

Audited Financial Statements

Westchester Children's Association, Inc.

December 31, 2020 and 2019

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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MAIER
MARKEY &
JUSTIC LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Westchester Children's Association, Inc.

We have audited the accompanying financial statements of Westchester Children's Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 Westchester Children's Association, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Main Mantey + Justice LLP

White Plains, New York
April 6, 2021

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 723,612	\$ 232,905
Cash and cash equivalents - endowment	614,710	81,801
Grants receivable	97,000	100,000
Pledges receivable	3,000	14,000
Contributions receivable	1,250	-
Consulting income receivable	-	500
Prepaid expenses	5,382	23,146
Total current assets	<u>1,444,954</u>	<u>452,352</u>
Investments	1,151,430	2,230,866
Grants receivable, net of present value discount	51,118	90,730
Security deposits	9,618	9,618
Property, plant and equipment, net of accumulated depreciation of \$72,347 and \$71,141	<u>1,055</u>	<u>2,261</u>
Total assets	<u>\$ 2,658,175</u>	<u>\$ 2,785,827</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 21,287	\$ 18,079
Deferred revenue	7,500	7,000
Investment derivative liabilities - call options written	12,510	91,255
PPP loan payable	96,031	-
Total current liabilities	<u>137,328</u>	<u>116,334</u>
PPP loan payable - non-current	32,469	-
EIDL loan payable - non-current	150,000	-
Total liabilities	<u>319,797</u>	<u>116,334</u>
 <u>NET ASSETS</u>		
Without donor restrictions		
Undesignated	34,511	242,851
Board-designated	399,119	467,782
Total without donor restrictions	<u>433,630</u>	<u>710,633</u>
With donor restrictions		
Restricted by purpose or time	151,118	205,230
Restricted in perpetuity	<u>1,753,630</u>	<u>1,753,630</u>
Total with donor restrictions	<u>1,904,748</u>	<u>1,958,860</u>
Total net assets	<u>2,338,378</u>	<u>2,669,493</u>
Total liabilities and net assets	<u>\$ 2,658,175</u>	<u>\$ 2,785,827</u>

See accompanying notes.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<u>SUPPORT AND REVENUE</u>			
Contributions	\$ 192,227	\$ -	\$ 192,227
Grant income	61,460	102,000	163,460
Special events, net	98,203	-	98,203
Income (loss) from investments, net	(72,721)	-	(72,721)
Other miscellaneous income	7,389	-	7,389
Net assets released from restriction	156,112	(156,112)	-
Total support and revenue	442,670	(54,112)	388,558
<u>EXPENSES</u>			
Program services	513,777	-	513,777
Management and general	80,700	-	80,700
Fundraising	125,196	-	125,196
Total expenses	719,673	-	719,673
 CHANGE IN NET ASSETS	 (277,003)	 (54,112)	 (331,115)
 NET ASSETS AT BEGINNING OF YEAR	 <u>710,633</u>	 <u>1,958,860</u>	 <u>2,669,493</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 433,630</u>	 <u>\$ 1,904,748</u>	 <u>\$ 2,338,378</u>

See accompanying notes.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<u>SUPPORT AND REVENUE</u>			
Contributions	\$ 168,177	\$ 500	\$ 168,677
Grant income	42,300	150,000	192,300
Special events, net	199,547	-	199,547
Income (loss) from investments, net	230,184	-	230,184
Other miscellaneous income	5,748	-	5,748
Net assets released from restriction	230,433	(230,433)	-
Total support and revenue	876,389	(79,933)	796,456
<u>EXPENSES</u>			
Program services	652,683	-	652,683
Management and general	98,248	-	98,248
Fundraising	134,448	-	134,448
Total expenses	885,379	-	885,379
 CHANGE IN NET ASSETS	 (8,990)	 (79,933)	 (88,923)
 NET ASSETS AT BEGINNING OF YEAR	 <u>719,623</u>	 <u>2,038,793</u>	 <u>2,758,416</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 710,633</u>	 <u>\$ 1,958,860</u>	 <u>\$ 2,669,493</u>

See accompanying notes.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program services	Management and general	Fundraising	Total
Salaries, benefits & taxes	\$ 388,468	\$ 58,902	\$ 97,975	\$ 545,345
Rent	43,867	7,311	7,311	58,489
Program activities	-	-	-	-
Credit card and bank charges	3,738	328	305	4,371
Professional fees	34,026	7,188	10,352	51,566
Telephone and internet	1,234	611	3,039	4,884
Travel and meals	662	42	340	1,044
Office expenses	1,516	200	193	1,909
Postage and shipping	1,184	138	154	1,476
Printing and publications	7,787	948	989	9,724
Miscellaneous	(1,725)	633	84	(1,008)
Technology, software and support	18,023	2,810	2,810	23,643
Conferences, seminars and dues	3,612	-	250	3,862
Depreciation	1,206	-	-	1,206
Equipment and maintenance	5,611	935	935	7,481
Advertising	1,364	114	(81)	1,397
Insurance	3,204	540	540	4,284
Total expenses	\$ 513,777	\$ 80,700	\$ 125,196	\$ 719,673

See accompanying notes.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program services	Management and general	Fundraising	Total
Salaries, benefits & taxes	\$ 518,271	\$ 69,911	\$ 102,889	\$ 691,071
Rent	44,835	7,472	7,473	59,780
Program activities	5,706	-	478	6,184
Credit card and bank charges	2,390	462	453	3,305
Professional fees	30,391	12,865	12,299	55,555
Telephone and internet	1,845	665	2,531	5,041
Travel and meals	3,819	365	1,864	6,048
Office expenses	2,716	465	516	3,697
Postage and shipping	2,140	375	331	2,846
Printing and publications	9,466	967	1,134	11,567
Miscellaneous	40	-	-	40
Technology, software and support	16,516	3,288	2,573	22,377
Conferences, seminars and dues	3,567	-	494	4,061
Depreciation	2,003	-	-	2,003
Equipment and maintenance	5,613	905	905	7,423
Advertising	250	-	-	250
Insurance	3,115	508	508	4,131
Total expenses	<u>\$ 652,683</u>	<u>\$ 98,248</u>	<u>\$ 134,448</u>	<u>\$ 885,379</u>

See accompanying notes.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (331,115)	\$ (88,923)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	1,206	2,003
Change in unrealized (gain)/loss on investments	270,555	(329,609)
(Increase) decrease in:		
Grants receivable	42,612	(2,923)
Pledges receivable	11,000	83,356
Contributions receivable	(1,250)	10,389
Consulting income receivable	500	(500)
Prepaid expenses	17,764	(1,167)
Increase (decrease) in:		
Accounts payable and accrued expenses	3,208	(7,539)
Deferred revenue	500	(5,500)
Investment derivative liabilities - options	(78,745)	31,671
Net cash provided/(used) by operating activities	<u>(63,765)</u>	<u>(308,742)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,605,232)	(694,555)
Proceeds from sale of investments	<u>2,414,113</u>	<u>941,956</u>
Net cash provided/(used) by investing activities	<u>808,881</u>	<u>247,401</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from PPP loan payable	128,500	-
Proceeds from EIDL loan payable	<u>150,000</u>	<u>-</u>
Net cash used in financing activities	<u>278,500</u>	<u>-</u>
 Net increase(decrease) in cash and cash equivalents	 1,023,616	 (61,341)
Cash and cash equivalents at beginning of year	<u>314,706</u>	<u>376,047</u>
Cash and cash equivalents at end of year	<u>\$ 1,338,322</u>	<u>\$ 314,706</u>

See accompanying notes.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 1 – Nature of organization

Westchester Children's Association, Inc. ("the Organization") was established to improve the lives of Westchester's children by keeping their well-being at the top of the public agenda. The Organization does this by identifying and promoting the needs of children and youth and advocating for public policies, investments and programs that meet those needs.

The Organization's strategies include the collection and analysis of public data, research and study of current issues, public education and training, community mobilization, coalition building and direct advocacy. In 2020 and 2019 this included early childhood support, youth justice, youth development, supportive school environments and homeless children and youth.

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization receives contributions from individuals, corporations, foundations, other organizations and trusts.

Note 2 - Summary of significant accounting policies

Basis of accounting

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

Basis of presentation

The Organization records contributions for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets (which are the Organization's cumulative change in net assets) and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets available for operating expenses.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met with the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the original principal amount of the contributions are maintained in perpetuity and cannot be used for operations.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the contribution was restricted has been fulfilled, or both.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 2 – Summary of significant accounting policies (continued)

Use of estimates

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

Pledges and contributions

The Organization records unconditional promises to give (pledges) as receivables and contributions within the appropriate net asset category based on the existence or absence of donor-imposed restrictions.

Functional allocation of expenses

The costs of program, supporting services and fundraising have been summarized on a functional basis in the statements of activities. Expenses are charged to program services, management and general and fundraising based on specific identification and allocations by management.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$1,397 and \$250 for the years ended December 31, 2020 and 2019, respectively.

Cash equivalents

Cash equivalents consist of highly liquid investments with original maturities of 90 days or less.

Allowance for doubtful accounts

As of December 31, 2020 and 2019, the Organization deems all grants, pledges and contributions receivable to be collectible and accordingly, does not have an allowance for doubtful accounts. Such estimate is based on management's experience, the aging of receivables, subsequent receipts and current economic conditions.

Grants receivable

Grants that are expected to be collected within one year are recorded at their net realizable value. Grants that are expected to be collected in future years are recorded at the present value of the amount expected to be collected.

Property and equipment

Property and equipment are recorded at cost. Contributions of property and equipment are recorded at fair value at the date of donation. Depreciation is calculated using the double declining balance method over the estimated useful life of each asset.

Expenditures for maintenance and repairs are charged to expense, and renewals and betterments are capitalized. Upon sale or retirement, the cost of the asset and the related accumulated depreciation are removed from the accounts, and the remaining gain or loss is included in the results of operations.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 2 – Summary of significant accounting policies (continued)

Concentration of credit risk

The Organization's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents, investments and receivables. The Organization places its cash and cash equivalents with what it believes to be quality financial institutions. At times, during the year, cash balances exceeded the FDIC insurance limit. However, the Organization has not experienced any losses on these accounts to date. The Organization's investments are subject to certain risks including interest rate, market volatility, liquidity and credit risk. Due to the uncertainty related to the aforementioned risks, it is reasonably possible that changes in these risks could materially affect the fair value of the Organization's investments reported in the accompanying statements of financial position at December 31, 2020 and 2019. The Organization monitors the collectability of its receivables. As a consequence, the Organization believes no significant concentrations of credit risk exist with respect to its cash, cash equivalents, investments or receivables.

Investments

Investments are reported at fair market value and are based primarily on quoted market prices or estimated fair value.

Investment derivatives - options

The Organization is subject to equity price risk in the normal course of pursuing its investment objectives. The Organization may enter into options for use as an economic hedge against certain equity positions held in the Organization's portfolio holdings. Option contracts purchased give the Organization the right, but not the obligation, to buy or sell within a limited time, a financial instrument at a contracted price that may also be settled in cash, based on differentials between specified indices or prices.

Options written (meaning sold) give the Organization the obligation to buy or sell within a limited time, a financial instrument at a contracted price that may also be settled in cash, based on differentials between specified indices or prices. The Organization's investment advisor currently utilizes a covered call option trading strategy which results in written options being recorded as liabilities on the Statement of Financial Position.

Uncertain tax positions

The Organization has adopted the Financial Accounting Standards Board ("FASB") issued Codification Topic 740, on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting in interim periods.

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 2 – Summary of significant accounting policies (continued)

Uncertain tax positions (continued)

Management evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, the Organization is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2015, which is the standard statute of limitations look-back period.

Recent accounting pronouncements

In May 2014, The Financial Accounting Standards Board ("FASB") issued a new revenue recognition standard in ASU 2014-09 ("Topic 606"). ASC 606 provides accounting guidance related to revenue from contracts with customers. The guidance applies to all entities and to all contracts with customers, with the exceptions. The provision of this update is effective for fiscal years beginning after December 15, 2021. Management is evaluating the new accounting pronouncements and its applicability to the Organization.

In February 2016, The Financial Accounting Standards Board ("FASB") issued a new leasing standard in ASU 2016-02 ("Topic 842") for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use ("ROU") assets and related lease liabilities on the statement of financial position for all arrangements with terms longer than 12 months. The pattern of expense recognition in the income statement will depend on a lease's classification. The provisions of this update are effective for fiscal years beginning after December 15, 2021. Management is evaluating the new accounting pronouncements and its applicability to the Organization.

Reclassification of prior year presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation.

Note 3 – Liquidity and Availability

The Organization regularly monitors liquidity required to meet its operating needs, while also conservatively investing its available funds to preserve capital. The Organization's principal sources of liquidity include cash and cash equivalents, investments and receivables. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities, as well as services undertaken to support those activities to be general expenditures.

As of December 31, 2020 and 2019, the Organization's financial assets available for general expenditure, and available to the Organization over the next twelve months, that is, without donor or other restrictions is comprised of the following:

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 3 – Liquidity and availability (continued)

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,338,322	\$ 314,706
Grants, pledges and contribution receivables	152,368	205,230
Investments	1,138,920	2,139,611
	2,629,610	2,659,547
Less: net assets with donor restrictions	(1,904,748)	(1,958,860)
	\$ 724,862	\$ 700,687

Note 4 – Pledges receivable

Pledges receivable represent amounts due from donors for multiyear unconditional pledges. Pledges receivable are shown net of a discount on future collections. Payments on the pledges are expected to be received as follows:

	<u>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 3,000	\$ 14,000
One to five years	-	-
Total pledges receivable	3,000	14,000
Less unamortized discount	-	-
Pledges receivable, net	3,000	14,000
Less current portion	3,000	14,000
Long term pledges receivable, net	\$ -	\$ -

The pledges receivable due in one to five years were discounted at a rate of five percent.

Note 5 - Grants receivable

Grants receivable represents amounts due from donors for multi year grants. Grants receivable are shown net of a discount on future collections. Payments on these grants are expected to be received as follows:

	<u>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 97,000	\$ 100,000
One to five years	55,000	100,000
Total grants receivable	152,000	200,000
Less unamortized discount	(3,882)	(9,270)
Grants receivable, net	148,118	190,730
Less current portion	(97,000)	(100,000)
Long term grants receivable, net	\$ 51,118	\$ 90,730

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 5 - Grants receivable (continued)

Grants receivable due in one to five years were discounted at a rate of five percent.

Note 6- Investments and fair value measurements

Investments are presented in the financial statements at fair market value and consist of the following as of December 31, 2020 and 2019:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Assets:				
Equities	\$ 636,529	\$ 706,018	\$ 981,163	\$ 1,123,208
Corporate bonds and ETF bonds	438,068	445,412	1,051,250	1,107,658
Total	<u><u>\$ 1,074,597</u></u>	<u><u>\$ 1,151,430</u></u>	<u><u>\$ 2,032,413</u></u>	<u><u>\$ 2,230,866</u></u>
Liabilities:				
Investment derivative liabilities				
- call options written	\$ 2,910	\$ 12,510	\$ 67,835	\$ 91,255
Total	<u><u>\$ 2,910</u></u>	<u><u>\$ 12,510</u></u>	<u><u>\$ 67,835</u></u>	<u><u>\$ 91,255</u></u>

Investment returns for the years ended December 31, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Investment returns:		
Interest and dividends	\$41,364	\$88,809
Realized and unrealized gains/(losses) of investments	(90,233)	172,520
Total investment return	(48,869)	261,329
Investment expenses	(23,852)	(31,145)
Total investment return, net of expenses	<u><u>(\$72,721)</u></u>	<u><u>\$230,184</u></u>

The Financial Accounting Standards Board Statement ("FASB") defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

The standard establishes a fair value hierarchy which requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 6— Investments and fair value measurements (continued)

Level I - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities, securities and listed derivatives.

Level II—Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and municipal bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level III—Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, mezzanine funds, funds of hedge funds, distressed debt and non-investment grade residual interests in securitizations and collateralized debt obligations.

As of December 31, 2020 and 2019, the Organization does not have any Level III investments.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table summarizes the levels in the fair value hierarchy that the Organization's investments fall into as of December 31, 2020:

<u>Type</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Assets:				
Equities	\$ 706,018	\$ -	\$ -	\$ 706,018
ETF bonds	445,412	-	-	445,412
Total	\$ 1,151,430	\$ -	\$ -	\$ 1,151,430
Liabilities:				
Investment derivative liabilities				
- call options written	\$ 91,255	\$ -	\$ -	\$ 91,255
Total	\$ 91,255	\$ -	\$ -	\$ 91,255

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 6— Investments and fair value measurements (continued)

The following table summarizes the levels in the fair value hierarchy that the Organization's investments fall into as of December 31, 2019:

<u>Type</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Assets:				
Equities	\$ 1,123,208	\$ -	\$ -	\$ 1,123,208
Corporate bonds	-	1,107,658	-	1,107,658
Total	<u>\$ 1,123,208</u>	<u>\$ 1,107,658</u>	<u>\$ -</u>	<u>\$ 2,230,866</u>
Liabilities:				
Investment derivative liabilities				
- call options written	\$ 91,255	\$ -	\$ -	\$ 91,255
Total	<u>\$ 91,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,255</u>

The corporate bonds that are level II investments are valued through a pricing service based on broker quotes whose valuation models are generally based on maturity dates, expected recovery, yield or discount rate and volatility.

There were no transfers between Level I and II during the years ending December 31, 2020 and 2019.

Note 7 – Property, plant and equipment

Property, plant and equipment consist of the following as of December 31, 2019 and 2018:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 20,498	\$ 20,498
Furniture and fixtures	52,904	52,904
Less: accumulated depreciation	<u>(72,347)</u>	<u>(71,141)</u>
	<u>\$ 1,055</u>	<u>\$ 2,261</u>

Depreciation expense was \$1,206 and \$2,003 for the years ended December 31, 2020 and 2019, respectively.

**WESTCHESTER CHILDREN’S ASSOCIATION, INC.
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Note 8 – CARES Act Loans

Payroll Protection Program Loan

On May 8, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the “PPP Lender”), for an aggregate principal amount of \$128,500 (the “PPP Loan”). The PPP Loan bears interest at a fixed rate of 1.00% per annum, with the first six months of interest deferred, and has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization’s request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses and expects to qualify for full forgiveness. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum and commencing in November, 2020 principal and interest payments will be required through the maturity date in April 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representation and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

Principal payments on the Payroll Protection Program debt will be as follows:

2021	\$	96,031
2022		32,469
Total PPP Loan Payable	\$	<u>128,500</u>

Economic Injury Disaster Loan

On July 14, 2020, the Organization executed the standard loan documents required for securing a loan (the “EIDL Loan”) from the United States Small Business Administration (the “SBA”) under its Economic Injury Disaster Loan assistance program in light of the impact of the COVID-19 pandemic on the Organization’s business. The principal amount of the EIDL Loan is \$150,000, with proceeds to be used for working capital purposes. Interest on the EIDL Loan accrues at the rate of 2.75% per annum and installment payments, including principal and interest, are due monthly beginning twelve months from the date of the EIDL Loan in the amount of \$641 dollars. The balance of principal and interest is payable thirty years from the date of the promissory note. The principal amounts were recognized as a non-current term loan on the statement of financial position at December 31, 2020. Accrued interest on the loan for the year ended December 31, 2020 was \$1,972.

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NOTES TO FINANCIAL STATEMENTS
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Note 8 – CARES Act Loans (continued)

Principal payments on the EIDL debt will be as follows:

	2021	\$	-	
	2022		526	
	2023		3,627	
	2024		3,717	
	2025		3,832	
	Thereafter		138,298	
Total EIDL Loan Payable		\$	<u>150,000</u>	

Note 9 – Board-designated net assets

Board designated net assets as of December 31, 2020 and 2019, consisted of the following:

	2020	2019
Balance, beginning of year	\$ 467,782	\$ 526,992
Investment return, net	(15,313)	53,189
Appropriation of endowment assets for operating expenses	(53,350)	(112,399)
Balance, end of year	\$ 399,119	\$ 467,782

Note 10 – Net assets with donor restrictions

Net assets restricted by purpose or time

The transactions in net assets with temporary donor restrictions during the year ended December 31, 2020 were as follows:

	December 31, 2019	Additions	Net Assets Released from Restrictions	December 31, 2020
Foundations	\$ 191,230	\$ 102,000	\$ (145,112)	\$ 148,118
Centennial Campaign	14,000	-	(11,000)	3,000
Total	\$ 205,230	\$ 102,000	\$ (156,112)	\$ 151,118

The transactions in net assets with temporary donor restrictions during the year ended December 31, 2019 were as follows:

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Note 10 – Net assets with donor restrictions (continued)

	December 31, 2018	Additions	Net Assets Released from Restrictions	December 31, 2019
Foundations	\$ 190,000	\$ 150,500	\$ (149,270)	\$ 191,230
Centennial Campaign	95,163	-	(81,163)	14,000
Total	<u>\$ 285,163</u>	<u>\$ 150,500</u>	<u>\$ (230,433)</u>	<u>\$ 205,230</u>

Net assets with perpetual donor restrictions

As of December 31, 2020 and December 31, 2019, net assets with perpetual donor restrictions consisted of the following:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 1,753,630	\$ 1,753,630
Investment return, net	(57,408)	176,995
Appropriation of endowment assets	57,408	(176,995)
Balance, end of year	<u>\$ 1,753,630</u>	<u>\$ 1,753,630</u>

Note 11 – Endowment

The Organization's endowment consists of net assets restricted in perpetuity, of certain donor restricted contributions, to be held indefinitely, as well as net assets without donor restrictions – board designated net assets. The income from all net assets restricted in perpetuity is restricted until released by the Board.

Interpretation of relevant law

The Board of Directors of the Organization has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original funds as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 11 – Endowment (continued)

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or invest endowment funds:

1. the duration and preservation of the fund;
2. the purposes of the Organization and the fund;
3. general economic conditions;
4. the possible effect of inflation and deflation;
5. the expected total return from income and the appreciation of investments;
6. other resources of the Organization; and
7. the investment policies of the Organization

Endowment assets and liabilities consist of the following as of December 31, 2020 and December 31, 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents - endowments	<u>\$ 1,013,829</u>	<u>\$ 81,801</u>
Investments - equities	706,018	1,123,208
Investments - corporate bonds and ETF bonds	<u>445,412</u>	<u>1,107,658</u>
	<u>1,151,430</u>	<u>2,230,866</u>
Total endowment assets	2,165,259	2,312,667
Less: investment derivative liabilities - call options written	<u>12,510</u>	<u>91,255</u>
Total endowment	<u><u>\$ 2,152,749</u></u>	<u><u>\$ 2,221,412</u></u>

WESTCHESTER CHILDREN'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 11 – Endowment (continued)

Endowment net assets by type consist of the following as of December 31, 2020 and December 31, 2019:

	<u>2020</u>	<u>2019</u>
Without donor restrictions		
Board-designated	\$ 399,119	\$ 467,782
With donor restrictions		
Restricted in perpetuity	<u>1,753,630</u>	<u>1,753,630</u>
Total endowment	<u>\$ 2,152,749</u>	<u>\$ 2,221,412</u>

Return objectives and risk parameters

The objectives of the Organization are to maximize long-term returns consistent with prudent levels of risk. Investment returns are expected to provide adequate funds to sufficiently support designated needs and preserve or enhance the real value of the endowment. The Board understands that some risk is appropriate for the generation of investment income.

Strategies employed for achieving objectives

To satisfy its long-term rate of return objectives, the Organization assets should be invested in accordance with sound investment practices which emphasize long-term investment fundamentals and preservation of principal.

Invested assets must have a higher degree of principal protection while generating investment income on a risk-adjusted basis.

Spending policy

Distributions from the investment portfolio will be made in an amount to approximate 90% of the long-run return over inflation of the portfolio (“real rate of return”). That amount will be no greater than 5% (with a recommended range of 3%-5%) of the value of the investment portfolio.

The value of the investment portfolio will be based on the month-end portfolio value of the month immediately prior to the Board of Director’s approval of the budget. The amount to be distributed each year shall be recommended annually by the Finance Committee as part of the budget review and approval process, based on an evaluation of the Organization’s actual portfolio performance and financial operations needs.

Additional amounts above 5% recommended by the Finance Committee require the approval of a separate resolution by the Board of Directors.

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Note 12 – Special events

As part of its fundraising efforts, the Organization holds periodic special events. Revenue for special events is recognized in the period in which the event is held. Direct expenses associated with special events are netted against such revenue as follows:

	<u>2020</u>	<u>2019</u>
Special event revenue	\$130,647	\$276,457
Special event direct expenses	32,444	76,910
Special event revenue, net	\$98,203	\$199,547

Note 13 – Lease commitment

The Organization leases office space under the terms of a lease which expires in July, 2022. Rent expense related to this lease was \$58,489 and \$59,780 for the years ended December 31, 2020 and 2019, respectively. The rental agreement does provide incremental rent increases; however, the amount is not material as it pertains to the lease period therefore, the rent expense is not recorded on a straight-line basis.

Minimum future payments under the lease term for the years ending December 31st are as follows:

<u>Year</u>	
2021	\$ 59,809
2022	35,000
	\$ 94,809

Note 14 – Risks and uncertainties

The Organization invests in various types of securities which are exposed to various risks, such as interest rate risk, financial market risk and credit risk. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that those changes could materially affect the amounts reported in the financial statements.

Note 15 – Retirement plan

The Organization sponsors a qualified 401(k) retirement plan for employees with at least one year of employment. The Organization makes a contribution of four percent of an employee's salary, regardless of whether the employee contributes to the plan. The Organization incurred \$12,192 and \$18,630 of expense in relation to this plan for the years ended December 31, 2020 and 2019, respectively.

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Note 16 – COVID-19 pandemic

In March, 2020 the World Health Organization (“WHO”) declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on our business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and restrictive measures taken to contain or prevent their further spread, among others. Accordingly, the Organization cannot predict the extent to which the financial condition and results of operations will be affected.

Note 17 – Subsequent events

Management has evaluated all subsequent events or transactions for potential recognition or disclosure through April 6, 2021 the date these financial statements were available to be issued.