purposes and certain trusts.

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.

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 that exceed the Federal Depository Insurance Coverage (FDIC) limit of $250,000.

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 position 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, 2018. 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, 2018

	Level 1	Level 2	Level 3	Total
Money market funds	$ 963,159	$ -	$ -	$ 963,159
Equity securities - domestic	46,363	-	-	46,363
Mutual funds - fixed income	603,336	-	-	603,336
Corporate bonds	-	4,693,444	-	4,693,444
Government bonds	-	872,963	-	872,963
Certificates of deposit	253,340	-	-	253,340
	$ 1,866,198	$ 5,566,407	$ -	$ 7,432,605

As of June 30, 2018, investment income consisted of the following:

Interest and dividends	$	157,228
Realized loss on sales of investments		(19,728)
Unrealized loss on investments		(102,724)
	$	34,776

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

The money market fund is valued based on the net asset value (NAV) of the shares held by the Center. NAV is based upon the fair value of the money market fund's underlying investments. The Center's investments in the money market fund can be redeemed immediately at the current NAV per share. There were no unfunded commitments as of June 30, 2018.

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

The Center has investments in mutual funds. For these investments, the Center has ownership interest in the mutual fund but not in the individual securities held by the fund. The assets of each mutual fund consist primarily of shares of the underlying holdings. Each mutual fund's NAV is the value of a single share which is actively traded on national securities exchanges. The mutual funds are valued at the last unadjusted quoted NAV of shares held on a daily basis and are classified as Level 1.

Corporate and Government Bonds

The Center has investments in fixed income securities, which consist of corporate and government bonds. These investments are priced using nationally recognized pricing services. 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, 2018. In addition, there were no transfers between levels during the year ended June 30, 2018.

Cost and respective fair values of investments are as follows:

June 30, 2018	Cost	Fair Value
Money market funds	$ 963,159	$ 963,159
Equity securities – domestic	40,928	46,363
Mutual funds – fixed income	604,736	603,336
Corporate bonds	4,843,784	4,693,444
Government bonds	884,280	872,963
Certificates of deposit	253,330	253,340
	$ 7,590,217	$ 7,432,605

4. Accounts Receivable

At June 30, 2018, accounts receivable consisted of the following:

Medicaid	$ 147,771
State Education Department and New York City	1,658,007
Third party insurance	543,785
Grants	1,253,255
Other	62,325
	3,665,143
Less: allowance for doubtful accounts	(347,087)
Total	$ 3,318,056

5. Pledges Receivable

The Center had pledges receivable for the following purposes:

June 30, 2018	
Unrestricted:	
GALA, net of allowance for doubtful accounts of $18,500	$ 166,350
Restricted:	
Other	1,331,380
Capital campaign	3,434,624
Total	$ 4,932,354

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 over which the contribution is expected to be paid. The interest rate ranged from 2.33% to 2.85%.

The following represents future payments due:

Amount due in:		
One year	$	2,801,854
2-5 years		2,033,000
Thereafter		97,500
		4,932,354
Net present value discount		(141,089)
Net Present Value	$	4,791,265

6. Fixed Assets, Net

Fixed assets, net, consists of the following:

June 30, 2018		
Furniture, fixtures and equipment	$	4,204,279
Leasehold improvements		3,914,489
Artwork		52,950
Total Fixed Assets		8,171,718
Less: accumulated depreciation and amortization		(6,524,774)
		1,646,944
Construction in progress		583,551
Fixed Assets, Net	$	2,230,495

For the year ended June 30, 2018, depreciation and amortization totaled $620,095.

The estimated cost to complete construction is approximately $7,000,000.

7. Due to Governmental Agencies

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, 2018 was $483,182. The funds have been set aside to satisfy this liability.

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 3% on a monthly basis commencing upon the execution of the agreement by both parties. The balance as of June 30, 2018 was $3,949,592.

The future minimum payments under this agreement are as follows:

Fiscal year ending		
2019	$	557,190
2020		557,190
2021		557,190
2022		557,190
2023		557,192
Thereafter		1,163,640
Total	$	3,949,592

8. Pension Plans

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 $178,599.

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 $182,853.

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, 2018, the Center had recorded approximately $543,000 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 $97,000 in contributions.

9. Lease Commitments and Contingencies

(a) The Center leases office space under operating leases. At June 30, 2018, future minimum rental payments under these operating leases are as follows:

Fiscal year ending		Amount
2019	$	750,737
2020		1,175,467
2021		1,168,915
2022		1,168,684
2023		1,125,526
Thereafter		14,091,197
Total	$	19,480,526

Rent expense for the year ended June 30, 2018 was $1,224,204.

(b) 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 began construction during fiscal year 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.

(c) The Center is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Center's financial position, results of operations, or liquidity.

10. Line of Credit

The Center has a $1,000,000 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 one-month London Interbank Offered Rate (LIBOR) plus 6.049% (8.1174% at June 30, 2018). As of June 30, 2018, there were no outstanding borrowings from the line of credit.

11. Board Designated Fund

In 2002, certain members of the Board of Directors, in their individual capacities, undertook to establish a 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, 2018, the Board designated 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, 2018		
Mamie Phipps Scholarship Fund	$	207,346
Library Fund		215,087
Capital Campaign Buildings Fund		7,504,372
Other restricted funds		1,109,526
Total	$	9,036,331

Net assets were released from donor restrictions in 2018 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, 2018		
Capital Campaign Buildings Fund	$	755,526
Other restricted funds		1,424,421
Total	$	2,179,947

13. Permanently Restricted Net Assets

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

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

j. the investment policies of the Endowment Fund

The following table provides reconciliation of beginning and ending balances as of June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment balances as of July 1, 2017	$ 36,580	$ -	$ 92,095	$ 128,675
Interest and dividend income, net	-	1,348	-	1,348
Appropriations	1,348	(1,348)	-	-
Unrealized gain	-	1,669	-	1,669
	$ 37,928	$ 1,669	$ 92,095	$ 131,692

14. Subsequent Events

The Center's management has performed subsequent events procedures through November 29, 2018, 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 2017)

June 30,	Northside Center	Day School	Eliminations	Total 2018	Total 2017
Assets					
Current					
Cash and cash equivalents	$ 2,044,696	$ 282,066	$ -	$ **2,326,762**	$ 3,447,505
Investments, at fair value	7,432,605	-	-	**7,432,605**	6,561,571
Accounts receivable, net of allowance for doubtful accounts of $347,087 and $341,667 in 2018 and 2017, respectively (Notes 2 and 4)	2,816,828	501,228	-	**3,318,056**	3,125,594
Net pledges receivable, current portion, net of allowance for doubtful accounts (Notes 2 and 5)	2,801,854	-	-	**2,801,854**	2,436,415
Due from affiliate	-	1,940,426	(1,940,426)	**-**	-
Prepaid expenses and other assets	250,447	2,700		**253,147**	108,501
Total Current Assets	15,346,430	2,726,420	(1,940,426)	**16,132,424**	15,679,586
Pledges Receivable, less current portion	1,989,411	-	-	**1,989,411**	1,530,500
Fixed Assets, Net	2,151,317	79,178	-	**2,230,495**	2,023,213
Total Assets	$ 19,487,158	$ 2,805,768	$ (1,940,596)	$ **20,352,330**	$ 19,233,299
Liabilities and Net Assets					
Current Liabilities					
Accounts payable and accrued expenses	$ 170,632	$ 9,327	$	$ **179,959**	$ 184,667
Accrued salaries and related liabilities	861,369	131,579	-	**992,948**	965,467
Deferred revenue	-	-	-	**-**	-
Due to affiliate	1,940,426	-	(1,940,426)	**-**	-
Due to governmental agencies, current portion	1,016,681	23,691	-	**1,040,372**	1,103,872
Total Current Liabilities	3,989,108	164,597	(1,940,426)	**2,213,279**	2,254,006
Due to Governmental Agencies, less current portion (Note 7)	3,392,402	-	-	**3,392,402**	3,949,592
Total Liabilities	7,381,510	164,597	(1,940,426)	**5,605,681**	6,203,598
Commitments and Contingencies					
Net Assets					
Unrestricted - operating	477,222	2,641,001	-	**3,118,223**	3,143,676
Unrestricted - Board designated for future programs	2,500,000	-	-	**2,500,000**	2,500,000
Total Unrestricted	2,977,222	2,641,001	-	**5,618,223**	5,643,676
Temporarily restricted - other	1,531,959	-	-	**1,531,959**	2,598,187
Temporarily restricted - building fund	7,504,372	-	-	**7,504,372**	4,695,743
Total Temporary Restricted	9,036,331	-	-	**9,036,331**	7,293,930
Permanently restricted	92,095	-	-	**92,095**	92,095
Total Net Assets	12,105,648	2,641,001	-	**14,746,649**	13,029,701
Total Liabilities and Net Assets	$ 19,487,158	$ 2,805,768	$ (1,940,596)	$ **20,352,330**	$ 19,233,299

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

Combining Schedule of Activities (with comparative totals for 2017)

Year ended June 30,

	Northside Center	Day School	Total 2018	Total 2017
Support and Revenue from Operations				
Government support and revenue	$ 14,299,384	$ 4,997,672	**$ 19,297,056**	$ 19,961,261
Contributions and miscellaneous income	4,274,855	-	**4,274,855**	2,112,528
Investment income	34,776	-	**34,776**	10,930
Total Support and Revenue from Operations	18,609,015	4,997,672	**23,606,687**	22,084,719
Expenses				
Program services:				
Day school	-	4,892,782	**4,892,782**	4,847,403
Clinic	4,940,434	-	**4,940,434**	4,924,224
Head Start	7,607,913	-	**7,607,913**	7,819,794
Administration for Children's Services	1,444,270	-	**1,444,270**	984,677
Youth services	338,458	-	**338,458**	316,576
Restricted funds	1,597,433	-	**1,597,433**	2,183,158
Total Program Services	15,928,508	4,892,782	**20,821,290**	21,075,832
Supporting services:				
Management and general	1,410,383	-	**1,410,383**	1,142,792
Fundraising	599,675	-	**599,675**	597,240
Total Supporting Services	2,010,058	-	**2,010,058**	1,740,032
Total Expenses	17,938,566	4,892,782	**22,831,348**	22,815,864
Excess (Deficiency) of Support and Revenue from Operations Over Expenses	670,449	104,890	**775,339**	(731,145)
Nonoperating Revenue				
Special events, net of expenses of $243,810 and $271,543 for 2018 and 2017, respectively	941,609	-	**941,609**	1,294,037
Change in Net Assets	1,612,058	104,890	**1,716,948**	562,892
Net Assets, beginning of year	10,493,590	2,536,111	**13,029,701**	12,466,809
Net Assets, end of year	$ 12,105,648	$ 2,641,001	**$ 14,746,649**	$ 13,029,701