



CHINESE-AMERICAN PLANNING COUNCIL, INC.

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

Year Ended June 30, 2021

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

CHINESE-AMERICAN PLANNING COUNCIL, INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Chinese-American Planning Council, Inc.

We have audited the accompanying financial statements of Chinese-American Planning Council, Inc. ("CPC"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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. 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, 2021, 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 Matter

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of Chinese-American Planning Council, Inc. and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and cash flows for the year then ended (none of which are presented herein), and we expressed an unmodified opinion on those financial statements. Such consolidated financial statements are the general-purpose financial statements of Chinese-American Planning Council, Inc. and Affiliates, and the financial statements of the parent company presented herein are not a valid substitute for those consolidated financial statements.

Marks Paneth LLP

New York, NY
November 30, 2021

CHINESE-AMERICAN PLANNING COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2021

ASSETS

Cash and cash equivalents (Notes 2C, 5 and 12A)	\$ 9,912,042
Government grants and contracts receivable (Notes 2D and 2E)	11,593,433
Accounts receivable (Note 2E)	562,791
Investments (Notes 2F and 4)	823,563
Prepaid expenses and deposits (Note 5)	447,272
Note receivable (Note 7)	510,000
Due from related parties, net (Note 14)	13,025,081
Property and equipment, net (Notes 2G and 6)	<u>268,993</u>

TOTAL ASSETS \$ 37,143,175

LIABILITIES

Accounts payable and accrued expenses	\$ 3,533,262
Accrued payroll and benefits (Note 9D)	3,402,783
Refundable advances (Note 2D)	134,199
Deferred revenue (Note 13)	2,331,998
Deferred rent (Notes 2H and 9A)	884,059
Line of credit (Note 8)	<u>1,200,000</u>

TOTAL LIABILITIES 11,486,301

COMMITMENTS AND CONTINGENCIES (Note 9)

NET ASSETS

Without donor restrictions (Note 2B):	
Available for operations	18,174,457
Board designated (Note 10A)	<u>207,418</u>
Total net assets without donor restrictions	18,381,875

With donor restrictions (Notes 2B, 10B and 11)	
Restricted for purpose and time	6,604,731
Perpetual in nature	<u>670,268</u>
Total net assets with donor restrictions	<u>7,274,999</u>

TOTAL NET ASSETS 25,656,874

TOTAL LIABILITIES AND NET ASSETS \$ 37,143,175

CHINESE-AMERICAN PLANNING COUNCIL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Government grants and contracts (Note 2D)	\$ 34,097,743	\$ -	\$ 34,097,743
Contributions and private grants (Note 2I)	2,904,356	2,521,211	5,425,567
Rental revenue	13,750	-	13,750
Program service fee (Note 2J)	2,474,778	-	2,474,778
Licensing fee income (Note 14)	3,836,035	-	3,836,035
Management fee income (Note 14)	894,684	-	894,684
Net investment income (Note 4)	100,022	18,770	118,792
Other income	689,891	-	689,891
Net assets released from restrictions (Notes 2B and 10)	38,580	(38,580)	-
TOTAL REVENUE	<u>45,049,839</u>	<u>2,501,401</u>	<u>47,551,240</u>
EXPENSES (Note 2K):			
Program services			
Early childcare services	9,009,815	-	9,009,815
School-age services	1,974,949	-	1,974,949
Youth services	3,340,827	-	3,340,827
Workforce services	638,467	-	638,467
Community services	11,596,469	-	11,596,469
Senior services	4,638,833	-	4,638,833
COVID-19 services	5,113,013	-	5,113,013
Total program services	<u>36,312,373</u>	<u>-</u>	<u>36,312,373</u>
Supporting services			
Management and general	6,061,151	-	6,061,151
Fundraising	778,247	-	778,247
Total supporting services	<u>6,839,398</u>	<u>-</u>	<u>6,839,398</u>
TOTAL EXPENSES	<u>43,151,771</u>	<u>-</u>	<u>43,151,771</u>
CHANGE IN NET ASSETS	1,898,068	2,501,401	4,399,469
NET ASSETS - BEGINNING OF YEAR	<u>16,483,807</u>	<u>4,773,598</u>	<u>21,257,405</u>
NET ASSETS - END OF YEAR	<u>\$ 18,381,875</u>	<u>\$ 7,274,999</u>	<u>\$ 25,656,874</u>

CHINESE-AMERICAN PLANNING COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services							Supporting Services		Total 2021	
	Early Childcare Services	School-Age Services	Youth Services	Workforce Services	Community Services	Senior Services	COVID-19 Services	Total	Management and General		Fundraising
Salaries	\$ 4,179,943	\$ 1,418,946	\$ 2,169,940	\$ 367,230	\$ 3,514,260	\$ 3,032,675	\$ 4,304,798	\$ 18,987,792	\$ 2,307,173	\$ 467,801	\$ 21,762,766
Payroll taxes and fringe benefits	941,249	240,873	533,650	112,350	1,175,784	640,300	689,960	4,334,166	1,039,421	160,794	5,534,381
Total Personnel Costs	5,121,192	1,659,819	2,703,590	479,580	4,690,044	3,672,975	4,994,758	23,321,958	3,346,594	628,595	27,297,147
Food and food related supplies	66,306	910	13,774	-	3,829	143,243	6,145	234,207	-	-	234,207
Other program supplies	269,514	59,007	113,411	2,449	107,343	101,777	23,940	677,441	-	-	677,441
Client contractual and other services	256,532	68,872	22,713	3,935	4,545,896	28,120	30,785	4,956,853	-	-	4,956,853
Participant expenses	1,772,204	-	112,359	100,000	1,160,737	2,860	11,350	3,159,510	-	-	3,159,510
Accounting fees	-	-	-	-	36,792	-	-	36,792	145,400	-	182,192
Legal fees	-	-	-	-	-	-	-	-	97,876	-	97,876
Consultant fees	-	-	-	-	450	-	-	450	91,360	107,168	198,978
Payroll/client billing preparation	50,491	-	-	-	-	-	-	50,491	274,456	-	324,947
Rent and real estate taxes (Note 9A)	1,128,320	49,920	216,235	27,000	596,164	431,201	5,630	2,454,470	1,304,021	-	3,758,491
Utilities	55,381	-	25,821	6,468	42,246	93,202	541	223,659	19,199	-	242,858
Building maintenance and repairs	41,717	46,550	20,904	6,486	63,255	96,668	-	275,580	11,877	-	287,457
Supplies	-	8,449	363	1,799	-	-	-	10,611	7,151	2,501	20,263
Telephone	30,025	12,709	15,344	6,062	41,641	14,032	-	119,813	31,102	-	150,915
Internet maintenance	-	-	-	-	6,645	1,602	-	8,247	12,810	20,700	41,757
Insurance	1,985	-	-	-	3,950	10,768	-	16,703	460,920	-	477,623
Transportation/travel related	4,062	172	8,057	-	5,935	6,808	4,733	29,767	3,040	-	32,807
Equipment purchase/rental	155,961	61,113	75,873	674	77,757	6,934	26,036	404,348	10,631	9,511	424,490
Printing/postage/subscriptions	1,500	2,072	4,603	-	46,778	19,892	55	74,900	9,388	6,147	90,435
Promotion/public relations/advertising	8,147	-	-	-	122,523	200	2,675	133,545	12,656	143	146,344
Staff training/conferences	42,986	1,161	5,640	295	27,872	2,620	6,032	86,606	11,646	1,545	99,797
Memberships	-	-	-	-	9,804	2,500	333	12,637	33,015	75	45,727
Interest and bank fees	-	-	-	-	-	96	-	96	105,876	-	105,972
Depreciation and amortization (Note 6)	2,761	-	-	-	1,908	2,835	-	7,504	60,925	-	68,429
Miscellaneous	731	4,195	2,140	3,719	4,900	500	-	16,185	11,208	1,862	29,255
TOTAL EXPENSES	\$ 9,009,815	\$ 1,974,949	\$ 3,340,827	\$ 638,467	\$ 11,596,469	\$ 4,638,833	\$ 5,113,013	\$ 36,312,373	\$ 6,061,151	\$ 778,247	\$ 43,151,771

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 4,399,469
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	68,429
Net realized and unrealized loss	2,017
Subtotal	4,469,915
Changes in operating assets and liabilities:	
(Increase) or decrease in assets:	
Government grants and contracts receivable	(6,366,181)
Accounts receivable	(66,620)
Due from affiliates	(2,371,952)
Prepaid expenses and deposits	(90,716)
Increase or (decrease) in liabilities:	
Accounts payable and accrued expenses	(1,075,446)
Accrued payroll and payroll taxes	3,402,783
Refundable advances	132,982
Deferred revenue	2,263,795
Deferred rent	884,059
Net Cash Provided by Operating Activities	<u>1,182,619</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of property and equipment	(197,215)
Purchase of investments	<u>(120,693)</u>
Net Cash Used in Investing Activities	<u>(317,908)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from line of credit	1,200,000
Repayment of line of credit	<u>(2,000,000)</u>
Net Cash Used in Financing Activities	<u>(800,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	64,711
Cash and cash equivalents - beginning of year	<u>9,847,331</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,912,042</u>
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the year for interest	<u>\$ 105,972</u>

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

CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Chinese-American Planning Council, Inc. (“CPC”) is a not-for-profit corporation organized under the New York State (“NYS”) nonprofit corporation law. CPC’s mission is to promote social and economic empowerment of Chinese-American, immigrant and low-income communities.

In pursuit of its purpose, CPC, the Parent Organization, has organized and incorporated the following affiliates:

- Chinese-American Planning Council Home Attendant Program, Inc. (“HAP”)
- CPC Home Attendant Program Holding (“HAPH”)
- CPC Tenant and Building Services (“TBS”)
- The Chinatown Planning Council Housing Development Fund (“HDFC”)
- Nan Shan Local Development Corporation (“NSLDC”)
- Chinese-American Tribeca Center, Inc. (“CTCI”)
- CPC One (“CPCO”)
- 16 Dutch Housing Development Fund Corp. (“16 Dutch”)
- Chinatown Neighborhood Local Development Corporation (“LDC”)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of Accounting*** - The accompanying financial statements of CPC have been prepared on the accrual basis of accounting. CPC adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”). The accompanying financial statements include the Parent Only financial statements for CPC as of and for the year ended June 30, 2021.
- B. ***Basis of Presentation*** - CPC maintains its net assets under the following two classes:
- a. Net assets without donor restrictions – includes funds having no restriction as to use or purpose imposed by donors. It represents resources available for support of CPC’s operations. Board designated net assets consist of net assets whose use has been designated by the Board for Community Services Program (Note 10A)
 - b. Net assets with donor restrictions – represents assets that are subject to donor-imposed stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.
- C. ***Cash and Cash Equivalents*** - Cash and cash equivalents include all cash balances held in bank accounts and other highly liquid debt instruments with maturities of three months or less at the time of purchase that can be used for operating purpose.
- D. ***Government Grants and Contracts*** - CPC derives its revenue from, among other sources, cost reimbursement contracts with government agencies which are recognized as revenue as those costs are incurred and the revenue is earned. Advances received on government grants are recorded as a liability until the expenses are incurred, at which time revenue is recognized. Cost reimbursement type government grants are accounted for under Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958).

Multi-year governmental contracts included under government grants are cancellable by the funder upon its sole discretion. For the year ended June 30, 2021, CPC was awarded conditional grants and contracts from government agencies in the aggregate amounts of \$64,921,634 that have not been recorded in the accompanying financial statements, as they have not yet been earned. These grants and contracts require CPC to provide qualifying expenses to conduct certain services as specified in the contracts. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts and CPC may be required to return the funds already remitted.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- E. **Allowance for Doubtful Accounts** - CPC determines whether an allowance for doubtful accounts should be provided for government grants and contracts receivable, and accounts receivable. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of June 30, 2021, CPC determined that no allowance was necessary for government grants and contracts receivable, and accounts receivable.
- F. **Investments and Fair Value Measurement** - Investments are recorded at fair value. Fair value measurements are the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.
- G. **Property and Equipment** - Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the lease. CPC follows the policy of capitalizing all acquisitions in excess of \$5,000 with a useful life of 5 years or more. Items of furniture and equipment, where title is held by the granting agency, are expensed when purchased.
- H. **Deferred Rent** - Rent expense is recorded on the straight-line basis. The portion of rent expense accrued due to straight-lining of the lease is reflected as deferred rent on the accompanying statement of financial position.
- I. **Contributions and Private Grants** - Unconditional contributions and private grants, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are recorded as with donor restricted support if they are received with donor restrictions that limit the use of the donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions expire during the same fiscal year are recognized as support without donor restrictions.
- J. **Program Service Revenue** - Program service revenue is recognized and recorded at the time a service is performed. Such services include emergency shelters and transitional shelter services. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by CPC in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. CPC measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

All performance obligations relate to contracts with a duration of less than one year, therefore, there are no performance obligations or contract balances that are unsatisfied as of June 30, 2021. The performance obligations for these contracts are completed when the service is completed and upon submission of required documentation. CPC determines the transaction price based on established rates and contracts for services provided. Program service revenue consists of revenues for the following programs:

Community Services	\$ 2,026,869
Early Childcare Services	320,659
Senior Services	78,090
School-Age Services	16,176
Youth Services	13,483
Other Programs	19,501
	<u>\$ 2,474,778</u>

CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. **Functional Allocation of Expenses** – The costs of program and supporting services activities have been summarized on a functional basis in the statement of functional expense. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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

L. **Advertising expenses** - Advertising costs are charged to operations when incurred. Advertising expenses for the year ended June 30, 2021 amounted to \$146,344.

M. **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 certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021, the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 9,912,042
Government grants and contracts receivable	11,593,433
Accounts receivable	562,791
Investments	<u>823,563</u>
 Total financial assets	 22,891,829
 Less: Cash and cash equivalents – custodial funds	 4,005,209
Less: Net assets designated by the Board	207,418
Less: Net assets with donor restrictions	<u>7,274,999</u>
	 <u>\$ 11,404,203</u>

As part of CPC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, CPC invests cash in excess of daily requirements in money markets.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

In determining fair value, CPC utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

The fair value hierarchy defines three levels as follows:

- Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 1 valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

- Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
- Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models or similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Investments in money market funds and equities are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period.

The following are major categories of investments measured at fair value categorized by the fair value hierarchy as of June 30, 2021:

	<u>Level 1</u>	<u>Total</u>
Investments:		
Money market funds	\$ 821,450	\$ 821,450
Equities	<u>2,113</u>	<u>2,113</u>
Total	<u>\$ 823,563</u>	<u>\$ 823,563</u>

Investments are subject to market volatility that could substantially change their carrying values in the near term. Investment income consists of the following for the year ended June 30, 2021:

Interest and dividends	\$ 120,809
Unrealized loss on investments	<u>(2,017)</u>
Net investment income	<u>\$ 118,792</u>

NOTE 5 – CUSTODIAL ASSETS

Certain programs of CPC formed advisory committees to raise fund. Disbursements from these funds must be authorized by their respective advisory committee.

The balances related to the custodial assets' activities, which are included in the statement of financial position, are as follows as of June 30, 2021:

Cash and cash equivalents – custodial funds	\$ 4,005,209
Prepaid expenses and deposits	<u>40,807</u>
Total	<u>\$ 4,046,016</u>

CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment, net consists of the following as of June 30, 2021:

		<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 363,528	5 years or lease term
Equipment	143,815	3 -5 years
Furniture and fixtures	43,394	5 years
Vehicles	50,344	5 years
Computer software	<u>287,904</u>	3 years
Total Depreciable Assets	888,985	
Less: Accumulated depreciation and amortization	<u>(619,992)</u>	
Total	<u>\$ 268,993</u>	

For the year ended June 30, 2021, depreciation and amortization expense amounted to \$68,429.

NOTE 7 – NOTE RECEIVABLE

As of June 30, 2021, CPC has a \$510,000 note receivable from 110 Fulton Limited Partnership, the management company of 16 Dutch. The note bears interest at a rate of 5% compounded quarterly. The note expired on February 28, 2021 with the balance still outstanding.

NOTE 8 – LINE OF CREDIT

CPC has a line of credit of \$4,000,000 which bears interest at a rate of 1% per annum above the Prime Rate. The line of credit expires annually and is renewable on a yearly basis. CPC's line of credit balance as of June 30, 2021 was \$1,200,000.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. *Lease Commitments*

CPC leases office space at 150 Elizabeth Street, New York, New York under a month-to-month agreement. It was agreed that the lessor and lessee will give a three-month advance notice regarding any anticipated changes to the agreement. Rent expense for the year ended June 30, 2021 was \$352,012.

CPC operates day care centers in different locations in New York City and entered into multiple operating lease agreements that expire at various dates through July 2040. Rent expense for the year ended June 30, 2021 was \$3,758,491. Rent credits and charges are accounted for on a straight-line basis over the life of the lease, which gives rise to a timing difference that is reflected as deferred rent obligation in the accompanying statement of financial position, amounting to \$884,059 as of June 30, 2021.

As of June 30, 2021, minimum annual rental commitments for the remaining terms of CPC's operating lease were as follows:

2022	\$	2,450,232
2023		2,490,281
2024		2,534,254
2025		2,576,805
2026		2,138,346
Thereafter		<u>11,436,414</u>
Total	\$	<u>23,626,332</u>

CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

B. *Contingent Liabilities*

CPC is a party to legal proceedings incidental to its activities. Certain claims, lawsuits and complaints arising in the ordinary course of business have been filed or are pending against CPC. In the opinion of management and corporate legal counsel, based upon current facts and circumstances, the resolution of these matters should not have a material adverse effect on the financial statements.

C. *Third Party Contingencies*

Grants and revenues from services rendered are subject to audit by government agencies. In the past, CPC has been audited by the New York City Department of Youth and Community Development as well as the New York City Administration for Children’s Services. Until such audits are completed and final settlements reached, there exists a contingency to refund any amount in excess of allowable or unallowable costs. Management is of the opinion that no material liability would result from such audits.

D. *Self-Insurance Reserves*

CPC provides coverage for medical insurance benefits for its employees. CPC is self-insured regarding its medical insurance coverage, (with reinsurance for each eligible claim). To assist with administering the self-insured medical plan, CPC has contracted with UMR, Inc., a third-party administrator, to provide administrative services for this medical insurance benefits program. The accrued liability amounted to \$891,579 as of June 30, 2021 and is included in accrued payroll and benefits on the accompanying statement of financial position.

Activity of the accrued employee health claims as of June 30, 2021 is below:

Balance, beginning of year	\$ 506,802
Claim estimate	2,979,425
Claims and expenses paid	<u>(2,594,648)</u>
Balance, end of year	<u>\$ 891,579</u>

CPC is fully liable for all financial and legal aspects of its self-insured employee medical plan. To protect itself against this unfunded financial liability, stop-loss insurance is purchased, under which the excess portion of claims that are above the agreed limit (stop-loss at \$150,000 per individual on a 12-month calendar year) would become the responsibility of the reinsurers.

E. *Income Tax*

CPC believes it had no uncertain tax positions as of June 30, 2021 in accordance with Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

F. *Operational Impact of COVID-19*

The COVID-19 pandemic remains a rapidly evolving situation. The ultimate extent of the impact of any pandemic or other health crisis on CPC’s mission, financial condition and results of operations will depend on further developments, which are uncertain and cannot be predicted. CPC continues to monitor evolving economic and business conditions of COVID-19 on operations.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – NET ASSETS

A. Board Designated Net Assets

In 2007, the CPC Board designated \$600,000, that has received for early termination of a lease related to the Community Services Program, for the costs to be incurred in leasing and renovating a new property for the Community Service Program, as well as to provide for incremental rent expense. As of June 30, 2021, the balance of this Board designated net asset was \$207,418. The amount is included in net assets without donor restrictions.

B. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of June 30, 2021:

Subject to expenditures for specified purpose and
(or) passage of time:

Open Door Senior Center	\$ 3,186,239
Nan Shan Senior Center	657,651
Chinatown Senior Center	130,648
Unappropriated endowment earnings	74,322
Other services	<u>2,555,871</u>
Subtotal	<u>6,604,731</u>

Endowment principal held in perpetuity:

Endowment funds	<u>670,268</u>
	<u>670,268</u>
	<u>\$ 7,274,999</u>

Net assets with donor restrictions from grants were released from restrictions for the following purposes during the year ended June 30, 2021:

Open Door Senior Center	\$ 8,218
Nan Shan Senior Center	27,762
Chinatown Senior Center	1,420
Other services	<u>1,180</u>
Subtotal	<u>\$ 38,580</u>

NOTE 11– ENDOWMENT FUNDS

CPC’s endowment funds consist of four individual funds established for a variety of purposes and are reported as perpetual in nature. As required by U.S. GAAP, net assets associated with endowment funds are classified and based on the existence or absence of donor-imposed restrictions.

CPC 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 net assets with donor restrictions that are perpetual in nature (a) the original values of gift donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 as perpetual in nature, including accumulated investment earnings, is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by CPC in a manner consistent with the standard of prudence prescribed by NYPMIFA.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11– ENDOWMENT FUNDS (Continued)

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.

CPC has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after cost total 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 could include 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.

CPC expends 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 restriction, 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.

Changes in endowment funds for year ended June 30, 2021 are as follows:

	<u>Endowment Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Investment activity gain	\$ 18,770	\$ -	\$ 18,770
Additions	-	177,720	177,720
Amount appropriated by the Board of Directors	<u>(1,180)</u>	<u>-</u>	<u>(1,180)</u>
Net change	17,590	177,720	195,310
Balance, beginning of year	<u>56,732</u>	<u>492,548</u>	<u>549,280</u>
Balance, end of year	<u>\$ 74,322</u>	<u>\$ 670,268</u>	<u>\$ 744,590</u>

Endowment net assets of \$670,268 are included with investments on the statement of financial position as of June 30, 2021.

NOTE 12 – CONCENTRATIONS

A. *Credit Risk*

Cash and cash equivalents that potentially subject CPC to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Cash accounts are insured up to \$250,000 per depositor. As of June 30, 2021, there was approximately \$7,610,000 of cash and cash equivalents that exceeded FDIC limits.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – CONCENTRATIONS (Continued)

B. Revenue Concentration

CPC received grants from various government agencies totaling \$36,433,373 which represent 77% of total operating revenue and support during the year ended June 30, 2021. Government contracts revenue from two funders represented 46% of total government grants and contracts revenue for the year ended June 30, 2021.

NOTE 13 – DEFERRED REVENUE

In connection with CPC One's ground lease agreement with the construction developer, CPC is entitled to a fit-out allowance equal to \$4,000,000 to be used for renovation of community facility leasehold condominium units that will be constructed by the developer. As of June 30, 2021, CPC received a \$2,331,998 fit out allowance which is recorded as deferred revenue in the accompanying statement of financial position.

NOTE 14 – RELATED-PARTY TRANSACTIONS

As of June 30, 2021, NSLDC, HDFC and CPC One owed \$11,092,607, \$238,980 and \$602,599 to CPC. CPC owed \$653 and \$360,596 to LDC and CTCI. These represent normal operating expenses and advances, which are noninterest-bearing and due on demand.

CPC, as the parent organization of HAP, receives management and licensing fees from HAP. The total management and licensing fee received for the year ended June 30, 2021, amounted to \$500,000 and \$3,836,035, and are included under license fee and management fee income, respectively, in the accompanying statement of activities. Outstanding licensing fee and management fee amounted to \$401,645 and \$125,000, respectively, as of June 30, 2021.

As of June 30, 2021, HAP has a loan receivable from CPC in the amount of \$1,500,000. The loan bears interest at a rate of 2.5% compounded monthly. Interest expense amounted to \$37,578 for the year ended June 30, 2021.

As of June 30, 2021, CPC has a loan receivable from HDFC in the amount of \$2,425,499. The loan bears interest at a rate of 4.11% per annum with an expiration date of September 1, 2024.

NOTE 15 – PENSION PLAN

CPC maintains a 403(b) Plan ("403(b) Plan") which covers all eligible full-time employees who elect to participate. CPC does not make contributions to the 403(b) Plan. There was no pension expense for the year ended June 30, 2021.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through November 30, 2021, the date the financial statements were available to be issued.