

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITORS' REPORT

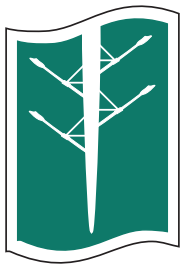
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 7, 2019, 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 7, 2019

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2019

(With Comparative Totals as of June 30, 2018)

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash (Notes 2, 3 and 19)	\$ 1,531,272	\$ 1,410,306
Accounts Receivable (Notes 2 and 3)	120,249	227,358
Grants Receivable (Notes 2, 3 and 6)	690,120	561,918
Contributions Receivable (Notes 2, 3 and 7)	331,957	257,113
Other Receivables (Notes 3, 10 and 16)	165,416	127,586
Agency Funds (Note 9)	86,124	72,563
Prepaid Expenses	<u>99,383</u>	<u>109,362</u>
Total Current Assets	<u>3,024,521</u>	<u>2,766,206</u>
INVESTMENTS (Notes 2, 3, 5, 8 and 19)		
Endowment Funds (Note 8)	710,053	210,053
Other	<u>513,300</u>	<u>677,144</u>
Total Investments	<u>1,223,353</u>	<u>887,197</u>
PROPERTY AND EQUIPMENT, NET (Notes 2 and 11)	<u>3,556,565</u>	<u>3,485,836</u>
OTHER ASSETS:		
Restricted Cash (Note 2)	-	150,000
Grants Receivable Restricted for Long Term Purposes (Notes 2 and 6)	529,631	275,000
Security Deposits	18,152	10,652
Contributions Receivable, Long-Term (Notes 2 and 7)	<u>378,920</u>	<u>308,194</u>
Total Other Assets	<u>926,703</u>	<u>743,846</u>
TOTAL ASSETS	<u>\$ 8,731,142</u>	<u>\$ 7,883,085</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Note Payable, Current Portion	\$ -	\$ 399
Accounts Payable and Accrued Expenses	175,710	157,755
Accrued Payroll	85,548	68,952
Accrued Vacation	66,820	68,894
Advances From Funding Source (Notes 10 and 16)	84,030	84,030
Service Fee Advances (Note 12)	39,122	52,560
Funds Held in Trust (Note 9)	<u>86,124</u>	<u>72,563</u>
Total Current Liabilities	<u>537,354</u>	<u>505,153</u>
NET ASSETS:		
Without Donor Restriction (Notes 2 and 8)		
Board Designated (Note 3 and 8)	500,000	-
General	<u>4,880,928</u>	<u>5,051,369</u>
Total Without Donor Restriction	5,380,928	5,051,369
With Donor Restriction (Notes 2, 8 and 13)	<u>2,812,860</u>	<u>2,326,563</u>
Total Net Assets	<u>8,193,788</u>	<u>7,377,932</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,731,142</u>	<u>\$ 7,883,085</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, 2019

(With Comparative Totals for the Year Ended June 30, 2018)

	Without Donor Restriction	With Donor Restriction	2019 Total	2018 Total
SUPPORT AND REVENUE (Note 2)				
Contributions:				
Individuals	\$ 246,756	\$ 225,000	\$ 471,756	\$ 219,487
Capital Campaign (Notes 13 and 20)	-	212,553	212,553	693,534
Grants (Note 19)	764,515	890,294	1,654,809	1,838,816
Special Events	1,083,654	-	1,083,654	509,192
Released From Restriction (Note 2)	841,550	(841,550)	-	-
Service Fees:				
Contracts (Note 14)	2,354,351	-	2,354,351	2,097,095
Parent Tuition Fees	702,894	-	702,894	720,769
Class and Membership Fees	159,849	-	159,849	133,003
Rental Income (Note 17)	163,102	-	163,102	139,195
Investment Return (Note 8)	79,579	-	79,579	46,167
Total Support and Revenue				
Before In-Kind	6,396,250	486,297	6,882,547	6,397,258
In-Kind (Note 2)	767,342	-	767,342	614,521
Total Support and Revenue	<u>7,163,592</u>	<u>486,297</u>	<u>7,649,889</u>	<u>7,011,779</u>
FUNCTIONAL EXPENSES (Note 2)				
Program Expenses:				
Child Care Program	2,269,085	-	2,269,085	2,189,586
Family Services	214,828	-	214,828	296,825
Youth Program	356,996	-	356,996	364,940
Adult Education Program	1,143,699	-	1,143,699	965,450
Arts and Cultural Center	654,273	-	654,273	468,180
Recreation and Fitness Program	544,715	-	544,715	555,943
Total Program Expenses	<u>5,183,596</u>	<u>-</u>	<u>5,183,596</u>	<u>4,840,924</u>
Support Services:				
General and Administrative	972,587	-	972,587	778,835
Fundraising	677,850	-	677,850	523,805
Total Support Services	<u>1,650,437</u>	<u>-</u>	<u>1,650,437</u>	<u>1,302,640</u>
TOTAL FUNCTIONAL EXPENSES	<u>6,834,033</u>	<u>-</u>	<u>6,834,033</u>	<u>6,143,564</u>
INCREASE IN NET ASSETS	329,559	486,297	815,856	868,215
NET ASSETS - BEGINNING OF YEAR	<u>5,051,369</u>	<u>2,326,563</u>	<u>7,377,932</u>	<u>6,509,717</u>
NET ASSETS - END OF YEAR	<u>\$ 5,380,928</u>	<u>\$ 2,812,860</u>	<u>\$ 8,193,788</u>	<u>\$ 7,377,932</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, 2019

(With Comparative Totals for the Year Ended June 30, 2018)

	Program Services							Support Services			
	Child Care	Family Services	Youth Center	Adult Education Program	Arts and Cultural Center	Recreation and Fitness Program	Total Program Services	General and Admin.	Fundraising	2019 Total	2018 Total
Salaries and Wages	\$ 1,329,471	\$ 126,091	\$ 177,475	\$ 718,007	\$ 157,050	\$ 12,824	\$ 2,520,918	\$ 431,817	\$ 310,347	\$ 3,263,082	\$ 3,090,532
Payroll Taxes	114,177	10,912	14,574	61,181	13,193	1,135	215,172	41,600	27,110	283,882	257,378
Benefits (Note 15)	192,390	19,053	25,042	99,285	22,967	1,927	360,664	69,599	44,851	475,114	413,848
Total Payroll, Taxes and Benefits	1,636,038	156,056	217,091	878,473	193,210	15,886	3,096,754	543,016	382,308	4,022,078	3,761,758
Advertising (Note 2)	566	-	440	1,063	-	-	2,069	-	185	2,254	2,393
Bank Charges	-	-	-	-	35	70	105	20,536	837	21,478	18,656
Consultants	46,757	21,945	33,197	23,361	192,769	35,485	353,514	15,308	21,951	390,773	332,708
Depreciation (Note 2)	47,790	-	17,269	33,933	65,177	-	164,169	44,887	1,384	210,440	217,383
Equipment/Software (Note 17)	6,282	549	812	4,155	491	418	12,707	2,358	10,277	25,342	26,996
Field Trips	2,732	2,408	125	-	-	780	6,045	-	541	6,586	4,473
Food	53,596	8,239	3,266	215	1,724	4,049	71,089	3,827	1,223	76,139	73,238
Insurance	15,428	875	4,656	8,739	454	39	30,191	11,724	1,265	43,180	43,517
Marketing and Public Relations	-	-	-	1,500	-	350	1,850	30	-	1,880	4,824
Miscellaneous	-	-	-	-	50	-	50	5,215	-	5,265	3,350
Office Supplies	10,314	839	1,111	35,643	1,513	743	50,163	35,065	4,366	89,594	43,691
Payroll Processing	7,237	677	969	3,788	831	69	13,571	3,145	1,664	18,380	17,704
Permits and Fees	1,770	-	-	-	250	-	2,020	50	-	2,070	2,543
Printing	-	-	-	-	68	-	68	-	1,822	1,890	3,370
Professional Fees	13,862	1,360	1,777	7,318	1,589	130	26,036	4,985	3,279	34,300	29,250
Program and Other Supplies	36,818	4,424	4,077	29,040	11,490	12,091	97,940	5,859	7,118	110,917	103,439
Providers	207,990	-	-	-	-	-	207,990	3,000	-	210,990	290,340
Rent (Note 17)	-	5,461	20,504	59,555	124,154	-	209,674	-	-	209,674	170,379
Repairs and Maintenance	24,838	1,015	8,454	13,526	24,368	-	72,201	22,146	676	95,023	81,703
Special Events	25	-	-	-	20,846	-	20,871	1,338	236,499	258,708	75,506
Staff Training	16,394	5,473	617	2,635	175	-	25,294	2,925	580	28,799	27,317
Telephone and Internet	12,329	674	4,923	8,033	3,803	-	29,762	11,115	362	41,239	49,592
Travel and Transportation	4,084	1,967	1,065	525	3,018	892	11,551	484	204	12,239	6,121
Utilities	44,499	2,866	19,071	32,197	8,258	-	106,891	39,253	1,309	147,453	138,792
Total Before In-Kind	2,189,349	214,828	339,424	1,143,699	654,273	71,002	4,612,575	776,266	677,850	6,066,691	5,529,043
In-Kind (Note 2):											
Salaries and Wages	12,672	-	17,572	-	-	444,050	474,294	-	-	474,294	478,032
Facilities	67,064	-	-	-	-	27,663	94,727	35,002	-	129,729	127,194
Marketing	-	-	-	-	-	-	-	149,679	-	149,679	-
Professional Fees	-	-	-	-	-	-	-	1,500	-	1,500	-
T-Passes and Supplies	-	-	-	-	-	2,000	2,000	10,140	-	12,140	9,295
Total In-Kind	79,736	-	17,572	-	-	473,713	571,021	196,321	-	767,342	614,521
Total	\$ 2,269,085	\$ 214,828	\$ 356,996	\$ 1,143,699	\$ 654,273	\$ 544,715	\$ 5,183,596	\$ 972,587	\$ 677,850	\$ 6,834,033	\$ 6,143,564

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, 2019

(With Comparative Totals for the Year Ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 815,856	\$ 868,215
Adjustments to Reconcile the Above to Net		
Cash Provided (Used) by Operating Activities:		
Depreciation	210,440	217,383
Realized and Unrealized Gains on Investments	(38,273)	(26,894)
Donated Securities	(59,872)	(20,054)
Sales of Donated Securities	59,602	20,212
(Increase) Decrease in Current & Other Assets:		
Accounts Receivable	107,109	(51,081)
Grants Receivable	(128,202)	(146,571)
Contributions Receivable	(145,570)	(76,330)
Other Receivables	(37,830)	4,348
Agency Funds	(13,561)	(11,516)
Prepaid Expenses	9,979	(23,824)
Security Deposits	(7,500)	-
Restricted Cash	150,000	150,000
Grants Receivable Restricted for Long Term Purposes	(254,631)	(275,000)
Increase (Decrease) in Current Liabilities:		
Accounts Payable and Accrued Expenses	17,953	1,258
Accrued Payroll	16,596	6,905
Accrued Vacation	(2,074)	20,062
Service Fee Advances	(13,438)	(5,518)
Funds Held in Trust	13,561	11,515
Net Cash Provided by Operating Activities	<u>700,145</u>	<u>663,110</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of Investments	-	145,259
Purchases of Investments	(297,611)	(442,246)
Purchases of Property and Equipment	<u>(281,169)</u>	<u>(196,545)</u>
Net Cash Used by Investing Activities	<u>(578,780)</u>	<u>(493,532)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of Long-term Debt	<u>(399)</u>	<u>(4,786)</u>
Net Cash Used by Financing Activities	<u>(399)</u>	<u>(4,786)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	120,966	164,792
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,410,306</u>	<u>1,245,514</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,531,272</u>	<u>\$ 1,410,306</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019

(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 restrictions and net assets with donor restrictions. A description of the two net asset classes follows:

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(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 restrictions 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.

New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU changes the terminology used to describe net assets to *net assets with donor restrictions* and *net assets without donor restrictions*. Not-for profits are also required to provide enhanced disclosures about the amounts and purposes of governing board designations and appropriations. In addition, new disclosures are required to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. BCNC adopted the provisions of the new ASU during the year ended June 30, 2019, and has retrospectively applied the standards to the year ending June 30, 2018. The retrospective application had no effect on the 2018 increase in net assets.

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, 2019

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018, from which the summarized information was derived.

Reclassification of Financial Statement Presentation

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

Cash and Cash Equivalents

BCNC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash subject to long-term donor-imposed restrictions, which is reported as restricted cash on the statement of financial position, is not included with cash in the statement of cash flows. Restricted cash includes deposits held for the Arts and Cultural Center programming.

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 recorded \$1,577 as an allowance for doubtful accounts as of June 30, 2019 and 2018. It is BCNC's policy to write off a receivable only after all collection efforts have been fully exhausted.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions Receivable

Contributions to be received for 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 contribution revenue. 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.

Subsequent Events

Management has evaluated subsequent events through November 7, 2019, the date the financial statements were available to be issued. No significant subsequent events have been identified by management.

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, 2019

(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, 2019 and 2018 is \$210,440 and \$217,383, 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, 2019

(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, 2019 and 2018, is \$2,254 and \$2,393, respectively.

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.

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. Fiscal years 2016 – 2019 are currently open for examination by taxing authorities.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

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 end June 30:

	2019	2018
Cash	\$ 1,531,272	\$ 1,410,306
Accounts Receivable	120,249	227,358
Grants Receivable	690,120	561,918
Contributions Receivable	331,957	257,113
Other Receivables	81,386	43,556
Investments	<u>1,223,353</u>	<u>887,197</u>
Total Financial Assets,		
Excluding Long-term Assets	3,978,337	3,387,448
Less Imposed Restrictions:		
Endowment Fund Investments	(710,053)	(210,053)
Program Related Restrictions	<u>(1,746,504)</u>	<u>(1,207,709)</u>
Total Financial Assets Available to Meet		
General Expenditures within One Year	<u>\$ 1,521,780</u>	<u>\$ 1,969,686</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.

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).

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

NOTE 5 INVESTMENTS

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

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>

2018 Description	Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
Domestic Mutual Funds	\$ 586,781	\$ -	\$ -	\$ 586,781
Certificates of Deposit	224,944	-	-	224,944
Cash and Cash Equivalents	<u>75,472</u>	<u>-</u>	<u>-</u>	<u>75,472</u>
Total Market Value	<u>\$ 887,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 887,197</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.

NOTE 6 GRANTS RECEIVABLE

Grants receivable consist of the following as of June 30:

	2019	2018
Amounts due in:		
Less than one year	\$ 690,120	\$ 561,918
One to five years	<u>529,631</u>	<u>275,000</u>
Total	<u>\$1,219,751</u>	<u>\$ 836,918</u>

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

NOTE 7 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30:

	2019	2018
Contributions Receivable due within one year	\$ 335,310	\$ 259,710
Less Allowance for Doubtful Accounts	<u>(3,353)</u>	<u>(2,597)</u>
Current Contributions Receivable, net	<u>\$ 331,957</u>	<u>\$ 257,113</u>
Contributions Receivable due in one to five years	\$ 277,747	\$ 311,307
Contributions Receivable due later than five years	105,000	-
Less Allowance for Doubtful Accounts	<u>(3,577)</u>	<u>(3,113)</u>
Long-term Contributions Receivable, net	<u>\$ 378,920</u>	<u>\$ 308,194</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 ENDOWMENT FUNDS

As of June 30, 2019, BCNC's endowment funds consist of the Family Services Endowment Fund, the Chin Tunn Fon Endowment Fund and the Fung Family Endowment Fund, (See Note 13) 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.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

NOTE 8 ENDOWMENT FUNDS (Continued)

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 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 annual distribution can be changed at the discretion and approval of the Finance Committee of the Board of Directors. The 2% spending rate shall be calculated based on the three year quarterly average of the donor restricted endowment funds fair market value.

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.

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, 2019 are as follows:

	Without Donor Restriction (General)	Without Donor Restriction (Board Designated)	With Donor Restriction	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ -	\$ 210,053	\$ 210,053
Transfer In	-	500,000	-	500,000
Investment Return	19,560	-		19,560
Appropriations for Expenditure	<u>(19,560)</u>	<u>-</u>	<u>-</u>	<u>(19,560)</u>
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 210,053</u>	<u>\$ 710,053</u>

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

NOTE 9 FUNDS HELD IN TRUST

During the years ended June 30, 2019 and 2018, 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, 2019 and 2018, \$86,124 and \$72,563, respectively, remain available for completion of these projects.

NOTE 10 OTHER RECEIVABLES/ADVANCES FROM FUNDING SOURCE

In prior years, the City of Boston provided advances totaling \$369,030 for the working capital of other community councils. The funds are non-interest bearing and are payable upon demand. Boston Chinatown Neighborhood Center, Inc., in turn, advanced these funds to an organization under contract to manage these funds as described in Note 16. An agreement dated June 22, 1995, established a schedule for repayment to the City, which states that beginning on April 1, 1995, and each consecutive year thereafter on April 1st, a payment of \$15,000 will be submitted until such time as the advance is paid in full. In the event that the contract is terminated, full payment of the outstanding balance will be due within 90 days. The outstanding balance totaled \$84,030 as of June 30, 2019 and 2018.

Boston Chinatown Neighborhood Center, Inc. has been conducting negotiations with the Citywide Board of Boston Centers for Youth and Families (Citywide Board) and Community Management Assistance Corporation (CMAC) with regard to assigning all liabilities associated with the City of Boston advances to either Citywide Board or CMAC. The assignment of these liabilities would require the consent of the City of Boston.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

NOTE 11 PROPERTY AND EQUIPMENT

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

	2019	2018
Land	\$ 225,000	\$ 225,000
Building and Improvements	2,985,438	2,966,312
Leasehold Improvements	1,477,709	1,237,527
Furniture and Equipment	<u>591,524</u>	<u>569,664</u>
Total Property and Equipment	5,279,671	4,998,503
Less: Accumulated Depreciation	<u>(1,723,106)</u>	<u>(1,512,667)</u>
Net Property and Equipment	<u>\$ 3,556,565</u>	<u>\$ 3,485,836</u>

NOTE 12 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, 2019 and 2018, service fee advances totaled \$39,122 and \$52,560, respectively.

NOTE 13 NET ASSETS WITH DONOR RESTRICTION

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

	2019	2018
Endowment Funds	\$ 210,053	\$ 210,053
Capital Campaign Initiatives (See Note 20)	945,013	777,460
Pao Arts and Cultural Center	735,829	920,250
Child Care Program	126,380	66,000
Youth Program	105,450	93,000
General Operating	255,000	25,000
Adult Education Program	142,500	45,000
Family Services	<u>292,635</u>	<u>189,800</u>
Total Net Assets with Donor Restriction	<u>\$ 2,812,860</u>	<u>\$2,326,563</u>

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

NOTE 13 NET ASSETS WITH DONOR RESTRICTION (Continued)

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

	2019	2018
Family Services Endowment Fund	\$ 20,000	\$ 20,000
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>\$ 210,053</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 the Chin Tunn Fon and Fung Family Endowment Funds may be spent at the discretion of the board of directors.

NOTE 14 CITY AND STATE CONTRACTS

For fiscal years ended 2019 and 2018, 31% and 30%, 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 15 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, 2019 and 2018.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(Continued)

NOTE 16 OTHER CONTRACTUAL OBLIGATIONS

BCNC entered into a renewable contract with Boston Centers for Youth and Families (BCYF) to fiscally manage funds relating to programs at area community centers. BCNC subcontracted the fiscal management of these funds to Community Management Assistance Corporation (CMAC). The subcontract agreement with CMAC terminated on July 1, 2000 with CMAC assuming the fiscal management contract with BCYF. BCNC remitted all proceeds to CMAC during the reported years.

CMAC owes BCNC funds advanced for its working capital needs totaling \$84,030, as of June 30, 2019 and 2018. This balance is contained in other receivables on the Statement of Financial Position. These funds are non-interest bearing and are payable on demand. BCNC has informally deferred repayment of CMAC funds under the terms. As discussed in Note 10, CMAC's debt to BCNC will be extinguished once the liabilities to the City of Boston are assigned to either CMAC or Citywide Board. The assignment of these liabilities was still under negotiation as of June 30, 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 \$16,490 and \$18,192 for the years ended June 30, 2019 and 2018, respectively.

On March 1, 2014, BCNC signed a five year lease commitment for classroom space in a commercial building. In August 2018, BCNC moved their classrooms to another space in Quincy and signed a new six year lease commitment. Rent expense under these leases for the years ended June 30, 2019 and 2018 was \$85,520 and \$60,352, respectively.

In August 2016, BCNC signed a lease agreement for community space in Chinatown to be used for the new Arts and Cultural Center. The lease commitment is for a seven year term commencing August 1, 2016, with an option to extend the term for three years at a fixed rent and two additional options to extend for successive periods of five years at a fixed rent. Rent and operating costs under this lease for the year ended June 30, 2019 and 2018 was \$113,571 and \$107,912, respectively.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(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 \$139,250 and \$122,121, respectively under the sublease agreement for the year ended June 30, 2019 and 2018. 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:

2020	\$ 186,438
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, 2019 and 2018, the uninsured cash balances totaled \$720,984 and \$911,743, respectively.

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(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.

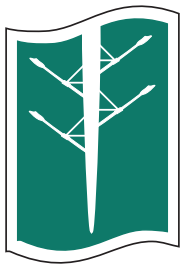
BCNC receives funding from a diverse group of foundations, individuals, and contracts. However, for the year ended June 30, 2018, a grant from one source comprised 11% of total support and revenue. In addition, BCNC's 50th Anniversary Gala generated approximately 10% of total support and revenue for 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, 2019, BCNC has raised \$3,642,845 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, 2019, approximately \$945,000 remains restricted for future initiatives of the capital campaign.



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, 2019, 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 7, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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

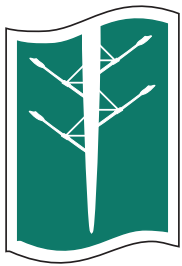
As part of obtaining reasonable assurance about whether BCNC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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, Goncalves & Ferreira, PC

Southborough, Massachusetts
November 7, 2019



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", a nonprofit organization) 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 program for the year ended June 30, 2019. BCNC's major federal program is 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 BCNC's major federal program 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 program for the year ended June 30, 2019.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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, Goncalves & Ferreira, PC

Southborough, Massachusetts

November 7, 2019

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

FEDERAL PASS-THROUGH GRANTOR Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditure
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through Program:			
Massachusetts Department of	10.555	13-035-CF-230	\$ 61,641
Education - Child and Adult Care Food Program	10.558	13-035-CF-230	<u>3,884</u>
Total Department of Agriculture			<u>65,525</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-through Programs:			
Action for Boston Community Development, Inc.			
Early Head Start - Child Care Partnership	93.600	18-8975	<u>62,667</u>
TANF Cluster:			
Massachusetts Department of		600010BOSTONCHIN06IE	
Early Education and Care - Child Care Program	93.558	2019FLEXPOOL	<u>541,325</u>
CCDF Cluster:			
Massachusetts Department of		600010BOSTONCHIN06IE	
Early Education and Care - Child Care Program	93.596	2019FLEXPOOL	73,577
Massachusetts Department of		600010BOSTONCHIN06IE	
Early Education and Care - Voucher Child Care Program	93.575	2019FLEXPOOL	<u>34,281</u>
Total CCDF Cluster			<u>107,858</u>
Total Department of Health and Human Services			<u>711,850</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, 2019

(Continued)

FEDERAL PASS-THROUGH GRANTOR Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditure
U.S. DEPARTMENT OF EDUCATION			
Pass-through Program:			
Massachusetts Department of Elementary & Secondary Education - Adult ESL Program	84.002	340 & 359	445,266
City of Boston, Boston Public Schools – Universal Pre-K Program	84.411A	515	<u>72,600</u>
Total Department of Education			<u>517,866</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass-through Program:			
City of Boston, EDIC – Employment Readiness	14.218	DNDC16001	<u>78,793</u>
Total Department of Housing and Urban Development			<u>78,793</u>
U.S. DEPARTMENT OF THE TREASURY			
Pass-through Program:			
City of Boston, EDIC – Volunteer Income Tax Assistance	21.009	137-17	<u>1,697</u>
Total Department of the Treasury			<u>1,697</u>
Total Expenditures of Federal Awards			<u>\$1,375,731</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, 2019

Section 1

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 deficiencies 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 deficiencies identified? | None Reported |

- | | |
|--|------------|
| 2) Type of auditors' report issued on compliance for major programs: | Unmodified |
|--|------------|

- | | |
|--------------------------------------|--|
| 3) Identification of major programs: | |
|--------------------------------------|--|

<u>CFDA Number</u>	<u>Name of Federal Program</u>
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93.558	TANF Cluster Childcare Program
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93.575 & 93.596	CCDF Cluster Childcare Program
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- | | |
|---|-----------|
| 4) Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
|---|-----------|

- | | |
|---|-----|
| 5) Auditee qualified as a low-risk auditee? | Yes |
|---|-----|

BOSTON CHINATOWN NEIGHBORHOOD CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2019

(Continued)

Section 2

Financial Statement Findings

None Noted

Section 3

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, 2019

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, 2019. 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.