

Boston Chinatown Neighborhood Center, Inc.

Financial Statements

June 30, 2022

Boston Chinatown Neighborhood Center, Inc.

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June 30, 2022

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Independent Auditor's Report

To the Board of Directors of
Boston Chinatown Neighborhood Center, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Boston Chinatown Neighborhood Center Inc. (a nonprofit organization), (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Organization for the year ended June 30, 2021 were audited by another auditor whose report dated November 18, 2021 expressed an unmodified opinion on those statements.

The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplemental Information

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 as required by Title 2 U.S. Code of Federal Regulations 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 GAAS. 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 January 12, 2023, on our consideration of the Organization'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 solely 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 the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.



Braintree, Massachusetts
January 12, 2023

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 of
Boston Chinatown Neighborhood Center, Inc.

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 Boston Chinatown Neighborhood Center, Inc. (a nonprofit organization), (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 over financial reporting 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 financial statements. 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 the Organization's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Braintree, Massachusetts
January 12, 2023

Independent Auditor's Report on Compliance for the Major Federal Program
and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors of
Boston Chinatown Neighborhood Center, Inc.

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Boston Chinatown Neighborhood Center, Inc.'s (a nonprofit organization), (the Organization), compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2022. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that for resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 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 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 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of the entity's internal control over compliance. Accordingly, no such opinion is expressed.

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.

CohnReznick LLP

Braintree, Massachusetts
January 12, 2023

Boston Chinatown Neighborhood Center, Inc.

Statement of Financial Position

As of June 30, 2022

With Comparative Totals as of June 30, 2021

Current Assets	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,558,076	\$ 3,068,893
Accounts receivable, net	180,843	195,922
Grants receivable, net	872,717	760,605
Contributions receivable, net	267,032	279,651
Other receivables	221,282	69,306
Prepaid expenses	46,395	46,805
Agency funds	<u>69,090</u>	<u>82,083</u>
Total current assets	<u>5,215,435</u>	<u>4,503,265</u>
Fixed Assets		
Land	225,000	225,000
Building and improvements	2,985,438	2,985,438
Leasehold improvements	1,509,620	1,509,620
Furniture and equipment	<u>627,543</u>	<u>627,543</u>
Total fixed assets	5,347,601	5,347,601
Less: accumulated depreciation	<u>(2,301,995)</u>	<u>(2,124,238)</u>
Total net fixed assets	<u>3,045,606</u>	<u>3,223,363</u>
Other Assets		
Grants receivable, net of current portion	526,590	291,173
Investments	2,718,260	2,259,435
Security deposits	<u>13,000</u>	<u>13,000</u>
Total other assets	<u>3,257,850</u>	<u>2,563,608</u>
Total Assets	<u>\$ 11,518,891</u>	<u>\$ 10,290,236</u>

Boston Chinatown Neighborhood Center, Inc.

Statement of Financial Position - continued

As of June 30, 2022

With Comparative Totals as of June 30, 2021

Current Liabilities	<u>2022</u>	<u>2021</u>
Accounts payable and accrued expenses	\$ 617,955	\$ 569,775
Funds held in trust	69,090	82,083
Deferred revenue	<u>18,193</u>	<u>17,724</u>
 Total current liabilities	 <u>705,238</u>	 <u>669,582</u>
 Total liabilities	 <u>705,238</u>	 <u>669,582</u>
 Net Assets		
Without donor restrictions		
Board designated	500,000	500,000
Undesignated	<u>7,188,146</u>	<u>6,362,916</u>
Total without donor restrictions	<u>7,688,146</u>	<u>6,862,916</u>
With donor restrictions	<u>3,125,507</u>	<u>2,757,738</u>
 Total net assets	 <u>10,813,653</u>	 <u>9,620,654</u>
 Total Liabilities and Net Assets	 <u>\$ 11,518,891</u>	 <u>\$ 10,290,236</u>

Boston Chinatown Neighborhood Center, Inc.

Statement of Activities

For the Year Ended June 30, 2022
With Comparative Totals for the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
Revenue and Support				
Contributions:				
Individuals	\$ 654,797	\$ 50,800	\$ 705,597	\$ 309,263
Grants	940,603	1,254,504	2,195,107	2,206,194
Special events	598,578	-	598,578	756,236
Released from restrictions	899,690	(899,690)	-	-
Service fees:				
Contracts	4,059,206	-	4,059,206	3,161,388
Parent tuition fees	267,571	-	267,571	166,676
Class and membership fees	54,917	-	54,917	20,484
Rental income	144,087	-	144,087	130,158
Investment revenue, net	<u>(154,246)</u>	<u>(37,845)</u>	<u>(192,091)</u>	<u>297,185</u>
Total revenue and support before in-kind	<u>7,465,203</u>	<u>367,769</u>	<u>7,832,972</u>	<u>7,047,584</u>
In-kind	<u>48,561</u>	<u>-</u>	<u>48,561</u>	<u>659,745</u>
Total revenue and support	<u>7,513,764</u>	<u>367,769</u>	<u>7,881,533</u>	<u>7,707,329</u>
Expenses				
Program services:				
Child care	2,233,967	-	2,233,967	2,048,664
Family services	409,277	-	409,277	746,573
Youth	402,774	-	402,774	376,849
Adult education	1,216,726	-	1,216,726	1,218,511
Arts and cultural	556,975	-	556,975	480,647
Recreation and fitness	-	-	-	530,706
Total program services	<u>4,819,719</u>	<u>-</u>	<u>4,819,719</u>	<u>5,401,950</u>
Support services:				
General and administrative	1,418,813	-	1,418,813	1,079,997
Fundraising	450,002	-	450,002	435,866
Total support services	<u>1,868,815</u>	<u>-</u>	<u>1,868,815</u>	<u>1,515,863</u>
Total expenses	<u>6,688,534</u>	<u>-</u>	<u>6,688,534</u>	<u>6,917,813</u>
Change in net assets before forgiveness of debt	825,230	367,769	1,192,999	789,516
PPP loan forgiveness	<u>-</u>	<u>-</u>	<u>-</u>	<u>769,000</u>
Total Change in Net Assets	825,230	367,769	1,192,999	1,558,516
Net Assets at Beginning of Year	<u>6,862,916</u>	<u>2,757,738</u>	<u>9,620,654</u>	<u>8,062,138</u>
Net Assets at End of Year	<u>\$ 7,688,146</u>	<u>\$ 3,125,507</u>	<u>\$ 10,813,653</u>	<u>\$ 9,620,654</u>

Boston Chinatown Neighborhood Center, Inc.

Statement of Cash Flows

For the Year Ended June 30, 2022
With Comparative Totals for the Year Ended June 30, 2021

Cash Flows from Operating Activities	<u>2022</u>	<u>2021</u>
Total Change in Net Assets	\$ 1,192,999	\$ 1,558,516
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	177,757	192,233
Net unrealized and realized gains on investments	193,650	(294,989)
PPP loan forgiveness	-	(769,000)
Decrease (increase) in assets		
Accounts receivable	15,079	(167,979)
Grants receivable	(347,529)	(21,503)
Contributions receivable	12,619	133,658
Other receivables	(151,976)	(13,578)
Agency funds	12,993	7,821
Prepaid expenses	410	31,164
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	48,180	212,960
Deferred revenue	469	16,130
Funds held in trust	<u>(12,993)</u>	<u>(7,821)</u>
Net Cash Provided by Operating Activities	<u>1,141,658</u>	<u>877,612</u>
Cash Flows from Investing Activities		
Purchase of fixed assets	-	(14,750)
Purchase of investments	<u>(652,475)</u>	<u>(313,729)</u>
Net Cash Used in Investing Activities	<u>(652,475)</u>	<u>(328,479)</u>
Net Increase in Cash, Cash Equivalents and Restricted Cash	489,183	549,133
Cash, Cash Equivalents and Restricted Cash - Beginning	<u>3,068,893</u>	<u>2,519,760</u>
Cash, Cash Equivalents and Restricted Cash - Ending	<u>\$ 3,558,076</u>	<u>\$ 3,068,893</u>

Boston Chinatown Neighborhood Center, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2022
With Comparative Totals for the Year Ended June 30, 2021

	Program Services						Support Services		2022 Total	2021 Total	
	Child care	Family services	Youth	Adult education	Arts and cultural	Recreation and fitness	Total	General and administrative			Fundraising
Functional Expenses											
Salaries and wages	\$ 1,386,685	\$ 247,653	\$ 239,034	\$ 822,118	\$ 193,147	\$ -	\$ 2,888,637	\$ 597,295	\$ 290,192	\$ 3,776,124	\$ 3,407,210
Payroll taxes	113,305	20,268	18,762	67,349	15,789	-	235,473	48,764	23,651	307,888	287,278
Benefits	166,483	34,675	29,582	97,821	22,842	-	351,403	106,538	34,714	492,655	468,550
Total payroll, taxes and benefits	1,666,473	302,596	287,378	987,288	231,778	-	3,475,513	752,597	348,557	4,576,667	4,163,038
Advertising	105	-	464	272	-	-	841	-	-	841	1,881
Bad debt	-	-	-	53	-	-	53	3,457	-	3,510	1,001
Bank charges	-	-	107	191	1,395	-	1,693	14,504	3,062	19,259	12,417
Consultants	38,061	42,853	13,365	36,042	67,066	-	197,387	351,834	10,039	559,260	603,946
Depreciation	48,733	-	11,938	19,100	66,000	-	145,771	31,029	957	177,757	192,233
Equipment/software	5,824	818	781	2,601	596	-	10,620	2,544	13,409	26,573	23,212
Field trips	-	4,793	139	-	-	-	4,932	-	-	4,932	1,855
Food	46,862	4,279	1,161	-	683	-	52,985	2,693	596	56,274	26,975
Insurance	22,765	1,216	4,132	3,157	282	-	31,552	7,835	1,515	40,902	42,185
Marketing and public relations	-	-	-	-	-	-	-	2,230	500	2,730	3,528
Miscellaneous	-	-	-	-	-	-	-	7,161	1,043	8,204	1,221
Office expense	5,561	1,499	1,155	29,846	1,212	-	39,273	40,401	3,516	83,190	37,497
Pass-through awards	-	-	-	-	-	-	-	75,900	-	75,900	244,141
Payroll processing	9,451	1,683	1,691	5,577	1,297	-	19,699	4,055	1,976	25,730	22,953
Permits and fees	530	-	-	-	250	-	780	745	-	1,525	2,394
Professional fees	-	-	-	-	-	-	-	28,430	-	28,430	27,600
Program and other supplies	44,737	20,471	3,717	41,201	17,688	-	127,814	11,934	10,586	150,334	113,351
Providers	158,416	-	-	-	-	-	158,416	-	-	158,416	187,368
Rent	-	11,216	33,649	67,297	108,534	-	220,696	15,551	-	236,247	225,770
Repairs and maintenance	43,630	1,742	7,653	3,976	13,170	-	70,171	18,777	2,213	91,161	63,514
Special events	-	-	-	-	20,233	-	20,233	1,193	44,843	66,269	49,977
Staff trainings	11,453	9,970	1,611	2,666	4,371	-	30,071	2,155	1,101	33,327	26,821
Telephone and internet	23,394	1,325	5,321	4,358	3,319	-	37,717	7,857	1,228	46,802	72,058
Travel and transportation	119	628	130	4,800	109	-	5,786	576	241	6,603	922
Utilities	88,039	3,638	15,976	8,301	8,992	-	124,946	29,564	4,620	159,130	110,210
Total before in-kind	2,214,153	408,727	390,368	1,216,726	546,975	-	130,732	1,413,022	450,002	6,639,973	6,258,068
In-kind											
Salaries and wages	16,548	-	11,692	-	-	-	28,240	4,440	-	32,680	521,368
Facilities	-	-	-	-	-	-	-	-	-	-	132,327
T-passes and supplies	3,266	550	714	-	10,000	-	14,530	1,351	-	15,881	6,050
Total in-kind	19,814	550	12,406	-	10,000	-	42,770	5,791	-	48,561	659,745
Total Functional Expenses	\$ 2,233,967	\$ 409,277	\$ 402,774	\$ 1,216,726	\$ 556,975	\$ -	\$ 4,819,719	\$ 1,418,813	\$ 450,002	\$ 6,688,534	\$ 6,917,813

Boston Chinatown Neighborhood Center, Inc.

Notes to Financial Statements

June 30, 2022

Note 1 - Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies followed by Boston Chinatown Neighborhood Center, Inc. (the Organization) are described below to enhance the usefulness of the financial statements to the reader.

Nature of Activities

The Organization was incorporated in 1969 as the Quincy School Community Council, Inc. In May 2002, the Organization filed articles with the Secretary of the Commonwealth to change its corporate name to the Boston Chinatown Neighborhood Center, Inc. (BCNC). The stated purpose of BCNC is to be a community center for Boston's Chinatown community. The mission of BCNC is to provide services that help the children, youth and families they serve to attain greater economic stability and social well-being. BCNC serves the greater Boston area at a primary services site in Boston's Chinatown, and a satellite service site in the neighboring City of Quincy.

The Child Care Program includes the Acorn Center for Early Education and Care, the Red Oak After School Program and the Family Child Care Program.

The Acorn Center for Early Education and Care provides bilingual Cantonese/English full day child care for toddlers and preschoolers. Acorn program hours are year-round, Monday through Friday from 7:30 a.m. to 5:30 p.m. and the program is accredited by the National Association for the Education of Young Children (NAEYC) and licensed by the state's Department of Early Education and Care (EEC). Acorn offers children a safe and nurturing environment and an educational curriculum that is inclusive of the heritage of all children.

The Red Oak After School Program, licensed by EEC, provides year-round after school care, education and enrichment services for school age children, and expands to full-day programming during school vacations and the summer months, Red Oak has a multicultural and arts focus and provides homework instruction, recreational and enrichment activities, and acculturation support for children of all backgrounds.

Family Child Care recruits, trains, and licenses Chinese speaking Asian Americans interested in opening family child care businesses, and provides ongoing professional support to those who are already licensed. The program runs the first and only state funded Chinese family child care system in Massachusetts and provides over 40 subsidized child care slots for low-income families.

The Child Care Program accounted for 46% of total program expenditures for the year ended June 30, 2022.

Boston Chinatown Neighborhood Center, Inc.

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In Boston and Quincy, the Adult Education and Workforce Initiatives Program offers beginning to advanced English for Speakers of Other Languages (ESOL) courses, instruction in digital/technical literacy, academic and career counseling, job search skills, placement and employment retention support, and other related topics to prepare participants to enter the American workforce and post-secondary education. The Adult Education Program accounted for 26% of total program expenditures for the year ended June 30, 2022.

Through arts, culture and education, the Pao Arts Center brings together community members across generations to reclaim a critical piece of Chinatown history to create healthy families and a vibrant community. In partnership with Bunker Hill Community College, BCNC opened the Pao Arts Center in 2017 to be Chinatown's first community-based arts center and Boston's newly dedicated Asian American and Asian immigrant cultural space. The Arts Program accounted for 12% of total program expenditures for the year ended June 30, 2022.

Family Services helps immigrant families, including families with children with special needs, cope with challenging issues and adjust to their new lives in the United States by providing parent education, case management, counseling and support services, and community engagement. The program works closely with other BCNC programs and external partners to provide comprehensive support for children and families. The Family Services Program accounted for 8% of total program expenditures for the year ended June 30, 2022.

The Youth Center provides individuals ages 13 - 18 with year-round youth development, college access, and leadership programs where they can develop 21st century skills needed to thrive in college and the workforce. The Youth Program accounted for 8% of total program expenditures for the year ended June 30, 2022.

Basis of Presentation

The statement of activities reports all changes in net assets, including changes in net assets without donor restrictions from operating activities. Operating revenues consist of those monies received and other contributions attributable to the Organization's ongoing efforts. Debt forgiveness is reported as non-operating revenue.

Standards of Accounting and Reporting

The Organization's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Boston Chinatown Neighborhood Center, Inc.

Notes to Financial Statements

June 30, 2022

The statement of financial position presents two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Organization are presented as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

Net Assets with Donor Restrictions - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, 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.

Net assets with donor restrictions also includes the original amount of gifts and investment earnings required by the donor to be permanently retained. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

The cash balances are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2022.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Interest and dividends are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the period. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct investment expenses. Investments are exposed to risks such as interest rate, credit and overall market volatility.

Boston Chinatown Neighborhood Center, Inc.

Notes to Financial Statements

June 30, 2022

Revenue Recognition

The Organization earns revenue as follows:

Contracts, Contributions and Grants - In accordance with Topic 958, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

A portion of the Organization 's revenue is derived from cost-reimbursable government contracts and grants (government contracts and grants revenue), which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. These contracts and grants are considered nonreciprocal transactions because the Organization's community and customers receive the benefit as a result of the assets transferred.

Grants and contributions without donor restrictions are recorded as revenue when unconditionally received or pledged. Revenues from donor restricted grants and contributions are recorded as revenue and net assets with donor restrictions when the Organization receives a commitment. 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 as costs are incurred or time or program restrictions have lapsed. Donor restricted grants and pledges whose restrictions are met in the year they are received or pledged are recorded as net assets with donor restrictions.

Donated Property and Equipment - Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Boston Chinatown Neighborhood Center, Inc.

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Donated Services - Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Organization. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. Other donated services received that do not meet the criteria for recognition, include a substantial number of volunteers who have donated significant amounts of time on the Organization's behalf.

Total gifts in kind amounts to \$48,561 for the year ended June 30, 2022. Of that balance, \$32,680 consisted of donated services and \$15,881 consisted of donated equipment and school supplies. Donated services are used in program services and are recognized at fair value based on current rates for similar services. Donated equipment and school supplies are used in program services and are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a "like-kind" methodology considering the goods' condition and utility for use at the time of the contribution. All gifts-in-kind received during the year were unrestricted.

Special Events - Special events revenue is from the Organization's fundraising events and revenues are recognized at the time the event takes place. Special event income consists of both contributions and sales. The contribution portion of the special event income is recognized as revenue when unconditionally committed or received. The sales portion of the special event income is derived from various components, including registration fees, sponsorships, and program ads, in which the transaction price is determined annually. Registration fees for these events are set by the Organization and have not been allocated as the events are each considered to be separate performance obligations. Fees collected in advance of the special events are initially recorded as deferred revenue (contract liabilities) and are only recognized in the consolidated statements of activities after the special event has occurred and the performance obligation has been met. Special events are incidental to the Organization's operations and the related direct expenses have been reported with expenses in the accompanying statement of activities.

Parent Tuition, Class and Membership Fees - Program service fee revenue is earned and recognized by the Organization when units or services are provided and the performance obligation has been met.

Rental - Rental income is derived from commercial tenant rent from a sub-lease relationship. Rental revenue is recognized as rentals come due and are accounted for under *Leases (Topic 840)*. All leases between the Organization and its tenants are operating leases.

Deferred revenue represents program service fee income received prior to year-end. These amounts are deferred and recognized over the periods to which the fees relate.

Substantially all of the Organization's revenue is derived from its activities in Massachusetts. During the year ended June 30, 2022, the Organization derived approximately 51% of its total revenue from governmental and other agencies, 45% from donors (including in-kind and special events), 0% from investment returns and 4% from other sources. All revenue is recorded at the estimated net realizable amounts.

Boston Chinatown Neighborhood Center, Inc.

Notes to Financial Statements

June 30, 2022

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2022, management has determined any allowance would be immaterial.

The Organization does not have a policy to accrue interest on receivables. The Organization has no policies requiring collateral or other security to secure the accounts receivable.

As of June 30, 2022, substantially all of the Organization's accounts receivable are due from governmental and other agencies.

Grants and Contributions Receivable

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. As of June 30, 2022, the allowance is immaterial and management has determined that any discount would also be immaterial.

Land, Building and Equipment (Fixed Assets)

Fixed assets are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

Boston Chinatown Neighborhood Center, Inc.

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June 30, 2022

The Organization computes depreciation using the straight-line method over the following estimated lives:

Building and improvements	10-40 years
Leasehold improvements	5-20 years
Furniture and equipment	3-20 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator or possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

Designation of Net Assets Without Donor Restrictions

It is the policy of the Board of Directors of the Organization to review its plans for future needs from time to time and to designate appropriate sums of net assets without donor restrictions to assure adequate financing of such needs (see Note 8).

Fair Value Measurements

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets, identical instruments in inactive markets or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant inputs to the valuation model are unobservable.

Recurring Fair Value Measurements

In accordance with GAAP, certain assets and liabilities are required to be recorded at fair value on a recurring basis. The Organization's assets that are adjusted to fair value on a recurring basis are described below. The Organization currently has no liabilities that are adjusted to fair value on a recurring basis.

The following sections describe the valuation methodologies used to measure financial assets and liabilities at fair value on a recurring basis.

Investments in Debt and Equity Securities: Quoted market prices, a Level 1 input, are used to determine the fair value of investment securities. See Note 2 for details of the Organization's investments in debt and equity securities. Investments valued using Level 1 inputs totaled \$1,736,913 as of June 30, 2022.

Boston Chinatown Neighborhood Center, Inc.

Notes to Financial Statements

June 30, 2022

The Organization's policy is to recognize transfers in and out of levels as of the date an event or change in circumstances causes the transfer.

Fundraising Expense

Fundraising expense relates to the activities of raising general and specific contributions to the Organization and promoting special events. Fundraising expenses as a percentage of total contribution and special event revenue was 13% for the year ended June 30, 2022. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

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. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Payroll and associated costs are allocated to functions based upon actual time charges. Other costs are allocated based upon utilization estimates made by management.

Use of Estimates

In preparing the Organization's financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization is not a private foundation under Section 509(a)(1) of the IRC.

Generally, the Organization's information returns remain open for possible examination for three years after the filing date. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2019 remain open. As of June 30, 2022, the Organization believes that there are no uncertain tax positions with any of its open tax years.

Boston Chinatown Neighborhood Center, Inc.

Notes to Financial Statements

June 30, 2022

Summarized Financial Information for 2021

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the financial statements do not include a full presentation of the statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. In addition, the financial statements do not include full financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information is derived.

Accounting Standards Adopted

For the year ended June 30, 2022, the Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard provides guidance on the presentation of contributed nonfinancial assets in the statement of activities and additional disclosure requirements for each type of contributed nonfinancial asset. The ASU provides transparency on the measurement of the contributed nonfinancial assets of the Organization and will not change existing recognition and measurement requirements. The Organization has implemented the provisions of ASU 2020-07 applicable to all contributed nonfinancial assets.

Recent Accounting Standards

In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*. ASU 2020-05 deferred the implementation date of ASU 2016-02 and ASU 2014-09 by one year. The Organization had already adopted ASU 2014-09. ASU 2016-02 is described below.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)* which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU was set to be effective on January 1, 2021, with early adoption permitted. The effective date was extended to fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact the adoption of this new standard will have on its financial statements.

Boston Chinatown Neighborhood Center, Inc.

Notes to Financial Statements

June 30, 2022

Note 2 - Investments

Investments are valued at fair value using Level 1 inputs, unadjusted quoted prices in active markets, and are comprised of the following as of June 30, 2022:

Domestic mutual funds	\$ 1,148,207
Exchange traded funds	<u>588,706</u>
Total investments at fair value	1,736,913
Certificates of deposit	276,472
Money market funds	<u>704,875</u>
Total	\$ <u>2,718,260</u>

Investment Policy and Guidelines

The Organization's goals and objectives are to identify, monitor and invest all surplus funds available for investment subject to (in order of priority):

Safety - The preservation of principal provided by the investment in high-quality instruments with minimum credit risk.

Liquidity - The investment in instruments with scheduled maturities that ensure the timely availability of cash to meet the Organization's operating and investing requirements.

Yield - The maximum return on investment consistent with safety and liquidity.

Note 3 - Property and Equipment

Property and equipment consist of the following as of June 30, 2022:

Land	\$ 225,000
Building and improvements	2,985,438
Furniture and equipment	627,543
Leasehold improvements	<u>1,509,620</u>
Total property and equipment	5,347,601
Less: accumulated depreciation	<u>(2,301,995)</u>
Net property and equipment	\$ <u>3,045,606</u>

Note 4 - Debt

Line of Credit

The Organization has a \$500,000 revolving line of credit with Rockland Trust. The line of credit is charged to interest based on the bank's prime rate plus 1%, and it is subject to being called on demand. This line of credit is secured by all of the Organization's assets and will renew annually subject to the bank's review. As of the date of these financial statements, no advances have been made under this line of credit.

Boston Chinatown Neighborhood Center, Inc.

Notes to Financial Statements

June 30, 2022

Note 5 - Operating Lease Commitments

Lessor

The Organization sublets classroom space within the Arts and Cultural Center to Bunker Hill Community College. Rent is charged in quarterly installments equivalent to the Organization's costs for rent expense and other operating costs under the agreement. The sublease agreement is in effect through July 31, 2023. Rental income amounted to \$144,087 for the year ended June 30, 2022. Future minimum annual rental income expected to be received from the lease agreement will approximate \$66,250 annually with a 3% auto escalation each year thereafter, plus operating costs.

Lessee

The Organization leases office equipment under an operating lease which will expire in June 2026. Equipment rental and maintenance fees under this lease totaled \$14,138 for the year ended June 30, 2022.

In August 2018, the Organization signed a six-year lease commitment for classroom space in Quincy, MA. Rent expense under this lease for the year ended June 30, 2022 was \$111,291.

In August 2016, the Organization signed a lease agreement for community space in Chinatown to be used for the Arts and Cultural Center. The lease commitment is for a seven-year term commencing August 1, 2016, with an option to extend the term for three years at a fixed rent and two additional options to extend for successive periods of five years at a fixed rent. Rent and operating costs under this lease for the year ended June 30, 2022 were \$124,956.

The minimum annual operating non-cancelable lease commitments on property for the Organization are as follows:

2023	\$	205,612
2024		135,684
2025		70,482
2026		11,833

Note 6 - Employee Benefits

The Organization has a defined contribution pension plan that qualifies as a tax-sheltered account under Section 403(b)(7) of the IRC for the benefit of eligible employees. Under the plan, benefit eligible employees can invest pre-tax dollars. The employees are not taxed on contributions or earnings until they receive distributions from the account. The Organization accrued matching contributions of \$68,006 for the year ended June 30, 2022.

Boston Chinatown Neighborhood Center, Inc.

Notes to Financial Statements

June 30, 2022

Note 7 - Commitments and Contingencies

Governmental Funding

The Organization receives a portion of its funding from government agencies. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed, if any, and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

The Organization's operations are concentrated in the social service provider field. As such, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to the following:

- U.S. Department of Agriculture
- U.S. Department of Education
- U.S. Department of Health and Human Services
- U.S. Department of Housing and Urban Development
- Massachusetts Department of Public Health
- Massachusetts Department of Early Education and Care
- Massachusetts Department of Elementary and Secondary Education
- Massachusetts Operational Services Division
- Massachusetts Rehabilitation Commission

Such administrative directives, rules and regulations are subject to change by an act of Congress, act of the state and local legislature or an administrative change mandated by, the United States Departments or Commonwealth of Massachusetts Departments listed above. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Additionally, contractual funding may decrease or be withdrawn with little notice.

Note 8 - Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of June 30, 2022, net assets with donor restrictions are restricted for the following purposes or periods:

Endowment funds	\$	426,910
Capital campaign initiatives (see Note 12)		935,013
Pao Arts and Cultural Center		266,333
Child care program		53,571
Youth program		244,350
General operating (including time restrictions)		626,125
Adult education program		178,750
Family services		<u>394,455</u>
Total Net Assets with Donor Restrictions	\$	<u>3,125,507</u>

Boston Chinatown Neighborhood Center, Inc.

Notes to Financial Statements

June 30, 2022

Net assets released from restrictions during the year ended June 30, 2022 totaled \$899,690, of which \$899,690 was from program restrictions and zero was from investment returns on donor restricted endowment funds in accordance with the spending policy (see Note 9).

Net assets with donor restrictions that are required to be maintained in perpetuity consist of:

Family services endowment fund	\$ 20,000
Felix Lai endowment fund	31,275
Victor and Maisie Lee endowment fund	100,000
Chin Tunn Fon endowment fund	90,053
Fung Family endowment fund	<u>100,000</u>
Total Net Assets with Donor Restrictions	\$ <u>341,328</u>

These funds represent donor designated endowment contributions, whereby the original gifts must remain invested and may not be spent. The income generated from the family services endowment is restricted in support of that program. The income generated from these funds may be spent in accordance with the Organization's spending policy (see Note 9).

Net Assets Without Donor Restrictions

The Organization's net assets without donor restrictions is comprised of undesignated and Board designated amounts for the following purposes as of June 30, 2022:

Undesignated	\$ 7,188,146
Board designated for Quasi-Endowment	<u>500,000</u>
Total	\$ <u>7,688,146</u>

Note 9 - Endowment

The Organization accepts endowment gifts under the stipulation that the funds are invested in perpetuity. Unless otherwise restricted by the donor, the investment income is to be used in accordance with the Organization's endowment spending policy. The Organization's Board of Directors oversees the establishment and revision of goals, spending plans and asset allocations for endowments.

Boston Chinatown Neighborhood Center, Inc.

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June 30, 2022

The Organization's endowment consists of five individual donor-restricted endowment funds established for a variety of purposes (see Note 8) and a fund designated by the Board to function as an endowment for the purpose of securing the Organization's long-term financial viability and continuing to meet the future needs of the Organization including, but not limited to, technology improvements, facilities and leasehold improvements and expansion of program capacity. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The spending policy related to the endowment funds are as follows:

Donor Restricted Endowment Funds (With Donor Restriction)

On a fiscal year end annual basis, an allocation of 2% of the pooled endowment value shall be eligible for distribution, on the condition that the fair market value of the related investments increases by at least 4% in that given year. The 2% spending rate shall be calculated and distributed based on three-year average of the pooled donor restricted endowment funds fair market value, excluding any funds that have been held for less than three years. The annual distribution can be changed at the discretion and approval of the Finance Committee of the Board of Directors.

Board Designated Endowment Funds (Without Donor Restriction)

The Organization's Board has designated funds to be set aside to establish and maintain a quasi-endowment. On a discretionary basis, the Board may approve distributions for the purpose of securing the Organization's long-term financial viability and continuing to meet the future needs of the Organization including, but not limited to, technology improvements, facilities and leasehold improvements and expansion of program capacity.

Uniform Prudent Management of Institutional Funds Act

The Organization's management and investment of donor-restricted endowment funds are subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA), which serves as a guideline to states to use enacting legislation. UPMIFA was adopted by the Commonwealth of Massachusetts effective June 30, 2009. Among UPMIFA's most significant changes is the elimination of UMIFA's important concept of historic dollar value threshold, the amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending.

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The Board has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Further, per the interpretation, the UPMIFA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts 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 the permanent portion of net assets with donor restrictions is classified in the temporary portion of net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Appropriation of Endowment Assets for Expenditure

The Organization considers the following factors in making a determination to appropriate endowment funds for expenditure:

- (1) The duration and preservation of the fund
- (2) The purposes of the Agency and the donor-restricted endowment fund
- (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 the Agency
- (7) The investment policies of the Agency
- (8) The role of each investment in the whole portfolio group

See previous disclosures for spending policy.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that invest in a thoughtful and prudent manner. The oversight of the endowment funds is the responsibility of the Board. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to preserve the endowment funds' principal, considering inflation and to regulate the long-term ability and short-term needs to distribute income.

Strategies Employed for Achieving Investment Objectives

To satisfy the long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current year (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve the long-term objectives within prudent risk constraints.

Boston Chinatown Neighborhood Center, Inc.

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June 30, 2022

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies may result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets without donor restrictions. There were no such deficiencies as of June 30, 2022.

Composition and Reconciliation of Endowment Funds

A reconciliation of the Organization's endowment by net asset class for the year ending June 30, 2022 is presented as follows:

	Without Donor Restrictions (Board Designated)	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 500,000	\$ 413,955	\$ 913,955
Contributions and transfers in	-	50,800	50,800
Investment return	(45,619)	(37,845)	(83,464)
Appropriation available for expenditure	<u>45,619</u>	<u>-</u>	<u>45,619</u>
Endowment net assets, end of year	<u>\$ 500,000</u>	<u>\$ 426,910</u>	<u>\$ 926,910</u>

Boston Chinatown Neighborhood Center, Inc.

Notes to Financial Statements

June 30, 2022

Note 10 - Liquidity and Availability of Resources

The Organization has a policy to manage its liquidity and reserves following two principle guidelines, which include operating within a prudent range of financial stability, and maintaining adequate liquidity to fund near-term operations. The financial assets available to meet cash needs for general expenditures are outlined below for the year ended June 30, 2022:

Cash and cash equivalents	\$	3,558,076
Accounts receivable, net		180,843
Grants receivable, net		872,717
Contributions receivable, net		267,032
Other receivables		221,282
Investments		<u>2,718,260</u>
Total financial assets, excluding long-term receivables		7,818,210
Less imposed restrictions:		
Endowment fund investments		(926,910)
Program related restrictions		<u>(2,698,597)</u>
Total financial assets available to meet general expenditures within one year	\$	<u>4,192,703</u>

In addition to these financial assets available to meet general expenditures within one year, the Organization can vote to use board designated endowment funds of \$500,000 if needed. Also, there is a \$500,000 line of credit available if needed.

Note 11 - Funds Held in Trust

During the year ended June 30, 2022, the Organization was acting as the fiscal sponsor for the Chinatown Coalition and other small programs. Under the terms of the agreements, the Organization received project funding, which it maintains as part of the agency funds and oversees the fiscal aspects of each pass-through grant. As of June 30, 2022, \$69,090 remains available for completion of these projects.

Note 12 - COVID-19 - Risks and Uncertainties

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. Further, the Organization's liquidity as of June 30, 2022 is documented at Note 10. The Organization is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Organization's operations continue for an extended period of time the Organization may have to seek alternative measures to finance its operations. The Organization does not believe that the impact of COVID-19 would have a material adverse effect on its financial condition or liquidity.

Boston Chinatown Neighborhood Center, Inc.

Notes to Financial Statements

June 30, 2022

Note 13 - Schedule of Federal Awards

Determination of federal major programs was made using a risk-based approach. For the fiscal year ended June 30, 2022, the Organization qualified as a low-risk auditee. The major program tested is disclosed as such in the schedule of findings and questioned costs.

Note 14 - Subsequent Events

The Organization has performed an evaluation of subsequent events through January 12, 2023, which is the date the Organization's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2022 that required recognition or disclosure in these financial statements.

Boston Chinatown Neighborhood Center, Inc.

Schedule of Findings and Questioned Costs

June 30, 2022

(1) Summary of Auditor's Results

Financial Statements:

Type of Report the Auditor Issued on Whether the Financial Statements Audited were Prepared in Accordance with US GAAP:

Unmodified opinion

Internal Control over Financial Reporting:
Material Weakness(es) Identified?

_____ yes X no

Significant Deficiency(ies) Identified?

_____ yes X none reported

Noncompliance Material to Financial Statements Noted?

_____ yes X no

Federal Awards:

Internal Control Over Major Federal Programs:
Material Weakness(es) Identified?

_____ yes X no

Significant Deficiency(ies) Identified?
reported

_____ yes X none

Type of Auditor's Report Issued on Compliance for Major Federal Programs:

Unmodified opinion

Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR Section 200.516(a)?

_____ yes X no

Identification of Major Federal Programs:

Assistance Listing Number Name of Federal Program or Cluster

93.558 Temporary Assistance for Needy Families

Dollar Threshold Used to Distinguish Between Type A and Type B Programs:

\$ 750,000

Auditee Qualified as Low-Risk Auditee?

X yes _____ no

Boston Chinatown Neighborhood Center, Inc.

Schedule of Findings and Questioned Costs

June 30, 2022

(2) Findings - Financial Statement Audit

None

(3) Findings and Questioned Costs - Major Federal Programs Audit

None

Boston Chinatown Neighborhood Center, Inc.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture:				
<i>Passed through Massachusetts Department of Elementary and Secondary Education</i>				
Child and Adult Care Food Program	10.558	SCDOE22758A70571002A	\$ -	\$ 10,096
		SCDOE22758D70532117A	-	2,839
		SCDOE22758E70532117A	-	289
		SCDOE22758J70532117A	-	1,129
			<u>-</u>	<u>14,353</u>
National School Lunch Program	10.555	SCDOE22758A70532112B	-	12,755
		SCDOE22758D70532112B	-	25,668
		SCDOE22758L70532112B	-	14,241
			<u>-</u>	<u>52,664</u>
Total Child Nutrition Cluster			<u>-</u>	<u>67,017</u>
U.S. Department of Health and Human Services:				
<i>Passed through Action for Boston Community Development, Inc.</i>				
Head Start (Cluster)	93.600	18-8975	-	75,080
<i>Passed through Massachusetts Department of Early Education and Care</i>				
Temporary Assistance for Needy Families	93.558	2022FLEXPOOLINCOMEEL	-	3,377
		600010BOSTONCHIN06IE	-	472,607
Total TANF Cluster			<u>-</u>	<u>475,984</u>
Child Care and Development Block Grant	93.575	2022FLEXPOOLINCOMEEL	-	7,399
		600010BOSTONCHIN06IE	-	55,810
			<u>-</u>	<u>63,209</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	2022FLEXPOOLINCOMEEL	-	385
		600010BOSTONCHIN06IE	-	53,898
			<u>-</u>	<u>54,283</u>
Total Child Care and Development Fund (CCDF) Cluster			<u>-</u>	<u>117,492</u>
U.S. Department of Housing and Urban Development:				
<i>Passed through City of Boston</i>				
Community Development Block Grants/Entitlement Grants (CDBG-Entitlement Grants Cluster)	14.218	DNDC16001	-	66,412
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 801,985</u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Boston Chinatown Neighborhood Center, Inc. (the Organization) under programs of the federal government for the year ended June 30, 2022. 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 the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

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 the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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