
CHINESE-AMERICAN PLANNING COUNCIL, INC.

Financial Statements and Single Audit Reports

For the year ended June 30, 2017
(with comparative totals for 2016)

CHINESE-AMERICAN PLANNING COUNCIL, INC.

Financial Statements

June 30, 2017

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Independent Auditors' Report

To the Board of Directors
Chinese-American Planning Council, Inc.

Report on the financial statements

We have audited the accompanying financial statements of Chinese-American Planning Council, Inc. ("CPC"), which comprise the statements of financial position as of June 30, 2017, and the related statement of activities, functional expense, and cash flows for the year then ended, and the related notes to financial statements.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chinese-American Planning Council, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on pages 17 to 19, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016 on our consideration of CPC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CPC's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited CPC's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 18, 2016. 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 financial statements from which it has been derived.

NChing LLP

New York, New York
November 20, 2017

CHINESE-AMERICAN PLANNING COUNCIL, INC.

Statement of Activities

For the year ended June 30, 2017

(with comparative totals for 2016)

	Unrestricted	Temporarily restricted	Permanently restricted	2017	Total 2016
<u>Revenue</u>					
Government grants and contracts	\$ 19,786,652	\$ -	\$ -	\$ 19,786,652	\$ 18,349,654
Contributions and private grants	3,700,085	316,522		4,016,607	2,741,421
Service fees	1,743,843			1,743,843	1,665,153
Other income and public support	672,049			672,049	190,272
Interest and dividend income	16,341	7,326		23,667	32,172
Special events, net of \$93,375 in 2017 and \$255,296 in 2016 for direct costs	338,776			338,776	661,555
Total revenue	<u>26,257,746</u>	<u>323,848</u>		<u>26,581,594</u>	<u>23,640,227</u>
<u>Expenses</u>					
Program services					
Child care	4,129,870			4,129,870	6,978,753
Community services	5,277,825			5,277,825	4,687,111
Senior citizens' services	4,671,143			4,671,143	4,380,582
Youth services	3,965,574			3,965,574	3,404,063
Workforce	496,180			496,180	599,779
Literacy	-			-	47,845
School age	2,872,891			2,872,891	-
Total program services	<u>21,413,483</u>			<u>21,413,483</u>	<u>20,098,133</u>
Supporting services					
Management and general	4,433,759			4,433,759	3,239,929
Fund raising	203,442			203,442	157,936
Total supporting services	<u>4,637,201</u>			<u>4,637,201</u>	<u>3,397,865</u>
Total expenses	<u>26,050,684</u>			<u>26,050,684</u>	<u>23,495,998</u>
Change in net assets	207,062	323,848	-	530,910	144,229
Net assets at beginning of year	10,666,760	3,471,222	440,423	14,578,405	14,434,176
Net assets at end of year	<u>\$ 10,873,822</u>	<u>\$ 3,795,070</u>	<u>\$ 440,423</u>	<u>\$ 15,109,315</u>	<u>\$ 14,578,405</u>

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

CHINESE-AMERICAN PLANNING COUNCIL, INC.

Statement of Functional Expenses

For the year ended June 30, 2017

(with comparative totals for 2016)

	Program services							Supporting services			Total program and Supporting services	
	Child care	Community services	Senior citizens services	Youth services	Work force	School-Age	Total	Management and general	Fund raising	Total	2017	2016
Personnel costs												
Salaries	\$ 2,470,807	\$ 3,057,972	\$ 2,703,644	\$ 2,526,866	\$ 300,183	\$ 2,192,570	\$ 13,252,042	\$ 1,883,077	\$ 132,962	\$ 2,016,039	\$ 15,268,081	\$ 13,399,734
Fringe benefits	589,113	1,025,089	592,308	629,357	138,477	386,632	3,360,976	977,041	37,814	1,014,855	4,375,831	4,077,359
Total personnel costs	3,059,920	4,083,061	3,295,952	3,156,223	438,660	2,579,202	16,613,018	2,860,118	170,776	3,030,894	19,643,912	17,477,093
Program activities												
Food and food related materials	350,850	17,249	729,629	39,108	-	22,532	1,159,368	14,118	-	14,118	1,173,486	1,129,950
Other program supplies	46,680	64,697	87,516	124,161	8,576	54,709	386,339	-	227	227	386,566	312,964
Participant expenses	-	13,247	3,460	30,647	-	-	47,354	-	-	-	47,354	32,899
Program services/fundraising	60,175	90,235	53,966	98,137	24,400	136,482	463,395	1,107	1,950	3,057	466,452	610,936
Professional services												
Audit fees	2,750	5,779	-	-	-	-	8,529	71,181	-	71,181	79,710	107,033
Legal fees	-	-	-	-	-	-	-	28,951	-	28,951	28,951	7,502
Consultant	-	12,820	1,795	4,738	-	4,100	23,453	63,858	30,310	94,168	117,621	268,072
Payroll/client billing preparation	17,163	-	-	-	-	-	17,163	127,055	-	127,055	144,218	118,863
Occupancy costs												
Rent and real estate taxes	412,499	686,350	319,128	310,239	10,444	14,505	1,753,165	473,611	-	473,611	2,226,776	1,877,601
Utilities	61,975	57,644	20,763	31,405	1,802	2,254	175,843	19,659	-	19,659	195,502	164,090
Building maintenance and repairs	42,587	28,491	64,285	3,417	744	-	139,524	11,080	-	11,080	150,604	153,872
Others												
Supplies	41,263	20,460	30,677	153	-	3,838	96,391	31,147	-	31,147	127,538	72,454
Telephone	15,040	47,810	18,273	13,997	7,483	10,489	113,092	35,134	-	35,134	148,226	148,916
Internet maintenance	-	4,550	-	-	-	-	4,550	14,086	179	14,265	18,815	2,169
Insurance	-	-	-	-	-	-	-	383,729	-	383,729	383,729	341,013
Transportation/travel related	2,842	13,634	23,233	115,162	1,126	20,243	176,240	2,893	-	2,893	179,133	143,474
Equipment purchase/rental	7,504	45,201	4,180	21,920	2,400	20,354	101,559	19,603	-	19,603	121,162	206,122
Printing/postage/subscriptions	50	15,448	5,532	10,918	545	294	32,787	7,942	-	7,942	40,729	55,349
Promotion/public relations/memberships	750	25,623	12,754	4,749	-	120	43,996	77,581	-	77,581	121,577	74,789
Contribution/ Donation	-	-	-	-	-	-	-	-	-	-	-	200
Staff training/conferences/advertising	5,164	34,013	-	600	-	3,769	43,546	4,135	-	4,135	47,681	40,168
Memberships	-	7,070	-	-	-	-	7,070	18,940	-	18,940	26,010	36,416
Interest and loan fees	-	-	-	-	-	-	-	112,520	-	112,520	112,520	71,530
Depreciation and amortization	1,943	117	-	-	-	-	2,060	30,770	-	30,770	32,830	23,345
Bad debt expense	-	-	-	-	-	-	-	12,394	-	12,394	12,394	1,214
Miscellaneous	715	4,326	-	-	-	-	5,041	12,147	-	12,147	17,188	17,964
Total expenses	\$ 4,129,870	\$ 5,277,825	\$ 4,671,143	\$ 3,965,574	\$ 496,180	\$ 2,872,891	\$ 21,413,483	\$ 4,433,759	\$ 203,442	\$ 4,637,201	\$ 26,050,684	\$ 23,495,998

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

CHINESE-AMERICAN PLANNING COUNCIL, INC.**Statement of Cash Flows**

For the year ended June 30, 2017

(with comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Changes in net assets	\$ 530,910	\$ 144,229
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	32,828	23,346
Change in grants and contracts receivable	(412,476)	309,255
Change in accounts receivable	(14,731)	1,230,471
Change in other receivables	(168,133)	(332,650)
Change in prepaid expenses and deposits	24,969	(66,874)
Change in custodial funds & other assets	(323,462)	(101,946)
Change in accounts and accrued expenses payable	1,319,868	(680,449)
Change in refundable advances and deferred revenue	55,431	(36,298)
Change in custodial funds liabilities	-	101,946
Change in other liabilities	(206,683)	567,100
Change in due to funding sources	199,309	(13,835)
Net cash provided by operating activities	<u>1,037,830</u>	<u>1,144,295</u>
Cash flows from investing activities		
Net gain/(purchase) of investments	370	(413,492)
Loans to related party	(2,278,306)	(490,669)
Purchase of fixed assets	(19,251)	(86,346)
Net cash used in investing activities	<u>(2,297,187)</u>	<u>(990,507)</u>
Cash flows from financing activities		
Line of credit drawdowns	539,091	-
Net cash provided by financing activities	<u>539,091</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	(720,266)	153,788
Cash and cash equivalents – beginning of year	<u>1,928,599</u>	<u>1,774,811</u>
Cash and cash equivalents – end of year	<u>\$ 1,208,333</u>	<u>\$ 1,928,599</u>

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

CHINESE-AMERICAN PLANNING COUNCIL, INC.

Notes to Financial Statements

June 30, 2017

Note 1 Organization

Chinese-American Planning Council, Inc. ("CPC") is a not-for-profit corporation organized under the New York State not-for-profit corporation law. CPC's mission is to serve the Chinese-American, immigrant and low-income communities in New York City by providing services, skills and resources towards economic self-sufficiency.

CPC is exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes has been recorded in these financial statements.

Note 2 Summary of significant accounting policies

Financial statement presentation. CPC reports information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

CPC also presents consolidated financial statements with its affiliates and subsidiary in conformity with accounting principles generally accepted in the United States of America, and have issued consolidated financial statements dated November 20, 2017. The accompanying standalone financial statements are prepared to comply with the requirements of a grantor of CPC, and therefore do not include the activities of the affiliates and subsidiary.

Basis of accounting. The financial statements of CPC have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

Cash and cash equivalents. Cash and cash equivalents include highly liquid investments including certificate of deposit and money market funds with original maturities of 90 days or less when purchased. The securities are carried at cost, which approximates fair market value.

Property and equipment. Property and equipment are recorded at cost. Gifts and bequests are carried at appraised or fair market value at the date of the gift. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets.

CHINESE-AMERICAN PLANNING COUNCIL, INC.

Notes to Financial Statements

June 30, 2017

Note 2 Summary of significant accounting policies – (continued)

Net assets. The classification of net assets and related support, revenue and expenses, is based on the existence or absence of donor-imposed restrictions. CPC reports information regarding its net assets in three classes as follows:

Unrestricted – Net assets consist of revenue and expenses associated with the principal operating activities of CPC that are not subject to donor stipulation.

Temporarily restricted - Net assets whose use by CPC is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled by actions of CPC pursuant to those stipulations.

Permanently restricted net assets - Net assets whose use by CPC is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of CPC. Permanently restricted net assets consist primarily of endowment, as described in Note 11.

Endowment net assets classification. ASC 958-205 Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to the New York Prudent Management of Institutional Funds Act (“NYMIFA”), and Enhanced Disclosures for all Endowment Funds provides guidance on classifying net assets of donor restricted and board-designated endowment funds held by organizations whether or not they are subject to NYMIFA, as described in Note 11.

Fair Value of Financial Instruments. The carrying amounts of cash and cash equivalents, accounts receivable, grants receivable, other receivables, accounts payables, custodial funds, other liabilities and line of credit approximate fair value because of the short-term maturity of these financial instruments.

ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosure about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard describes how to measure fair value based on a three-level hierarchy of inputs as follows,

Level 1: Quoted prices or published prices (unadjusted) in active markets for identical asset or liability that a reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

CHINESE-AMERICAN PLANNING COUNCIL, INC.

Notes to Financial Statements

June 30, 2017

Note 2 Summary of significant accounting policies – (continued)

The level in the fair value hierarchy within which a fair measurement in it's entirely falls, is based on the lowest input that is significant to the fair value measurements.

Revenue recognition. Contributions are recorded as revenues when received, or when amounts and collectability are known, and considered to be available for unrestricted use unless specifically restricted by donors.

Grants reimbursing expenditures are recognized as support for the amount expended during the period. Amounts received prior to the time related expenses were incurred are reflected as a liability to the funding source.

Grants and contributions receivable are recorded once the commitment has been made as collectability is assured (contributions) or the service has been performed (grants). Allowance for uncollectible is determined based on management's judgement including factors such as prior collections history, type of contributions and the nature of the contributions. No allowance for uncollectible contributions was recorded as of June 30, 2017 and 2016.

Functional allocation of expenses. The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes. CPC had no uncertain tax positions as June 30, 2017 in accordance with Accounting Standards Codification ("ASC") Topic 740, Income Taxes, which provides standards for establishing and classifying any tax provision for uncertain tax positions. CPC is no longer subject to federal or state and local income tax examinations by tax authorities for the years prior to June 30, 2014.

Comparative information. The financial statements include certain prior-year summarized comparative information in total but not by net assets class. 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 CPC's financial statements for the year ended June 30, 2016, from which summarized information was derived.

Reclassifications. Certain prior year balances have been reclassified to be consistent with the current year financial statements presentation. The reclassifications have no effect in the operating results of the prior year.

CHINESE-AMERICAN PLANNING COUNCIL, INC.**Notes to Financial Statements**

June 30, 2017

Note 3 Concentrations

Concentration of Credit Risk

Financial instruments which potentially subject CPC to a concentration of credit risk are cash and cash equivalents accounts with major financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal. As of June 30, 2017 and 2016, CPC had a credit risk exposure of \$4,084,975 and \$4,623,647, respectively, which is comprise of cash included in cash and cash equivalents as well as custodial funds.

Note 4 Grants and contracts receivable

Grants and contracts receivable consist of the following as of June 30,

	<u>2017</u>	<u>2016</u>
Government grants	\$ 2,873,972	\$ 2,371,109
Private foundations	<u>205,152</u>	<u>295,539</u>
Total	<u>\$ 3,079,124</u>	<u>\$ 2,666,648</u>

Note 5 Fair value measurements

The following table presents CPC's fair value hierarchy of investments as June 30,

<u>Description</u>	<u>2017</u> <u>Level 1</u>	<u>2016</u> <u>Level 1</u>
CPC investment		
Money market placements	\$ 415,783	\$ 415,384
Fixed Income	242,198	243,354
Daily income fund	<u>481,049</u>	<u>480,662</u>
Total	<u>\$ 1,139,030</u>	<u>\$ 1,139,400</u>

Investment income for the years ended June 30, 2017 and 2016 was \$23,667 and \$32,172, respectively.

CHINESE-AMERICAN PLANNING COUNCIL, INC.**Notes to Financial Statements**

June 30, 2017

Note 6 Due from affiliates and subsidiary

CPC engaged in transactions with affiliates and subsidiary, such as management fees charged by CPC's for its involvement in the affiliates and subsidiary's operations as well as loans made to some of those affiliates and subsidiary. As of June 30, the due from affiliates and subsidiary account balances were as follows:

	<u>2017</u>	<u>2016</u>
Nan Shan Local Development Corporation	\$ 11,984,212	\$ 9,623,906
CPC Tribeca Center, Inc.	<u>14,000</u>	<u>96,000</u>
Total	<u>\$ 11,998,212</u>	<u>\$ 9,719,906</u>

Note 7 Custodial funds

Certain senior citizen programs of CPC formed Advisory Committees to raise funds for senior center [related and specific] purposes. The Advisory Committees raise funds and recommend disbursements from those funds. Amounts raised during the year are recorded as temporarily restricted net assets and are released as the funding is used for the senior centers. Custodial funds were accounted for as an asset and liability prior to 2017. This presentation was changed in 2017 to properly reflect the restrictions on the funds which have not been used.

As of June 30, the balances related to the custodial funds' activities, which are included in the accompanying financial statements, are as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 1,521,343	\$ 1,138,564
Investments	2,221,052	2,214,112
Due (to)/from affiliates and subsidiary	(17,000)	58,457
Memorial plots	<u>29,050</u>	<u>19,850</u>
Total custodial funds	<u>\$ 3,754,445</u>	<u>\$ 3,430,983</u>

CHINESE-AMERICAN PLANNING COUNCIL, INC.**Notes to Financial Statements**

June 30, 2017

Note 8 Property and equipment

Property and equipment are stated at cost or fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

	Estimated life	2017	2016
Leasehold improvements	5 years	\$ 212,943	\$ 212,943
Equipment	5 years	177,696	158,445
Furniture and fixtures	5 years	30,487	30,487
Vehicle	5 years	50,344	50,344
Total fixed assets		471,470	452,219
Less: accumulated depreciation and amortization		(407,135)	(374,307)
Net fixed assets		<u>\$ 64,335</u>	<u>\$ 77,912</u>

Note 9 Other liabilities

Other liabilities consist of the following at June 30,

	2017	2016
Grants for Karen Liu Child Care Staff Development Fund		
Contribution from Ong Family Foundation	\$ 113,750	\$ 113,750
Contribution from Lin and Susie Chen Foundation	63,000	63,000
Contribution from Allen B. Cohen's donation	970	970
Subtotal	177,720	177,720
Other	29,841	504,842
Note payable	49,733	74,733
Insurance reserve	454,469	680,394
Unearned income	519,243	-
Total other liabilities	<u>\$ 1,231,006</u>	<u>\$ 1,437,689</u>

Insurance Reserve

CPC maintains group health claims subject to an annual deductible of \$100,000 (reinsurance coverage). CPC makes monthly deposits into an insurance reserve bank account based on funding levels which are determined annually by a third party administrator. Insurance reserve represents an estimate of claims incurred but not reported and the outstanding claims. As of June 30, 2017 and 2016, insurance deposit on hand amounted to \$332,419 and \$247,771, respectively.

CHINESE-AMERICAN PLANNING COUNCIL, INC.

Notes to Financial Statements

June 30, 2017

Note 10 Line of credit and loan payable

CPC has a line of credit of \$2,000,000 with a bank. The line of credit is renewable on annual basis bearing interest at prime of (3.25%) plus 1.00% as of June 30, 2017. All borrowings are collateralized by substantially all assets of CPC.

The line of credit has financial covenants that require, among other things, maintenance of minimum tangible net worth of \$3,500,000; full repayment to the Bank of all amounts outstanding respecting the facility for a period of 60 consecutive days in each year; and unencumbered deposits of \$8,000,000 by CPC and its affiliates and associated entities at all times. As of June 30, 2017, CPC was in compliance with required financial covenants.

The outstanding balance on the line of credit was \$2,000,000 at June 30, 2017 and \$1,500,000 as of June 30, 2016.

CPC also has an outstanding loan with Chinese-American Planning Council Home Attendant, a sole member of CPC HAP Holdings, Inc. CPC is the sole member of CPC HAP Holding, Inc. The loan bears interest at 2.6% per annum. As of June 30, 2017 and 2016, the amount outstanding was \$1,539,091 and \$1,500,000, respectively,

Interest expense for the years ended June 30, 2017 and 2016 was \$107,621 and \$66,865, respectively.

Note 11 Net assets

Board Designated Net Assets. In 2007, the Board of Directors designated \$600,000 received for early termination of a lease related to the Community Service program, for the costs to be incurred in leasing and renovating a new property for the Community Service program and also to cover for incremental rent expenses, in the event that the new location is leased at a higher rate. As of June 30, 2017 and 2016, the balance of this designated net asset was \$207,660, respectively.

Temporarily Restricted and Permanently Restricted Net Assets. Temporarily and Permanently restricted net assets consist of endowment funds.

CPC's endowment funds consist of three individual funds established for a variety of purposes and is reported in the permanently restricted net assets. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

CHINESE-AMERICAN PLANNING COUNCIL, INC.

Notes to Financial Statements

June 30, 2017

Note 11 Net assets – (continued)

The Board of Directors has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds in the absence of explicit donor stipulations to the contrary. As a result of this interpretation, CPC classifies as permanently restricted net assets (a) the original value of gift donated to the permanent endowment, (b) the original value of subsequent gift to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CPC in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, CPC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of CPC, and (7) CPC's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. CPC had adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions that satisfy the intent of the donor while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. CPC shall expend income and appreciation on the fund on a total return basis in accordance with standards applicable under the New York State Not-for-Profit Corporation Law and NYPMIFA at a percentage of total return deemed prudent by the board while meeting the intent of the donor. In establishing this policy, CPC considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. CPC expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 5% annually. This is consistent with CPC's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

CHINESE-AMERICAN PLANNING COUNCIL, INC.**Notes to Financial Statements**

June 30, 2017

Note 11 Net assets – (continued)

The composition of and changes in donor-restricted endowment net assets as of June 30, 2017 and 2016 are as follows:

	2017		Total net endowment assets
	Temporarily restricted	Permanently restricted	
Custodial funds and endowment:			
Balance - beginning of year	\$ 3,471,222	\$ 440,423	\$ 3,911,645
Contribution	316,522		316,522
Interest and dividends	10,813	-	10,813
Net loss	(3,487)	-	(3,487)
Balance - end of year	<u>\$ 3,795,070</u>	<u>\$ 440,423</u>	<u>\$ 4,235,493</u>

	2016		Total net endowment assets
	Temporarily restricted	Permanently restricted	
Custodial funds and endowment:			
Balance - beginning of year	\$ 3,351,954	\$ 440,423	\$ 3,792,377
Contributions	105,617	-	105,617
Interest and dividends	10,176	-	10,176
Net gain	3,475	-	3,475
Balance - end of year	<u>\$ 3,471,222</u>	<u>\$ 440,423</u>	<u>\$ 3,911,645</u>

Temporarily restricted net assets consist of:

	2017	2016
Custodial funds	\$ 3,754,445	\$ 3,430,983
Endowment funds	40,625	40,239
Total	<u>\$ 3,795,070</u>	<u>\$ 3,471,222</u>

CHINESE-AMERICAN PLANNING COUNCIL, INC.

Notes to Financial Statements

June 30, 2017

Note 12 Commitment and contingencies

Leases

CPC leases various facilities under non-cancellable operating leases with terms ranging from one to ten years, ending June 30, 2021. The following is a schedule by years of future minimum rentals under the leases at June 30, 2017:

Year ending June 30,	<u>Amount</u>
2018	\$ 937,757
2019	877,333
2020	782,280
2021	<u>544,422</u>
	<u>\$ 3,141,792</u>

In addition to the above commitments, CPC has agreed to a month to month rent for its central office space as well as certain programs amounting to \$66,217 for the fiscal year ended June 30, 2017.

Litigation

CPC is involved in litigation on a number of matters, which arise in the normal course of business, none of which, in the opinion of the administration, are expected to have a material adverse effect on the financial statements.

CHINESE-AMERICAN PLANNING COUNCIL, INC.

Notes to Financial Statements

June 30, 2017

Note 12 Commitment and contingencies – (continued)

Self-Insurance Reserves

CPC provides coverage for medical insurance benefits for its employees. CPC is self-insured for medical insurance coverage (with reinsurance for each eligible claim). To assist with administering the self-insured medical plan, CPC uses a Third Party Administrator (TPA) under an Administrative Services Only (ASO).

CPC is fully liable for all financial and legal aspects of its self-insured employee medical plan. To protect itself against unfunded financial liability, stop-loss insurance is purchased, under which the excess portion of claims that are above the agreed limit (stop-loss) would become the responsibility of the reinsurer.

Self-insurance reserves are based on estimates of historical experience, and while management believes that the reserves are adequate, the ultimate liabilities may be more or less than the amounts provided. As of June 30, 2017 and 2016, self-insurance reserves amount to \$454,469 and 680,394, respectively.

Grant Revenues

Grant revenue amounts received are subject to audit and adjustment by the grantor agencies. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of CPC. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements, and applicable federal and state laws and regulations.

Note 13 Subsequent events

CPC has evaluated its financial statements for potential recognition and disclosure, events and transactions that occurred subsequent to the date of the statement of financial position through November 20, 2017, the date the financial statements were available to be issued. CPC has determined that there are no subsequent events that require additional recognition or disclosure in the financial statements.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2017

Federal grantor/pass-through grantor/ program or cluster title	Federal CFDA number	Pass-through entity identifying number	Federal expenditures
<u>U.S Department of Health and Human Services</u>			
<u>Passed through the City of New York</u>			
<u>Administration for Children's Services</u>			
Child Care and Development Block Grant			
Day Care Programs	93.575	00309	\$ 1,121,034
<u>Passed through New York State Office of Children and Family Services</u>			
Child Care and Development Block Grant			
Infant Toddler	93.575	C026	64,414
CCC & R	93.575	C026663	1,452,877
			<u>\$ 2,638,325</u>
<u>Passed through the City of New York</u>			
<u>Department for the Aging</u>			
Social Services Block Grant			
NY Chinatown Senior Center	93.667	20170000254	\$ 103,071
Project Open Door	93.667	20170000242	214,349
Nan Shan Neighborhood Senior Center	93.667	20170000253	99,405
			<u>\$ 416,825</u>
<u>Passed through the City of New York</u>			
<u>Department for the Aging</u>			
Centers for Medicare and Medicaid Services (CMS) Research			
Demonstrations and Evaluations			
Medicare Outreach Program			
7/1/16-9/29/16	93.071	20161405833	\$ 1,800
9/30/16-6/30/17	93.071	20161405833	8,410
			<u>\$ 10,210</u>
<u>Passed through New York State Department of Health</u>			
Affordable Care Act (ACA) Personal Responsibility Education			
Program			
Manhattan and Brooklyn PREP Program	93.092	C32082GG	<u>\$ 58,256</u>
<u>Passed through the City of New York</u>			
Department of Youth and Community Development			
Community Services Block Grant			
NDA Queens	93.569	840703	\$ 100,150
NDA New Utrecht HS	93.569	821001	93,693
NDA Brooklyn	93.569	820707	55,135
			<u>\$ 248,978</u>

The accompanying notes are an integral part of this schedule.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2017

Federal grantor/pass-through grantor/ program or cluster title	Federal CFDA number	Pass-through entity identifying number	Federal expenditures
<u>U.S Department of Health and Human Services</u>			
<u>Passed through the City of New York</u>			
<u>Department for the Aging</u>			
Aging Cluster			
Special Programs for the Aging, Title III, Part B - Grants for Supportive Services and Senior Centers			
Nan Shan Neighborhood Senior Center	93.044	20170000253	\$ 16,505
NY Chinatown Senior Center	93.044	20170000254	18,904
Project Open Door	93.044	20170000242	26,516
Special programs for the Aging - Title III, Part C			
Nutrition Services			
NY Chinatown Senior Center	93.045	20170000254	80,993
Project Open Door	93.045	20170000242	38,940
Nan Shan Neighborhood Senior Center	93.045	20170000253	20,336
Nutrition Services Incentive Program			
NY Chinatown Senior Center	93.053	20170000254	55,233
Project Open Door	93.053	20170000242	60,174
Nan Shan Neighborhood Senior Center	93.053	20170000253	25,383
Total Aging Cluster			\$ 342,984
Total for US Department of Health and Human Services			\$ 3,715,578
<u>U.S. Department of Agriculture (USDA)</u>			
<u>Passed through the Hunger Solutions New York</u>			
<u>State Administrative Matching Grants for the Supplemental Nutrition Assistance Program</u>			
Nutrition Outreach and Education Program	10.561	C021045	\$ 34,033
<u>Passed through United Way of New York City</u>			
<u>State Administrative Matching Grants for the Supplemental Nutrition Assistance Program</u>			
Food Stamp Program	10.561	N/A	\$ 48,369
<u>Passed through the State of New York Department of Health</u>			
<u>Child and Adult Care Food Program</u>			
7/1/16-9/30/16	10.558	4N4300308	\$ 127,564
10/1/16-6/30/17	10.558	4N4300308	257,041
Total for US Department of Agriculture			\$ 467,007

The accompanying notes are an integral part of this schedule.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2017

Federal grantor/pass-through grantor/ program or cluster title	Federal CFDA number	Pass-through entity identifying number	Federal expenditures
U.S. Department of Labor			
<u>Passed through the City of New York</u>			
<u>Department of Youth and Community Development</u>			
WIA Cluster			
WIA Youth Activities			
OST High School Queens			
09/1/16-06/30/17	17.259	20171404864/90334	\$ 49,672
09/1/15-8/31/16 Extended (07/01/16-06/30/17)	17.259	20131407060/90304A	19,060
09/1/14-6/30/15 Extended (07/01/16-08/31/16)	17.259	20131407060/90304A	1,352
<u>Passed through the City of New York</u>			
<u>Department of Youth and Community Development</u>			
WIA Cluster			
OST High School Manhattan			
09/1/16-06/30/17	17.259	20171404952/90333	168,433
09/1/15-8/31/16 Extended (07/01/16-06/30/17)	17.259	20131407147/90305A	32,774
09/1/14-6/30/15 Extended (07/01/16-08/31/16)	17.259	20131407147/90305A	1,334
Total WIA Cluster			<u>\$ 272,625</u>
<u>Passed through the Senior Service America, Inc.</u>			
Senior Community Service Employment Program	17.235	A139	<u>\$ 1,787,489</u>
Total for US Department of Labor			<u>\$ 2,060,114</u>
U.S. Department of Health and Human Services Centers for Disease Control and Prevention			
<u>Passed through Make the Road New York</u>			
<u>Department of Youth and Community Development</u>			
Partnerships to Improve Community Health Program			
Fit Club			
1/1/17-6/30/17			<u>\$ 7,900</u>
Total US Department of Health and Human Services Centers for Disease Control and Prevention			<u>\$ 7,900</u>
Total Federal Expenditures			<u>\$ 6,250,599</u>

The accompanying notes are an integral part of this schedule.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2017

Note 1 Basis of presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Chinese-American Planning Council, Inc. (“CPC”) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of CPC, it is not intended to and does not present the financial position, changes in net assets or cash flows of CPC.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-122, *Cost principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 Indirect Cost Rate

CPC receives its Federal Funding as pass-through from several states and local governments. As a result, CPC has not negotiated an indirect cost rate with the Federal Government. CPC did not elect to use the 10 percent de minimis indirect cost rate.

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors
Chinese-American Planning Council, Inc.
New York, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Chinese-American Planning Council, Inc. (“CPC”), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2017.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered CPC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CPC's internal control. Accordingly, we do not express an opinion on the effectiveness of CPC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether CPC’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CPC’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CPC’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

NCheng LLP

New York, New York
November 20, 2017

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Chinese-American Planning Council, Inc.
New York, New York

Report on compliance for each major federal program

We have audited Chinese-American Planning Council, Inc.'s ("CPC") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CPC's major federal programs for the year ended June 30, 2017. CPC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for each of CPC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CPC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CPC's compliance.

Opinion on each major federal program

In our opinion, CPC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on internal control over compliance

Management of CPC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CPC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CPC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

NChing LLP

New York, New York
November 20, 2017

CHINESE-AMERICAN PLANNING COUNCIL, INC.

Schedule of Findings and Questioned Costs

For the year ended June 30, 2017

Section I – Summary of auditor’s results

Financial Statements

Type of auditors’ report issued Unmodified
• Material weakness(es) identified? yes no
• Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:
• Material weakness(es) identified? yes no
• Significant deficiency(ies) identified? yes none reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of federal program or cluster</u>
93.575	Child Care and Development Block Grant
93.044	Special Programs for the Aging, Title III, Part B – Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging, Title III, Part C – Nutrition Services
93.053	Nutrition Services Incentive Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

CHINESE-AMERICAN PLANNING COUNCIL, INC.

Schedule of Findings and Questioned Costs

For the year ended June 30, 2017

Section II – Financial Statements Findings

None

Section III - Federal Awards Findings and Questioned Costs

None

CHINESE-AMERICAN PLANNING COUNCIL, INC.
Summary Schedule of Prior Year Audit Findings and Questioned Costs
For the year ended June 30, 2017

Financial statements findings

None

Federal award findings and questioned costs

None

CHINESE-AMERICAN PLANNING COUNCIL, INC.

Corrective Action Plan

For the year ended June 30, 2017

None