

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2020

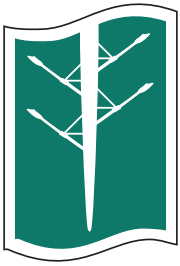


BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

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Murphy,
Edwards,
Goncalves
&
Ferrera, PC

*Certified Public Accountants
and Business Advisors*

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Boston Chinatown Neighborhood Center, Inc. ("BCNC", a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

INDEPENDENT AUDITORS' REPORT

(Continued)

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 BCNC as of June 30, 2020, 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.

Report on Summarized Comparative Information

We have previously audited BCNC's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

INDEPENDENT AUDITORS' REPORT

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2020, on our consideration of BCNC'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 BCNC'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 BCNC's internal control over financial reporting and compliance.

Murphy, Edwards, Gonçalves & Ferreira, PC

Southborough, Massachusetts
November 3, 2020

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2020

(With Comparative Totals as of June 30, 2019)

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash (Notes 2, 3 and 20)	\$ 2,519,760	\$ 1,531,272
Accounts Receivable (Notes 2 and 3)	27,943	120,249
Grants Receivable (Notes 2, 3 and 6)	859,102	690,120
Contributions Receivable (Notes 2, 3 and 7)	217,552	331,957
Other Receivables (Notes 3 and 11)	55,728	165,416
Agency Funds (Note 8)	89,904	86,124
Prepaid Expenses	<u>77,969</u>	<u>99,383</u>
Total Current Assets	<u>3,847,958</u>	<u>3,024,521</u>
INVESTMENTS: (Notes 2, 3, 5, 9 and 19)		
Endowment Funds (Note 9)	811,939	710,053
Other	<u>838,778</u>	<u>513,300</u>
Total Investments	<u>1,650,717</u>	<u>1,223,353</u>
PROPERTY AND EQUIPMENT, NET (Notes 2 and 10)	<u>3,400,846</u>	<u>3,556,565</u>
OTHER ASSETS:		
Grants Receivable Restricted for Long Term Purposes (Notes 2 and 6)	175,000	529,631
Security Deposits	13,000	18,152
Contributions Receivable, Long-Term (Notes 2 and 7)	<u>191,930</u>	<u>378,920</u>
Total Other Assets	<u>379,930</u>	<u>926,703</u>
TOTAL ASSETS	<u>\$ 9,279,451</u>	<u>\$ 8,731,142</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 356,815	\$ 328,078
Note Payable, Current Portion (Note 12)	340,355	-
Advances From Funding Source (Note 11)	-	84,030
Service Fee Advances (Note 13)	1,594	39,122
Funds Held in Trust (Note 8)	<u>89,904</u>	<u>86,124</u>
Total Current Liabilities	788,668	537,354
LONG-TERM DEBT (Note 12)	<u>428,645</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,217,313</u>	<u>537,354</u>
NET ASSETS:		
Without Donor Restriction: (Notes 2 and 9)		
Board Designated (Note 3 and 9)	500,000	500,000
General	<u>4,899,771</u>	<u>4,880,928</u>
Total Without Donor Restriction	5,399,771	5,380,928
With Donor Restriction (Notes 2, 9 and 14)	<u>2,662,367</u>	<u>2,812,860</u>
Total Net Assets	<u>8,062,138</u>	<u>8,193,788</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,279,451</u>	<u>\$ 8,731,142</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

(With Comparative Totals for the Year Ended June 30, 2019)

	Without Donor Restriction	With Donor Restriction	2020 Total	2019 Total
SUPPORT AND REVENUE (Note 2)				
Contributions:				
Individuals	\$ 214,596	\$ 102,350	\$ 316,946	\$ 471,756
Capital Campaign (Notes 14 and 20)	1,026	-	1,026	212,553
Grants	854,760	418,024	1,272,784	1,654,809
Special Events (Note 19)	527,458	-	527,458	1,083,654
Released From Restriction (Note 2)	695,403	(695,403)	-	-
Service Fees:				
Contracts (Note 15)	2,663,196	-	2,663,196	2,354,351
Parent Tuition Fees	587,507	-	587,507	702,894
Class and Membership Fees	66,638	-	66,638	159,849
Rental Income (Note 17)	140,277	-	140,277	163,102
Investment Return (Note 9)	75,230	24,536	99,766	79,579
Total Support and Revenue Before In-Kind	<u>5,826,091</u>	<u>(150,493)</u>	<u>5,675,598</u>	<u>6,882,547</u>
In-Kind (Note 2)	<u>691,822</u>	<u>-</u>	<u>691,822</u>	<u>767,342</u>
Total Support and Revenue	<u>6,517,913</u>	<u>(150,493)</u>	<u>6,367,420</u>	<u>7,649,889</u>
FUNCTIONAL EXPENSES (Note 2)				
Program Expenses:				
Child Care Program	2,252,571	-	2,252,571	2,269,085
Family Services	226,666	-	226,666	214,828
Youth Program	387,310	-	387,310	356,996
Adult Education Program	1,129,395	-	1,129,395	1,143,699
Arts and Cultural Center	567,887	-	567,887	654,273
Recreation and Fitness Program	570,758	-	570,758	544,715
Total Program Expenses	<u>5,134,587</u>	<u>-</u>	<u>5,134,587</u>	<u>5,183,596</u>
Support Services:				
General and Administrative	941,681	-	941,681	972,587
Fundraising	422,802	-	422,802	677,850
Total Support Services	<u>1,364,483</u>	<u>-</u>	<u>1,364,483</u>	<u>1,650,437</u>
TOTAL FUNCTIONAL EXPENSES	<u>6,499,070</u>	<u>-</u>	<u>6,499,070</u>	<u>6,834,033</u>
INCREASE (DECREASE) IN NET ASSETS	18,843	(150,493)	(131,650)	815,856
NET ASSETS - BEGINNING OF YEAR	<u>5,380,928</u>	<u>2,812,860</u>	<u>8,193,788</u>	<u>7,377,932</u>
NET ASSETS - END OF YEAR	<u>\$ 5,399,771</u>	<u>\$ 2,662,367</u>	<u>\$ 8,062,138</u>	<u>\$ 8,193,788</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

(With Comparative Totals for the Year Ended June 30, 2019)

	Program Services						Support Services		2020 Total	2019 Total	
	Child Care	Family Services	Youth Center	Adult Education Program	Arts and Cultural Center	Recreation and Fitness Program	Total Program Services	General and Admin.			Fundraising
Salaries and Wages	\$ 1,378,994	\$ 154,968	\$ 208,876	\$ 700,533	\$ 167,577	\$ 4,271	\$ 2,615,219	\$ 459,747	\$ 261,796	\$ 3,336,762	\$ 3,263,082
Payroll Taxes	119,040	12,923	17,736	60,912	13,898	490	224,999	45,959	23,179	294,137	283,882
Benefits (Note 16)	170,101	17,974	25,343	85,157	19,408	699	318,682	67,689	32,664	419,035	475,114
Total Payroll, Taxes and Benefits	1,668,135	185,865	251,955	846,602	200,883	5,460	3,158,900	573,395	317,639	4,049,934	4,022,078
Advertising (Note 2)	1,015	-	-	417	-	-	1,432	-	885	2,317	2,254
Bad Debt	1,564	-	2,891	6,667	-	-	11,122	1,000	10,950	23,072	-
Bank Charges	-	-	2	-	59	38	99	15,896	375	16,370	21,478
Consultants	42,270	9,345	32,225	54,702	127,193	25,565	291,300	108,913	25,918	426,131	390,773
Depreciation (Note 2)	51,039	1,931	18,765	30,025	55,966	-	157,726	48,399	2,774	208,899	210,440
Equipment/Software (Note 18)	6,172	738	1,340	4,089	523	733	13,595	2,306	10,348	26,249	25,342
Field Trips	8,155	353	408	-	-	54	8,970	-	-	8,970	6,586
Food	41,461	2,244	1,308	136	1,078	1,987	48,214	3,602	570	52,386	76,139
Insurance	15,634	926	4,479	8,128	1,148	528	30,843	12,307	997	44,147	43,180
Marketing and Public Relations	-	-	-	-	-	-	-	875	-	875	1,880
Miscellaneous	-	-	-	-	20	-	20	2,015	-	2,035	5,265
Office Expense	7,113	1,123	1,120	16,648	1,277	1,016	28,297	23,284	2,162	53,743	91,484
Payroll Processing	7,272	799	1,152	3,747	846	29	13,845	3,468	1,444	18,757	18,380
Permits and Fees	1,910	-	-	-	500	-	2,410	275	-	2,685	2,070
Professional Fees	12,672	1,396	1,937	6,534	1,485	308	24,332	5,079	2,489	31,900	34,300
Program and Other Supplies	45,029	4,222	3,600	29,765	14,817	6,560	103,993	4,783	5,817	114,593	110,917
Providers	170,356	-	-	-	-	-	170,356	-	-	170,356	210,990
Rent (Note 17)	-	10,335	31,008	62,016	121,305	-	224,664	4,629	-	229,293	209,674
Repairs and Maintenance	22,926	876	7,304	11,687	16,928	-	59,721	16,619	584	76,924	95,023
Special Events	-	-	-	-	10,440	-	10,440	4,907	35,670	51,017	258,708
Staff Training	8,077	875	4,468	5,134	328	-	18,882	5,011	623	24,516	28,799
Telephone and Internet	14,410	994	6,374	10,629	3,768	-	36,175	12,668	423	49,266	41,239
Travel and Transportation	2,932	1,148	205	218	50	75	4,628	705	111	5,444	12,239
Utilities	33,918	1,496	12,470	19,951	7,191	-	75,026	41,345	998	117,369	147,453
Total Before In-Kind	2,162,060	224,666	383,011	1,117,095	565,805	42,353	4,494,990	891,481	420,777	5,807,248	6,066,691
In-Kind (Note 2):											
Salaries and Wages	21,890	-	4,299	-	2,082	495,581	523,852	8,518	-	532,370	474,294
Facilities	68,621	-	-	-	-	32,824	101,445	30,882	-	132,327	129,729
Marketing and Professional Fees	-	-	-	-	-	-	-	-	-	-	151,179
T-Passes and Supplies	-	2,000	-	12,300	-	-	14,300	10,800	2,025	27,125	12,140
Total In-Kind	90,511	2,000	4,299	12,300	2,082	528,405	639,597	50,200	2,025	691,822	767,342
Total	\$ 2,252,571	\$ 226,666	\$ 387,310	\$ 1,129,395	\$ 567,887	\$ 570,758	\$ 5,134,587	\$ 941,681	\$ 422,802	\$ 6,499,070	\$ 6,834,033

See Independent Auditors' Report and Accompanying Notes to Financial Statements

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

(With Comparative Totals for the Year Ended June 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Net Assets	\$ (131,650)	\$ 815,856
Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:		
Depreciation	208,899	210,440
Bad Debt Expense	23,072	-
Realized and Unrealized Gains on Investments	(78,925)	(38,273)
Donated Securities	(6,965)	(59,872)
Sales of Donated Securities	7,315	59,602
(Increase) Decrease in Current & Other Assets:		
Accounts Receivable	69,234	107,109
Grants Receivable	185,649	(382,833)
Contributions Receivable	301,395	(145,570)
Other Receivables	25,658	(37,830)
Agency Funds	(3,780)	(13,561)
Prepaid Expenses	21,414	9,979
Security Deposits	5,152	(7,500)
Restricted Cash	-	150,000
Increase (Decrease) in Current Liabilities:		
Accounts Payable and Accrued Expenses	28,737	32,475
Service Fee Advances	(37,528)	(13,438)
Funds Held in Trust	<u>3,780</u>	<u>13,561</u>
Net Cash Provided by Operating Activities	<u>621,457</u>	<u>700,145</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investments	(348,788)	(297,611)
Purchases of Property and Equipment	<u>(53,181)</u>	<u>(281,169)</u>
Net Cash Used by Investing Activities	<u>(401,969)</u>	<u>(578,780)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan Proceeds	769,000	-
Repayment of Long-term Debt	<u>-</u>	<u>(399)</u>
Net Cash Provided (Used) by Financing Activities	<u>769,000</u>	<u>(399)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	988,488	120,966
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,531,272</u>	<u>1,410,306</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,519,760</u></u>	<u><u>\$ 1,531,272</u></u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 ORGANIZATION AND 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 service 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.

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.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE 1 ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

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.

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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Standards of Accounting and Reporting

The accounting and reporting policies of Boston Chinatown Neighborhood Center, Inc. conform with United States generally accepted accounting policies (GAAP) as codified in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC).

Financial Statement Presentation

The financial statements of BCNC have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. BCNC reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction. A description of the two net asset classes follows:

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Without Donor Restriction - Net assets that are not subject to donor-imposed restrictions. Net assets without donor restriction may be designated for specific purposes by action of the Board of Directors.

With Donor Restriction - Net assets whose use by BCNC is subject to donor-imposed restrictions that can be fulfilled by actions of BCNC pursuant to those restrictions or that expire by the passage of time or are subject to donor-imposed restrictions such that they be maintained permanently by BCNC.

Summarized Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total but not in sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with BCNC's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Reclassification of Financial Statement Presentation

Certain reclassifications have been made to the prior year accounts payable, accrued expenses, and functional expense account groupings to conform to the current year presentation. Such reclassifications have had no effect on the change in net assets as previously reported.

Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The update supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle. BCNC has adopted the provisions during the year ended June 30, 2020, and has retrospectively applied the standard to the year ended June 30, 2019. The retrospective application had no effect on the 2019 net income or the beginning net assets on July 1, 2019.

During the year, BCNC also adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. BCNC has adopted the provisions of the new ASU during the year ended June 30, 2020 and has retrospectively applied the standard to the year ended June 30, 2019. The retrospective application had no effect on the 2019 increase in net assets.

Cash and Cash Equivalent

BCNC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable primarily consist of amounts due for work completed on various contracts secured from governmental agencies. Management evaluates collectability of accounts receivable based on historical performance, and has decided no allowance for doubtful accounts is needed as of June 30, 2020 and 2019. It is BCNC's policy to write off a receivable only after all collection efforts have been fully exhausted.

Grants and Contributions Receivable

Grants and contributions receivable in one year or less are reported at net realizable value. Contributions and grants to be received after one year, net of an allowance for uncollectible amounts, are initially reported at fair value, estimated by discounting them using a present value technique. Thereafter, amortization of discounts is recorded as additional contributions. An allowance for uncollectible receivables is provided based upon management's analysis of individual receivables and judgment, considering such factors as prior collection history, the relationship with the donor, and other relevant factors.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Investment Policy and Guidelines

The investment 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 BCNC's operating and investing requirements.

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

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value

In accordance with the *Fair Value Measurement* standard, BCNC measures its investments at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The standards establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets, Level 2 inputs consist of inputs other than quoted prices that are observable for the asset either directly or indirectly, including in markets that are not considered to be active, and Level 3 consists of inputs that are unobservable and which require significant judgment or estimation. A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The inputs and methodology used for valuing BCNC's investments are not indicators of the risks associated with those instruments.

Property, Equipment and Depreciation

Property and equipment are recorded at cost when purchased, or if donated, at their estimated fair market value at date of donation. All acquisitions of property and equipment in excess of \$1,000, including all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the depreciable assets. Depreciation expense for the years ended June 30, 2020 and 2019 is \$208,899 and \$210,440, respectively.

Allocation of Functional Expenses

Expenses are allocated among program and support services directly or on the basis of time records and utilization estimates made by management. General and administrative expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

All advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2020 and 2019, is \$2,317 and \$2,254, respectively.

Donated Services and Facilities/In-Kind

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills and are performed by people with those skills and would otherwise be purchased. BCNC receives the services of various staff members who are paid by other entities in addition to the free use of office and program space. The City of Boston is the primary provider of donated personnel and space for program and administrative offices. The value of those services is included in the financial statements as are the contributed facilities and other in-kind contributions. 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 BCNC's behalf.

Income Taxes

Under the *Income Taxes* accounting standard, an organization should recognize the tax benefit associated with uncertain tax positions taken for tax return purposes only when it is more likely than not the position will be sustained. Management does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits, interest or penalties.

Support and Revenue

Support and revenue, including investment income, is recorded as with or without donor restriction support depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restriction, if the restriction expires in the same reporting period in which the support is recognized.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

BCNC recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. BCNC records the following exchange transaction revenue in its statement of activities.

Contract Service Fees

BCNC's main source of income is earned through contract service fees for the childcare and adult education programs. Contractual pricing is established by the terms of the contracts. The performance obligation is the delivery of the service in accordance with the contracts. Fees collected in advance of delivery of the services are initially recognized as service fee advances and are only recognized in the statement of activities after the delivery of the service.

Parent Tuition Fees

Another source of BCNC's income is derived from providing childcare services to private pay families. Pricing for parent fees is established by BCNC. The performance obligation is the delivery of the childcare services. Fees collected in advance of delivery of the childcare services are initially recognized as service fee advances and are only recognized in the statement of activities after the delivery of the service.

Class and Membership Fees

BCNC offers activity related programs such as after school enrichment, swimming, painting and cooking classes. Fees for activities are set by BCNC. The fees may include supplies which are not separately priced and therefore considered to be part of the performance obligation. Fees collected in advance of delivery of the activities are initially recognized as deferred revenue and are only recognized in the statement of activities after the delivery of the activity.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through November 3, 2020, the date the financial statements were available to be issued. See Note 21 for subsequent events that have been identified by management.

NOTE 3 LIQUIDITY AND AVAILABILITY OF FUNDS

BCNC 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 years ended June 30:

	2020	2019
Cash	\$ 2,519,760	\$ 1,531,272
Accounts Receivable	27,943	120,249
Grants Receivable	859,102	690,120
Contributions Receivable	217,552	331,957
Other Receivables	55,728	81,386
Investments	<u>1,650,717</u>	<u>1,223,353</u>
Total Financial Assets, Excluding Long-term Receivables	5,330,802	3,978,337
Less Imposed Restrictions:		
Endowment Fund Investments	(811,939)	(710,053)
Program Related Restrictions	<u>(1,810,421)</u>	<u>(1,746,504)</u>
Total Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 2,708,442</u>	<u>\$ 1,521,780</u>

In addition to these financial assets available to meet general expenditures within one year, BCNC 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.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE 4 TAX STATUS

Boston Chinatown Neighborhood Center, Inc. is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code, and, accordingly, no provision for income taxes is included in the financial statements. In addition, BCNC qualifies for the charitable contributions deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

NOTE 5 INVESTMENTS

BCNC reports investments at fair value which was determined using the following inputs as of June 30:

2020 Description	Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
Domestic Mutual Funds	\$1,262,445	\$ -	\$ -	\$1,262,445
Certificates of Deposit	50,234	-	-	50,234
Cash and Cash Equivalents	<u>338,038</u>	<u>-</u>	<u>-</u>	<u>338,038</u>
Total Market Value	<u>\$1,650,717</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,650,717</u>

2019 Description	Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
Domestic Mutual Funds	\$ 848,716	\$ -	\$ -	\$ 848,716
Certificates of Deposit	150,628	-	-	150,628
Cash and Cash Equivalents	<u>224,009</u>	<u>-</u>	<u>-</u>	<u>224,009</u>
Total Market Value	<u>\$1,223,353</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,223,353</u>

Mutual funds are valued at the daily closing price as reported by the fund. The mutual funds held by BCNC are required to publish their daily net asset value (NAV) and to transact at that price.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE 6 GRANTS RECEIVABLE

Grants receivable consist of the following as of June 30:

	2020	2019
Amounts due in:		
Less than one year	\$ 859,102	\$ 690,120
One to five years	<u>175,000</u>	<u>529,631</u>
Total	<u>\$1,034,102</u>	<u>\$1,219,751</u>

NOTE 7 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30:

	2020	2019
Contributions Receivable due within one year	\$ 220,905	\$ 335,310
Less Allowance for Doubtful Accounts	<u>(3,353)</u>	<u>(3,353)</u>
Current Contributions Receivable, net	<u>\$ 217,552</u>	<u>\$ 331,957</u>
Contributions Receivable due in one to five years	\$ 120,757	\$ 277,747
Contributions Receivable due later than five years	75,000	105,000
Less Allowance for Doubtful Accounts	<u>(3,827)</u>	<u>(3,577)</u>
Long-term Contributions Receivable, net	<u>\$ 191,930</u>	<u>\$ 378,920</u>

The discount to net present value has been determined to be immaterial to the financial statements based on the low interest rate environment, and therefore, has not been recorded.

NOTE 8 FUNDS HELD IN TRUST

During the years ended June 30, 2020 and 2019, BCNC was acting as the fiscal sponsor for the Chinatown Coalition and other small programs. Under the terms of the agreements, BCNC 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, 2020 and 2019, \$89,904 and \$86,124, respectively, remain available for completion of these projects.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE 9 ENDOWMENT FUNDS

As of June 30, 2020, BCNC's endowment funds consist of various donor-designated funds, (See Note 14) and a Board Designated Fund.

BCNC maintains donor-restricted endowment funds, which are governed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). BCNC has interpreted 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. As a result of this interpretation, BCNC classifies net assets with donor restriction (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

BCNC has adopted investment spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

The spending policy related to its 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 the 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) – On a discretionary basis, the Board of Directors may approve distributions for future needs of BCNC including, but not limited to, technology improvements, facilities and leasehold improvements, and expansion of program capacity.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE 9 ENDOWMENT FUNDS (Continued)

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

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restriction (Board Designated)	With Donor Restriction	Total
Endowment Net Assets, Beginning of Year	\$ 500,000	\$ 210,053	\$ 710,053
Contributions/Transfers In	-	77,350	77,350
Investment Return	32,200	24,536	56,736
Appropriation Available for Expenditure	<u>(32,200)</u>	<u>-</u>	<u>(32,200)</u>
Endowment Net Assets, End of Year	<u>\$ 500,000</u>	<u>\$ 311,939</u>	<u>\$ 811,939</u>

NOTE 10 PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	2020	2019
Land	\$ 225,000	\$ 225,000
Building and Improvements	2,985,438	2,985,438
Leasehold Improvements	1,494,870	1,477,709
Furniture and Equipment	<u>627,543</u>	<u>591,525</u>
Total Property and Equipment	5,532,851	5,279,671
Less: Accumulated Depreciation	<u>(1,932,005)</u>	<u>(1,723,106)</u>
Net Property and Equipment	<u>\$ 3,400,846</u>	<u>\$ 3,556,565</u>

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE 11 CITY OF BOSTON FISCAL AGENCY AGREEMENT

In past years, the City of Boston provided non-interest bearing advances totaling \$369,030 for the working capital of other community councils. BCNC subsequently entered into a subcontract agreement with Community Management Assistance Corporation (CMAC) and the Citywide Board of Boston Centers for Youth and Families (Citywide Board) to oversee the fiscal management of the remaining funds on behalf of the City of Boston and established a repayment schedule of \$15,000 annually, until such time as the advance was paid in full. The last \$15,000 payment received by BCNC and remitted to the City of Boston was in 2014, leaving a remaining balance of \$84,030 due from CMAC to BCNC and owed by BCNC to the City of Boston. Since 2012, BCNC has tried to work with the Citywide Board and CMAC to assign all liabilities associated with the City of Boston advances to either the Citywide Board or CMAC. However, the City of Boston has been unable to acknowledge the existence of this agreement and has not pursued repayment from BCNC in many years. Therefore, based on these circumstances, BCNC has taken the position in fiscal year 2020 that any remaining liability has effectively been assigned to either CMAC or the Citywide Board or has been forgiven, and accordingly, BCNC has eliminated the \$84,030 receivable from CMAC/Citywide Board and the related liability to the City of Boston.

NOTE 12 LONG TERM DEBT

In an effort to mitigate the uncertainty of the COVID-19 pandemic, BCNC received a loan in the amount of \$769,000 under the Paycheck Protection Program (PPP) on April 23, 2020. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. It is anticipated that the loan proceeds of the Payroll Protection Program will be primarily used for payroll expenses and that the loan will qualify for forgiveness under the CARES Act. In the event that some portion of this loan does not qualify for forgiveness, monthly payments of principal and interest at 1% will commence on November 23, 2020 through April 23, 2022. Maturities of long-term debt for the years ending June 30 are as follow:

2021	\$340,355
2022	428,645

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE 13 SERVICE FEE ADVANCES

Service fee advances consist of payments received for tuition in advance of the service dates, as well as advanced funding under contracts. As of June 30, 2020 and 2019, service fee advances totaled \$1,594 and \$39,122, respectively.

NOTE 14 NET ASSETS WITH DONOR RESTRICTION

Net assets with restrictions are available for the following purposes as of June 30:

	2020	2019
Endowment Funds	\$ 311,939	\$ 210,053
Capital Campaign Initiatives (See Note 21)	935,013	945,013
Pao Arts and Cultural Center	361,876	735,829
Child Care Program	111,380	126,380
Youth Program	189,524	105,450
General Operating	362,000	255,000
Adult Education Program	156,250	142,500
Family Services	<u>234,385</u>	<u>292,635</u>
Total Net Assets with Donor Restriction	<u>\$ 2,662,367</u>	<u>\$2,812,860</u>

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

	2020	2019
Family Services Endowment Fund	\$ 20,000	\$ 20,000
Felix Lai Endowment Fund	27,350	-
Victor and Maisee Lee Endowment Fund	50,000	-
Chin Tunn Fon Endowment Fund	90,053	90,053
Fung Family Endowment Fund	<u>100,000</u>	<u>100,000</u>
Total Endowment Funds	<u>\$ 287,403</u>	<u>\$ 210,053</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 BCNC's spending policy (See Note 9).

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE 15 CITY AND STATE CONTRACTS

For fiscal years ended 2020 and 2019, 42% and 31%, respectively, of BCNC's total support and revenue was derived from contracts with the City of Boston and the Commonwealth of Massachusetts. These contracts are subject to annual appropriations by each of the jurisdictions. Contracts are recognized as revenue upon performance of services and are normally expended as received. BCNC provides services under a variety of third-party agreements, many of which provide for current payment on a provisional basis, subject to cost reports and audits by the respective contracting parties.

NOTE 16 RETIREMENT SAVINGS PLAN

BCNC offers all eligible employees the opportunity to participate in its 403(b) Plan. The Plan allows employees to defer a portion of their compensation on a pre-tax basis for retirement. BCNC incurred no costs associated with the plan during the fiscal years ended June 30, 2020 and 2019.

NOTE 17 OPERATING LEASES

BCNC leases office equipment under an operating lease which will expire in June 2022. Equipment rental and maintenance fees under these leases totaled \$17,078 and \$16,490 for the years ended June 30, 2020 and 2019, respectively.

In August 2018, BCNC signed a six year lease commitment for classroom space in Quincy, MA. Rent expense under these leases for the years ended June 30, 2020 and 2019 was \$103,700 and \$85,520, respectively.

In August 2016, BCNC 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 years ended June 30, 2020 and 2019 was \$121,479 and \$113,571, respectively.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE 17 OPERATING LEASES (Continued)

BCNC sublets classroom space within the Arts and Cultural Center to Bunker Hill Community College. Rent is charged in quarterly installments equivalent to BCNC's costs for rent expense and other operating costs under the agreement. The sublease agreement shall be in effect through July 31, 2021 with an option to extend for two years at the expiration of the initial term. BCNC recognized rental income of \$128,302 and \$139,250, respectively under the sublease agreement for the year ended June 30, 2020 and 2019. Future minimum rental income under the agreement will approximate \$66,250 annually with a 3% auto escalation each year thereafter, plus operating costs.

Future minimum lease commitments under all leases are as follows for the years ending June 30:

2021	\$ 192,265
2022	198,304
2023	193,775
2024	125,952
2025	60,749

NOTE 18 LINE OF CREDIT

BCNC has a \$500,000 revolving line of credit with East Boston Savings Bank. The line of credit is charged 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 BCNC'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.

NOTE 19 CONCENTRATIONS OF BUSINESS AND CREDIT RISK

BCNC maintains its cash balances in various financial institutions in Boston, Massachusetts. The amount insured by the Federal Deposit Insurance Corporation is \$250,000 per bank. At June 30, 2020 and 2019, the uninsured cash balances totaled \$1,940,003 and \$720,984, respectively.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE 19 CONCENTRATIONS OF BUSINESS AND CREDIT RISK (Continued)

BCNC has significant investments in mutual funds and is therefore subject to concentrations of credit risk. Investments are monitored by the Board's Finance Committee. Though the market value of investments is subject to significant fluctuations on an annual basis, management believes the investment policy is prudent for the long-term welfare of BCNC.

BCNC receives funding from a diverse group of foundations, individuals, and contracts. However, BCNC's 50th Anniversary Gala generated approximately 10% of total support and revenue for fiscal year 2019.

NOTE 20 CAPITAL CAMPAIGN

During the year ended June 30, 2016, BCNC embarked on a capital campaign, "Build a Better Life", to raise funds for the following initiatives:

- To meet evolving community needs through the lease and build out of the Pao Arts Center facility, an arts and cultural center aimed at preserving and strengthening Chinatown's cultural vitality; and expansion of other services.
- To enhance innovative services 1) by strengthening BCNC's family-centered approach through increasing case management capacity for vulnerable families in crisis, 2) by enhancing BCNC's workforce initiatives, and 3) by investing in technology and operations.
- To build sustainability through a reserve and endowment fund to strengthen BCNC's financial health and ensure continual, high quality programs and services.

As of June 30, 2020, BCNC has raised \$3,643,871 in connection with the campaign, which has driven the large increase in net assets over a four year period in fiscal years 2016 - 2019. Approximately \$1.3 million of the \$3.4 million capital campaign funds were paid directly for the buildout of the Pao Arts Center. The leasehold improvements of \$1.3 million are being amortized over the life of the lease of 20 years. In addition, BCNC has invested approximately, \$1.1 million in programming and other operating costs. As of June 30, 2020, approximately \$935,000 remains restricted for future initiatives of the capital campaign.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

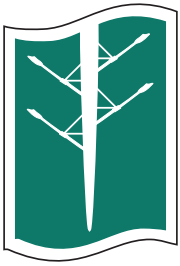
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(Continued)

NOTE 21 SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary cancellation of group gatherings and travel. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of cancelled programs. As such, it is possible that this matter could have a negative impact on fiscal year 2021 financial performance. However, the related financial impact and duration cannot be reasonably estimated at this time.



Murphy,
Edwards,
Goncalves
&
Ferrera, PC

*Certified Public Accountants
and Business Advisors*

**INDEPENDENT AUDITORS' 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. ("BCNC", a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 3, 2020.

Internal Control Over Financial Reporting

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

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

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

**INDEPENDENT AUDITORS' 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***

(Continued)

Compliance and Other Matters

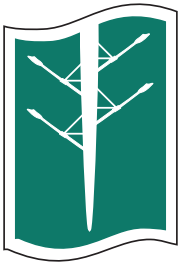
As part of obtaining reasonable assurance about whether BCNC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

Murphy, Edwards, Gonçalves & Ferreira, PC

Southborough, Massachusetts
November 3, 2020



Murphy,
Edwards,
Goncalves
&
Ferrera, PC

*Certified Public Accountants
and Business Advisors*

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR 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 Each Major Federal Program

We have audited Boston Chinatown Neighborhood Center, Inc.'s ("BCNC"), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on BCNC's major federal programs for the year ended June 30, 2020. BCNC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

(Continued)

Opinion on Each Major Federal Program

In our opinion, BCNC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

(Continued)

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.

Murphy, Edwards, Moncalves & Ferreira, PC

Southborough, Massachusetts

November 3, 2020

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE PROGRAMS			
Child Nutrition Cluster:			
National School Lunch Program			
Pass-through Program:			
Massachusetts Department of Education - Child and Adult Care Food Program	10.555	13-035-CF-230	\$ 54,487
	10.558	13-035-CF-230	<u>3,464</u>
Total Child Nutrition Cluster			<u>57,951</u>
Total Department of Agriculture Programs			<u>57,951</u>
U.S. DEPARTMENT OF EDUCATION PROGRAMS			
Adult Education – Basic Grants to States			
Pass-through Program:			
Massachusetts Department of Elementary & Secondary Education - Adult ESL Program	84.002	340	<u>81,276</u>
Total Department of Education Programs			<u>81,276</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAMS			
Head Start Cluster:			
Head Start			
Pass-through Program:			
Action for Boston Community Development, Inc. Early Head Start - Child Care Partnership	93.600	18-8975	<u>54,667</u>
Total Head Start Cluster			<u>54,667</u>
477 Cluster:			
Temporary Assistance for Needy Families			
Pass-through Program:			
Massachusetts Department of Early Education and Care - Child Care Program	93.558	600010BOSTONCHIN06IE 2020FLEXPOOL	<u>484,187</u>
Total 477 Cluster			<u>484,187</u>
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund			
Pass-through Program:			
Massachusetts Department of Early Education and Care - Child Care Program	93.596	600010BOSTONCHIN06IE 2020FLEXPOOL	45,738

See Accompanying Notes to Schedule of Expenditures of Federal Awards

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Child Care and Development Block Grant			
Pass-through Program:			
Massachusetts Department of Early Education and Care - Voucher Child Care Program	93.575	600010BOSTONCHIN06IE 2020FLEXPOOL	<u>33,776</u>
Total CCDF Cluster			<u>79,514</u>
Total Department of Health and Human Services Programs			<u>618,368</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROGRAMS			
CDBG – Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants			
Pass-through Program:			
City of Boston, EDIC - ESOL for Customer Service	14.218	DNDC16001	<u>69,605</u>
Total CDBG – Entitlement Grants Cluster			<u>69,605</u>
Total Department of Housing and Urban Development Programs			<u>69,605</u>
Total Expenditures of Federal Awards			<u>\$ 827,200</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2020

Section I – Summary of Auditors’ Results

Financial Statements

- | | |
|--|---------------|
| 1) Type of auditors’ report issued | Unmodified |
| 2) Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiency identified? | None Reported |
| 3) Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1) Internal control over major programs: | |
| a. Material weakness identified? | No |
| b. Significant deficiency identified? | None Reported |
| 2) Type of auditors’ report issued on compliance for major federal programs: | Unmodified |
| 3) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |

- 4) Identification of major federal programs:

CFDA Number

Name of Federal Program or Cluster

93.558

477 Cluster
Temporary Assistance for
Needy Families

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2020

(Continued)

Section I – Summary of Auditors’ Results

4) Identification of major federal programs: (continued)

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.575 & 93.596	CCDF Cluster Child Care Mandatory and Matching Funds of the Child Care and Development Fund & Child Care and Development Block Grants
5) Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
6) Auditee qualified as a low-risk auditee?	Yes

Section II

Financial Statement Findings

None Noted

Section III

Federal Award Findings and Questioned Costs

None Noted

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

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. (BCNC) under programs of the federal government for the year ended June 30, 2020. 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 BCNC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of BCNC.

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.

Pass-through entity identifying numbers are presented where available.

NOTE 3 INDIRECT COST RATE

BCNC has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.