

CHILDREN OF PROMISE, NYC

**Financial Statements
And
Independent Auditor's Report
Years Ended June 30, 2020**

Children of Promise, NYC

June 30, 2020

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Independent Auditor's Report

To
Board of Directors
Children of Promise, NYC
54 Macdonough Street
Brooklyn, NY 11216

Report on the Financial Statements

We have audited the accompanying financial statements of **Children of Promise, NYC**, (*"a non-profit 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Children of Promise, NYC** 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.

A handwritten signature in black ink that reads "Ravi Ramaswamy". The signature is written in a cursive style with a prominent initial "R" and a long, sweeping underline.

Ravi Ramaswamy, CPA
Monmouth Junction, New Jersey
March 05, 2021

Children of Promise, NYC

June 30, 2020

Financial Statements

Children of Promise, NYC
Statements of Financial Position
June 30, 2020

ASSETS	2020
<u>Current Assets:</u>	
Cash & cash equivalents (Note 3)	\$ 565,062
Grants Receivable (Note 6)	600,191
Other Current Assets	60,814
Total Current Assets	1,226,067
<u>Property, Plant & Equipment (Note 2 & 4)</u>	
Furniture and equipment	1,584,086
Leasehold Improvements	667,161
Vehicles	74,969
	2,326,216
Less: accumulated depreciation	(521,885)
Property, Plant & Equipment	1,804,331
<u>Other Assets</u>	
Security Deposit	55,000
TOTAL ASSETS	\$ 3,085,398
LIABILITIES AND NET ASSETS	
<u>Current Liabilities:</u>	
Accounts payable & accrued expenses	\$ 103,827
Credit Card Liabilities	25,796
Accrued Payroll and Taxes (Note 7)	39,449
PPP Loan (Note 9)	250,417
Deferred Revenue	85,000
Deferred Rent (Note 11)	211,395
Lease Payable (Note 12)	264,714
Total Current Liabilities	980,598
<u>Long term Liabilities:</u>	
Lease Payable (Note 12)	912,949
NEF COVID- Loan (Note 10)	600,000
Total Long term Liabilities	1,512,949
Total Liabilities	\$ 2,493,547
<u>Net Assets (Note 1)</u>	
Net Assets without donor restrictions	591,851
Net Assets with donor restrictions	0
Total Net Assets	591,851
TOTAL LIABILITIES AND NET ASSETS	\$ 3,085,398

See accompanying notes to financial statements and independent auditor's report

Children of Promise, NYC
Statements of Activities and Net Assets
For the Years Ended June 30, 2020

	2020
<u>Revenues and Support</u>	
Without Donor Restrictions:	
Government grants and Contracts	\$ 2,090,003
Program Service Revenue	967,045
Contributions and Foundation Grants	965,195
Interest Income	88
Other Income	1,403
Total Revenues and Support	4,023,734
<u>Expenses:</u>	
Program Services:	
After School	2,218,539
Theapeutic Services	585,763
Project Dream	31,759
Summer Camp	609,924
Teen Life Program	51,017
Total Program Expenses	3,497,002
Management and general	229,926
Fundraising	192,221
Total Expenses	3,919,149
Increase/(Decrease) in net assets	
Without Donor Restrictions:	104,585
With Donor Restrictions:	-
Increase/(Decrease) in net assets	104,585
Net Assets, beginning of year	\$ 487,266
Net Assets - End of year	\$ 591,851

See accompanying notes to financial statements and independent auditor's report

**Children of Promise, NYC
Statements of Cash Flows
June 30, 2020**

	2020
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 104,585
Adjustment to reconcile change in net asset to net cash provided by operating activities:	
Depreciation and Amortization	203,729
Prior Period Adjustment	
Chang in Operating Assets and Liabilities:	
(Increase)/Decrease in other Asset	11,727
(Increase)/Decrease in Grant & other Accounts Receivables	(94,357)
Increase/(Decrease) in Accounts Payable & Credit card liabilities	(6,381)
Increase/(Decrease) in Accrued Payroll and Taxes	2,689
Increase/(Decrease) in Deferred Revenue	77,500
Increase/(Decrease) in Deferred Rent	85,149
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	384,641
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts (payments) for Furniture, fixture, Equip & Van	(789,623)
Receipts (payments) for Land and Building Improvements	(537,261)
NET CASH USED IN INVESTING ACTIVITIES	(1,326,884)
CASH FLOWS FROM FINANCING ACTIVITIES	
Receipts (Payments\) for Furniture Lease	631,073
Receipts (Payments\) for PPP Loan	250,417
Receipts (Payments\) for NEF Covid-19 Loan	600,000
NET CASH USED IN FINANCING ACTIVITIES	1,481,490
NET INCREASE (DECREASE) IN CASH	539,247
CASH AT BEGINNING OF YEAR	25,815
CASH AT END OF YEAR	\$ 565,062

Required Disclosures:

Cash paid for Interest during the year is \$18,178

Cash paid for Federal Income tax is Zero.

See accompanying notes to financial statements and independent auditor's report

Children of Promise, NYC
Statements of Functional Expenses
For the Years Ended June 30, 2020

	Program Expense					Supporting Services				Total Expenses
	After School	Therapeutic Services & Art Therapy	Summer Camp	Project DREAM	Teen Life Program	Total Program Expenses	Management and General	Fundraising		
Staff Salaries	\$ 821,921	\$ 302,954	\$ 316,228	\$ 15,765	\$ 27,911	\$ 1,484,779	\$ 46,565	\$ 110,207	\$ 1,641,551	
Payroll Taxes	\$ 56,681	\$ 18,729	\$ 23,259	\$ 1,160	\$ 2,053	\$ 101,882	\$ 8,277	\$ 11,252	\$ 121,411	
Employee Benefits	\$ 41,013	\$ 20,631	\$ 25,621	\$ 1,277	\$ 2,261	\$ 90,803	\$ 7,857	\$ 5,106	\$ 103,766	
Consultants & Contractors	\$ 259,407	\$ 87,861	\$ 39,289	\$ 952	\$ 1,370	\$ 388,879	\$ 30,130	\$ 44,425	\$ 463,434	
Professional fees	\$ 25,203	\$ 23,819	\$ 2,700	\$ -		\$ 51,722	\$ 2,437		\$ 54,159	
Depreciation & amortization	\$ 126,854	\$ 30,614	\$ 4,325			\$ 161,793	\$ 26,190		\$ 187,983	
Equipment leases & rentals	\$ 17,721	\$ 7,594	\$ -	\$ 841	\$ 592	\$ 26,748	\$ -		\$ 26,748	
Insurance	\$ 5,701	\$ 7,756	\$ 11,145	\$ 638	\$ 449	\$ 25,689	\$ 1,747	\$ 1,861	\$ 29,297	
Office supplies & expenses	\$ 15,518	\$ 8,054	\$ 2,486	\$ 2,256	\$ 1,013	\$ 29,327	\$ 2,376	\$ 3,584	\$ 35,287	
Postage, Printing & Copying	\$ 1,056	\$ 1,151	\$ -	\$ 52	\$ 37	\$ 2,296	\$ 604	\$ 1,057	\$ 3,957	
Computer Software & subscription	\$ 11,634	\$ 4,437	\$ 209	\$ 202	\$ 142	\$ 16,624	\$ 1,326	\$ 5,950	\$ 23,900	
Program Expenses- meals	\$ 66,473	\$ 634	\$ 39,443	\$ 685	\$ 159	\$ 107,394	\$ 3,370	\$ 2,157	\$ 112,921	
Program Expenses- trips	\$ 916	\$ -	\$ 40,826	\$ 1,290	\$ -	\$ 43,032	\$ -		\$ 43,032	
Expenses-activities &supplies	\$ 16,406	\$ 4,463	\$ 32,516	\$ 988	\$ 9,655	\$ 64,028	\$ -	\$ -	\$ 64,028	
Promotion & Staff development	\$ -	\$ -	\$ 1,190	\$ -		\$ 1,190	\$ 1,288	\$ 473	\$ 2,951	
Recruitment & development	\$ 24,492	\$ 853	\$ 1,196	\$ -	\$ 1,512	\$ 28,053	\$ -	\$ 1,040	\$ 29,093	
Rent & utilities	\$ 654,314	\$ 58,553	\$ 65,510	\$ 5,074	\$ 3,539	\$ 786,990	\$ 66,622	\$ 1,705	\$ 855,317	
Repairs & maintenance	\$ 43,869	\$ 4,145	\$ 2,886	\$ 579	\$ 323	\$ 51,802	\$ -	\$ 281	\$ 52,083	
Telephone	\$ 3,164	\$ -	\$ 268			\$ 3,432	\$ 1,486		\$ 4,918	
Travel & meetings	\$ 18,327	\$ 135	\$ 368	\$ -		\$ 18,830	\$ 8,696	\$ 380	\$ 27,906	
Other expenses	\$ 7,869	\$ 3,380	\$ 459			\$ 11,708	\$ 20,955	\$ 2,744	\$ 35,407	
Total Expenses	\$ 2,218,539	\$ 585,763	\$ 609,924	\$ 31,759	\$ 51,016	\$ 3,497,001	\$ 229,926	\$ 192,222	\$ 3,919,149	

See accompanying notes to financial statements and independent auditor's report

Children of Promise, NYC
Notes to Financial statements
June 30, 2020

1. Description of Organization

Children of Promise, NYC (Organization), a non-profit organization, was incorporated in the state of New York on May 30, 2006. The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded. The organization does not believe its financial statements contain any uncertain tax positions. The organization primarily receives its support from government contracts, program service revenue, and from contributions from foundation, corporations and individuals.

1. The Organization offers the Children of prisoners the opportunity to explore new educational opportunities, express themselves creatively and emotionally, build meaningful relationships and gain new experiences. To accomplish this goal the organization provides four programs. These programs include the following: After-School – developing the intellectual, social and emotional competencies of children of imprisoned parents and promoting healthy decision making and critical thinking skills by providing them with a safe place to learn and interact with other children in similar situations; Therapeutic Services – offering behavioral assessments and counselling to children of imprisoned parents and their family where they can safely explore their past traumas, recognize their present accomplishments and move forward towards future goals; Project DREAM (Directing Realities Through Exposure, Access & Monitoring) – providing children of imprisoned parents with one-to-one matches with screened and trained mentors, who participate in trips and activities which help to break the cycle of intergenerational incarceration; and Summer Camp – providing educational, cultural and art-based programming and recreational activities in a day camp provided during the summer months to decrease the summer learning loss experienced by many children. Teen L.I.F.E Program- Teen L.I.F.E. Program, a comprehensive career and college readiness program for children of prisoners, ages 13-18. CPNYC's L.I.F.E. Teen curriculum emphasizes four core areas; Academic Support & Planning: Students receive an educational assessment, from the CPNYC Educational Advisor, to determine their academic needs, develop a high school graduation plan, strategize Regents Examination preparedness and explore post-secondary educational interests. Students are provided with homework help and individualized tutoring, as well as opportunities to attend local and regional college trips. Life Skills Development: The L.I.F.E. Program has an enhanced emphasis on life skills acquisition, since children of incarcerated parents are particularly at risk of disconnecting from school, family and community due to the fragmented nature of their families and the emotional traumas they have experienced. Professional Development: Students learn to identify vocational and creative interests in professions that aligned with their personal interests and passions. One-to-One Mentoring: Students receive formal, one-to-one mentoring through the agency's mentoring program, Project D.R.E.A.M. Students are matched with trained adult mentors who work in a field or career of interest to the mentee. Young people gain exposure to the world of work through job shadowing experiences with their mentors, skills development workshops and internship opportunities within CPNYC.

Children of Promise, NYC
Notes to Financial statements
June 30, 2020

2. Significant Accounting Policies

a) Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

Effective January 1, 2018, the Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. A footnote on liquidity has also been added (Note 5). Amounts previously reported as investment expense on the statement of functional expenses are now included in investment return on the statement of activities.

Implementation of ASU 2016-14 did not require any reclassification or restatement of opening balances related to the periods presented.

b) Basis of Presentation

The Organization reports information regarding their financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represent those resources for which there are no restrictions by donors as to their use.
- *Net Assets with Donor Restrictions* – represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor. The Organization did not have any net assets with donor restrictions at June 30, 2020.

c) Revenue recognition

The Organization records program fees receivables and revenue when earned based on the established third-party reimbursement rates for services provided.

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

Children of Promise, NYC
Notes to Financial statements
June 30, 2020

Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques. Conditional contributions are recognized as income when the conditions have been substantially met.

Management assesses the collectability of all outstanding receivables based upon historical trends and experience with donors. Based on that review, management has concluded that all receivables are collectible. As such, no allowance for uncollectible accounts was deemed necessary.

d) Grant Receivable

Grant receivables are primarily unsecured non-interest-bearing amounts due from grantors on cost reimbursement or performance grant basis. Grant receivable that are expected to be collected within one year are recorded after the service is rendered or when cost is incurred. Management believes that all outstanding grants receivables are collectible in full.

e) Cash Equivalent

The organization considers cash equivalent as highly liquid, short term, interest bearing, investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase. Excluded from this definition of cash equivalent are such amounts that represent funds that have been designed by the board for investment or endowment fund.

f) Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist of cash and grants receivable. At times, and at year end, balances may exceed federally insured limits. A significant portion of the funds is not insured by the FDIC or related entity; however, the Organization has not experienced any losses from these accounts. The organizations grant receivables consist primarily of amounts due from grantors. The company believes no significant concentration of credit risk exists with respect to its cash and grants receivables. Organization significantly depends on the NYC Department of Youth and Community Development's DYCD Contracts for its revenue. This state program accounts for 37% of total awarded money. It is always considered possible that grantors and contractors might be lost in the near term or that contracts will not be renewed. In the event funding is terminated or significantly reduced, the Organization's ability to continue providing its programs at the same level would be greatly diminished.

g) Investments

Investments are recorded at fair value, which is defined as the price that would be received when selling an asset in an orderly transaction between market participants at the measurement date. Unrealized gains and losses are included in the statement of activities.

h) Property, Plant and Equipment

Property, Plant and Equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of gift, if donated, less accumulated depreciation. All land and buildings are capitalized. Equipment is capitalized if cost is material and useful life is more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Children of Promise, NYC
Notes to Financial statements
June 30, 2020

Leasehold Improvements	10 years
Furniture and Equipment	5-10 years
Computer and Software	5 years
Vehicle	5 years

At the time property, Plant and Equipment are retired or otherwise disposed of, the cost and related accumulated depreciation are adjusted and any gains or loss on disposal is included in the statement of changes in net assets. Additionally, the organization periodically reviews the carrying value of property. Plant and equipment and will recognize impairments when the expected future operating cash flow derived from such asset is less than their carrying value.

i) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

j) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocations are determined by management on an equitable basis.

The following expenses were allocated using time and effort as the basis:

- Salaries
- Payroll taxes and benefits

The following expenses were allocated using the Organization's square footage:

- Office expense
- Office equipment
- Repairs and maintenance
- IT and communication
- Insurance
- Depreciation
- Utilities

All other expenses have been charged directly to the applicable program or supporting services.

Children of Promise, NYC
Notes to Financial statements
June 30, 2020

k) Tax Status

The organization is a non-profit corporation incorporated in the state of new Jersey and exempt from federal income taxation under section 501(C)(3) of the Internal Revenue Code (IRC), through it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). The tax years ending 2018, 2017 and 2016 are still open to audit for both federal and state purposes. Contributions to the organization are tax deductibles to donors under Section 170 of the IRC. The organization is not classified as a private foundation under section 59 (a)(2) and is exempt from New Jersey income and franchise tax.

l) Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2017 and later are subject to examination by applicable taxing authorities.

m) Leases

The Company has adopted FASB ASU No. 2016-02, Leases, FASB ASU No. 2016-02 affects both finance leases and operating leases.

For finance leases, a lessee is required to recognize a right-of-use asset and a lease liability in the balance sheet. For operating leases, a lessee is required to recognize a right-of-use asset and a lease liability in the balance sheet.

n) New Pronouncements

On June 21, 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the June 30, 2020 year, provides guidance on whether a receipt from a third-party resource provider should be accounted for as a contribution (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions.

In addition, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the June 30, 2020 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

Lastly, FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2021 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

The Organization is in the process of evaluating the impact these standards will have on future financial statements.

o) Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation

Children of Promise, NYC
Notes to Financial statements
June 30, 2020

3. Cash and Cash Equivalents

Cash and Cash equivalents consisted of the following as of June 30, 2020.

Checking and Saving	\$35,350
Money Market Funds	\$500,559
UnDeposited funds	<u>\$29,153</u>
Total Cash and Cash Equivalents	<u>\$565,062</u>

4. Fixed Assets

The following is fixed assets consist, including assets under finance leases (Note10), at cost, less accumulated depreciation:

	<u>2020</u>
Leasehold Improvements	\$ 1,584,086
Furniture and equipment	667,161
Van	<u>74,969</u>
	\$2,326,216
Less: Accumulated Depreciation	<u>(573,007)</u>
Total Fixed Assets, net	<u>\$1,753,209</u>

Depreciation expense charged to operations was \$203,729 for the year ended June 30, 2020. Depreciation expense includes amortization expense for finance lease of \$152,904.

5. Availability and Liquidity

The Organization maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management plan, the Organization relies on earned income and investment income to fund its operations and program activities.

Financial assets at year end	
Cash and cash equivalents	\$ 535,909
Accounts Receivable	629,345
Prepaid Expenses	<u>60,536</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,225,790</u>

As of June 30, 2020, there are no internal or external limits imposed on the Organization's financial assets.

6. Grant Receivable

The Company has grants receivable from various state and Counties \$600,191 as of June 30, 2020.

Children of Promise, NYC
Notes to Financial statements
June 30, 2020

7. Accrued Payroll and Related Taxes

Accrued payroll and related payroll tax amounted to \$39,449 as of June 30, 2020.

The balance for vacation payable was not accrued. Children of Promise, NYC's management does not consider it to be material amount, as most employees take their vacation by fiscal year end.

8. Subsequent Event

Management evaluated potential subsequent events to the statement of financial position date of June 30, 2020 through the date that the financial statements were available to be issued March 05,2021. The Management has determined there are no subsequent events that require recognition or disclosure in these financial statements.

9. PPP Loan

PPP Loan consists of government grants administered by the Small Business Administration (SBA). The organization was approved for a Paycheck Protection Program loan of \$250,000 on May 1, 2020, through the Coronavirus Aid, Relief, and Economic Security Act and administered by the SBA. The loan accrues interest at 1.00 per annum and matures two years from the date it was funded. This loan may be forgiven up to the full amount if requirements set by the Small Business Administration are met. Additionally, the organization received an Economic Injury Disaster Loan (EDIL) in the amount of \$10,000. This loan is an advance grant and will be recognized as revenue upon expanding these funds.

10. NEF Loan

The company has entered into an agreement with Nonprofit Finance Fund (NEF) on April 10, 2020 to secure working capital loan to support its operations due to COVID-19 pandemic for a sum of \$600,000 for at 0% interest rate payable in 4 equal quarterly payments commencing 27 months prior to closing until 36 months till maturity date i.e. April 08, 2023. The loan payable is as follows.

Year Ending June 30:	
2021	\$0
2022	\$0
2023	\$600,000

Children of Promise, NYC
Notes to Financial statements
June 30, 2020

11. Commitments

a. Office Lease: The terms of the agreement provide for an escalation clause that adjusts annual base rentals. GAAP requires scheduled rent increases resulting from the escalation of base rentals be recorded as liability and amortized ratably so as to record rent expense on a straight-line basis over the term of the office lease agreement.

i) In September 2013, the Organization entered into a lease for office and program space in Brooklyn. Rent payments commenced in April 2014. The lease is an operating lease and is to end on December 31, 2023. As of June 30, 2020, the minimum aggregate annual rentals are as follows:

Year Ending June 30:	
2021	\$227,268
2022	\$236,361
2023	\$245,811
2024	\$124,098

Total rent and related expenses charged to operations for the year ended June 30, 2020 was \$237,292 that includes deferred rent of \$21,292.

ii) In March 2019, the Organization entered into a lease for office and program space in Bronx. Rent payments commenced in June 2019. The lease is an operating lease and is to end on May 31, 2029. As of June 30, 2020, the minimum aggregate annual rentals are as follows:

Year Ending June 30:	
2021	\$568,520
2022	\$582,732
2023	\$597,301
2024	\$612,233
2025	\$627,539
2026	\$643,228
2027	\$659,308
2028	\$618,187

Total rent and related expenses charged to operations for the year ended June 30, 2020 was \$590,358 that includes deferred rent of \$63,858.

Deferred Rent: The liability of deferred rent consisted of the following components as at June 30, 2020 is \$211,395.

b. Vehicle Lease: The Company entered into operating lease on October 24, 2018 with a vehicle leasing company for delivery of auto vehicle. The lease calls for 38 monthly payment of \$478 per month for 38 months, at which truck is returned to lessor.

Children of Promise, NYC
Notes to Financial statements
June 30, 2020

The future minimum rental payments required as of June 30, 2020 by year and aggregate are:

Year ending June 30:

2021	\$	3,332
2022		1,666
	\$	<u>4,998</u>

The lease expense charged to operations for the year ended June 30, 2020 is \$3,332.

12. Finance Leases

As of June 30, 2020, the gross amount of assets under finance leases and accumulated amortization are:

	2020
Furniture & Equipment- asset under finance lease	\$ 1,399,454
less: accumulated amortization (depreciation)	(227,944)
Net carrying value of assets under finance lease	<u>\$ 1,171,510</u>

As outlined in Note 4, assets under finance leases are included in balance sheet as components of Furniture and Equipment.

Total future minimum lease payments as of June 30, 2020 by year end and in aggregate are:

Year Ended June 30:

2021	\$	264,714	
2022		253,317	
2023		267,435	
2024		282,012	
2025		110,185	
Total	\$	<u>1,177,663</u>	

13. Government Grants and Contracts

The Organization derives revenue from agreements with multiple federal, state and city agencies. Details of current agreements and their activities as of June 30, 2020 are as follows:

Agency	Award		2020
NYC DYCD	\$ 11,456,475	\$	1,142,612
NYS OCFS	3,092,500		145,235
NYS CACFP	106,880		106,880
NYS OCS	495,000		495,000
NYS SED	25,000		25,000
Total	<u>\$ 15,175,855</u>	<u>\$</u>	<u>1,914,727</u>

Children of Promise, NYC
Notes to Financial statements
June 30, 2020

14. COVID 19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses including religious organizations. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the association operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and business affected by the coronavirus pandemic.