

**PAWCATUCK NEIGHBORHOOD
CENTER, INCORPORATED**

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2020**

**TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Pawcatuck Neighborhood Center, Incorporated
Pawcatuck, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the Pawcatuck Neighborhood Center, Incorporated (the Center), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 auditors consider 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 the Pawcatuck Neighborhood Center, Incorporated as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Pawcatuck Neighborhood Center, Incorporated's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 12, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hoyt, Filippetti & Malaghan, LLC

Groton, Connecticut
September 4, 2020

PAWCATUCK NEIGHBORHOOD CENTER, INCORPORATED
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(With Summarized Financial Information for 2019)

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 579,927	\$ 285,297
Accounts receivable	473	410
United Way pledges receivable, net of allowance for doubtful pledges of \$1,215 in 2020 and \$1,096 in 2019	48,540	47,365
Other pledges receivable	-	5,000
Deferred lease costs	50,500	50,500
Prepaid expense	12,860	14,352
Total current assets	692,300	402,924
PROPERTY AND EQUIPMENT, at cost		
Leasehold improvements	155,509	155,509
Furniture and fixtures	41,297	41,297
Office equipment	20,881	20,881
Software	7,500	7,500
Vehicles	66,183	126,804
	291,370	351,991
Less: accumulated depreciation and amortization	220,227	262,332
	71,143	89,659
OTHER ASSETS		
Art	28,000	28,000
Beneficial interest in charitable trust	17,035	16,612
Deferred lease costs	25,250	75,750
Deposits with others	14,415	-
Total other assets	84,700	120,362
Total assets	\$ 848,143	\$ 612,945

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 17,900	\$ 14,640
Accrued expense	15,022	10,738
Total current liabilities	32,922	25,378
NET ASSETS		
Without Donor Restrictions:		
Undesignated	533,128	271,847
Designated to function as an endowment	17,035	16,612
Designated as capital reserve	50,224	50,224
Total net assets without donor restrictions	600,387	338,683
With Donor Restrictions		
Total net assets	214,834	248,884
Total net assets	815,221	587,567
Total liabilities and net assets	\$ 848,143	\$ 612,945

The accompanying notes are an integral part of these financial statements.

PAWCATUCK NEIGHBORHOOD CENTER, INCORPORATED
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Financial Information for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUES				
Contributions:				
United Way	\$ 2,681	\$ 49,755	\$ 52,436	\$ 50,366
In-kind - donated food	770,919	-	770,919	779,030
Other	353,474	91,253	444,727	227,806
Grants and contracts	230,275	-	230,275	221,025
Program service fees and other:				
Program service fees	11,260	-	11,260	25,666
Membership fees	1,476	-	1,476	2,000
Thrift shop sales	34,777	-	34,777	-
Special events revenue	31,327	-	31,327	39,818
Less: costs of direct benefits to donors	4,560	-	4,560	9,249
Net revenue from special events	26,767	-	26,767	30,569
Interest income	158	-	158	131
Realized loss	-	-	-	(332)
Unrealized gain (loss)	-	-	-	117
Gain on sale of property and equipment	2,225	-	2,225	-
Change in value of beneficial interest in charitable trust	423	-	423	1,479
Net assets released from restrictions:				
Satisfaction of time restriction	98,961	(98,961)	-	-
Satisfaction of purpose restriction	76,097	(76,097)	-	-
Total revenues	1,609,493	(34,050)	1,575,443	1,337,857
EXPENSES				
Program services:				
Human Service programs	937,834	-	937,834	916,565
Neighborhood Enrichment programs	24,288	-	24,288	21,437
Transportation programs	94,569	-	94,569	110,436
Senior programs	102,189	-	102,189	129,055
Thrift shop	58,317	-	58,317	-
Total program services	1,217,197	-	1,217,197	1,177,493
Supporting services:				
Management and general	114,665	-	114,665	118,631
Special fundraising events	15,927	-	15,927	21,975
Total supporting services	130,592	-	130,592	140,606
Total expenses	1,347,789	-	1,347,789	1,318,099
Change in net assets	261,704	(34,050)	227,654	19,758
NET ASSETS, beginning of year	338,683	248,884	587,567	567,809
NET ASSETS, end of year	\$ 600,387	\$ 214,834	\$ 815,221	\$ 587,567

The accompanying notes are an integral part of these financial statements.

PAWCATUCK NEIGHBORHOOD CENTER, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Financial Information for 2019)

	2020										2019 Total
	PROGRAM SERVICES						SUPPORTING SERVICES				
	Human Service Programs	Neighborhood Enrichment Programs	Transportation Programs	Senior Programs	Thrift Shop	Total	Management and General	Special Fundraising Events	Total	Total	
Salaries	\$ 40,531	\$ 11,154	\$ 59,428	\$ 54,248	\$ 32,029	\$ 197,390	\$ 54,992	\$ 11,154	\$ 66,146	\$ 263,536	\$ 236,026
Payroll taxes and benefits	3,057	841	4,482	4,091	2,415	14,886	4,147	841	4,988	19,874	20,727
Total payroll related costs	43,588	11,995	63,910	58,339	34,444	212,276	59,139	11,995	71,134	283,410	256,753
Program expense and supplies	847,921	1,068	5,233	12,423	-	866,645	-	-	-	866,645	871,954
Occupancy	27,058	8,456	-	23,676	16,065	75,255	9,301	-	9,301	84,556	77,656
Insurance	-	-	17,193	-	-	17,193	4,367	-	4,367	21,560	27,155
Postage and printing	-	-	-	-	-	-	2,357	1,276	3,633	3,633	4,114
Office expense and supplies	1,103	345	-	965	3,203	5,616	18,904	-	18,904	24,520	21,562
Professional fees	-	-	-	-	-	-	9,940	-	9,940	9,940	9,968
Telephone	-	-	-	-	-	-	4,457	-	4,457	4,457	3,361
Advertising	-	-	-	-	-	-	736	2,656	3,392	3,392	4,070
Repairs and maintenance	1,596	499	-	1,396	947	4,438	549	-	549	4,987	5,519
Dues and subscriptions	-	-	-	-	-	-	1,781	-	1,781	1,781	1,421
Bad debt expense	-	-	-	-	-	-	1,017	-	1,017	1,017	67
Total expenses before depreciation	921,266	22,363	86,336	96,799	54,659	1,181,423	112,548	15,927	128,475	1,309,898	1,283,600
Depreciation and amortization	16,568	1,925	8,233	5,390	3,658	35,774	2,117	-	2,117	37,891	34,499
Total expenses	<u>\$ 937,834</u>	<u>\$ 24,288</u>	<u>\$ 94,569</u>	<u>\$ 102,189</u>	<u>\$ 58,317</u>	<u>\$ 1,217,197</u>	<u>\$ 114,665</u>	<u>\$ 15,927</u>	<u>\$ 130,592</u>	<u>\$ 1,347,789</u>	<u>\$ 1,318,099</u>

The accompanying notes are an integral part of these financial statements.

PAWCATUCK NEIGHBORHOOD CENTER, INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Financial Information for 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 227,654	\$ 19,758
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	37,891	34,499
Non-cash rent expense	50,500	50,500
Realized loss on investments	-	332
Unrealized gain on investments	-	(117)
Gain on sale of property and equipment	(2,225)	-
Change in value of beneficial interest in charitable trust	(423)	(1,479)
Changes in operating assets and liabilities:		
United Way pledges receivable, net	(1,175)	(55)
Other pledges receivable	5,000	2,500
Accounts receivable	(63)	(262)
Prepaid expense	1,492	(11,261)
Accounts payable	3,260	5,063
Accrued expense	4,284	(466)
Net cash provided by operating activities	326,195	99,012
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(19,375)	(9,567)
Proceeds from the sale of property and equipment	2,225	-
Increase in deposits with others	(14,415)	-
Proceeds from the sale of investments	-	2,578
Net cash used in investing activities	(31,565)	(6,989)
NET INCREASE IN CASH AND CASH EQUIVALENTS	294,630	92,023
CASH AND CASH EQUIVALENTS, beginning of year	285,297	193,274
CASH AND CASH EQUIVALENTS, end of year	\$ 579,927	\$ 285,297

The accompanying notes are an integral part of these financial statements.

PAWCATUCK NEIGHBORHOOD CENTER, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Pawcatuck Neighborhood Center, Incorporated (the Center) is a non-profit organization providing programs and services to youth, families and senior citizens in Stonington and North Stonington, Connecticut and Westerly, Rhode Island. The Center's programs consist of recreational and social events, client assessment and referral, free food distribution, volunteer coordination, and transportation. Support and revenue consists primarily of contributions, grants, and sales from its thrift shop.

PRIOR YEAR SUMMARIZED FINANCIAL INFORMATION

The financial statements include certain prior-year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's audited financial statements as of and for the year ended June 30, 2019, from which the summarized information was derived. Certain reclassifications have been made to the 2019 amounts to conform with the current year presentation.

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 and disclosures in the financial statements. Actual results could differ from those estimates.

NET ASSET CATEGORIES

To ensure observance of limitations and restrictions placed on the use of resources available to the Center, the accounts of the Center are maintained in the following net asset categories:

Without Donor Restrictions

Net assets without donor restrictions represent available resources other than donor-restricted contributions. The Board of Directors has designated net assets without donor restrictions for certain purposes as reflected on the statement of financial position.

With Donor Restrictions

Net assets with donor restrictions represent contributions and investment earnings thereon that are restricted by the donor either as to purpose or as to time of expenditure, or consist of contributions with the restriction that the principal be invested in perpetuity, and that only the earnings thereon be used for support of the Organization's operations.

PAWCATUCK NEIGHBORHOOD CENTER, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RECOGNITION OF SUPPORT AND REVENUE

Grants and Contracts

Grants and contracts are generally considered to be exchange transactions in which the grantor or contractor requires the performance of specific activities.

Entitlement to cost reimbursement grants and contracts is based on the expenditure of funds in accordance with grant restrictions. Therefore, revenue is recognized to the extent of grant expenditures. For performance-based grants and contracts, revenue is recognized to the extent of the performance achieved. Grant and contract receipts in excess of revenue recognized are presented as deferred grant revenue.

Contributions

Contributions are defined as voluntary, nonreciprocal transfers.

Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. Contributions are reported as restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the years in which the promises are received. Amortization of the discount is included in contribution support. Conditional promises to give are not recognized as support until the conditions are substantially met.

Donated Services

The Center recognizes donated services if they create or enhance nonfinancial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition in the financial statements. However, a substantial number of volunteers have donated significant amounts of time to the Center's programs.

No donated services have been recognized in the accompanying financial statements for the year ended June 30, 2020.

Donated Assets

Donated assets, including the usage of assets such as rent are recognized at their estimated fair market value.

PAWCATUCK NEIGHBORHOOD CENTER, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

RECOGNITION OF SUPPORT AND REVENUE *(Continued)*

Donated Assets *(Continued)*

The Center reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions in full when the donated or acquired long-lived assets are placed in service. During the year ended June 30, 2020, the Center did not receive any donated assets.

CASH EQUIVALENTS

For purposes of the statement of cash flows, the Center defines cash equivalents as highly liquid investments with an original maturity of three months or less. The Center has cash equivalents of \$483,388 as of June 30, 2020, which consisted of money market accounts.

PROPERTY AND EQUIPMENT

Property and equipment acquisitions and improvements thereon are capitalized at cost, if purchased, or at market or assessed value on the date of gift or bequest. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets.

Maintenance and repairs are charged to expense as incurred. The Center uses the direct expense method for any planned major maintenance activities.

Depreciation expense for the year ended June 30, 2020 was \$37,891.

BENEFICIAL INTEREST IN CHARITABLE TRUST

The Center's beneficial interest in a charitable trust (*see Note 3*) is carried at the present value of the estimated future cash receipts, which are measured by the fair market value of the underlying assets of the trust less allocable expenses as calculated by the Community Foundation of Eastern Connecticut, Inc. (Level 3 inputs as defined by GAAP). Changes in the value of the Center's beneficial interest serve to increase or decrease unrestricted net assets, as applicable.

EXPENSES BY FUNCTION

The costs of providing various programs and activities have been summarized on a functional basis in the accompanying statements of activities and presented in detail in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited (*see Note 10*).

PAWCATUCK NEIGHBORHOOD CENTER, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAXES

The Internal Revenue Service has determined that the Center is exempt from federal income taxes on exempt function income as a public charity under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes has been made in the accompanying financial statements. The federal tax return of the Center for the year ended June 30, 2020 is subject to examination by the IRS, generally for three years after it has been filed.

The Center did not recognize any liability for uncertain tax positions as defined by accounting principles generally accepted in the United States of America.

SALES TAX

The Center collects Connecticut sales tax from customers on the sale of taxable goods at its thrift shop. The Center remits the entire amount to the state. The Center's accounting policy is to exclude the sales tax collected and remitted to the state from revenue and expenses.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 4, 2020, which is the date the financial statements were available to be issued. There were no subsequent events identified that require disclosure.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The Center's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, United Way pledges receivable, and the beneficial interest in charitable trust.

Cash and Cash Equivalents

The Center places its cash deposits in high quality financial institutions. At times, the bank balances of these deposits may exceed federal depository insurance limits.

Accounts Receivable

Accounts receivable consists of immaterial amounts due from third parties and management believes they represent minimal concentration risk. Accordingly, management has not established an allowance for doubtful accounts for these receivables.

United Way Pledges Receivable

The United Way pledges receivable consist of amounts awarded directly from the United Way, as well as pledges designated to the Center from individuals as part of the United Way campaign. The Center has established an allowance for doubtful pledges based on past collection experience.

PAWCATUCK NEIGHBORHOOD CENTER, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - CONCENTRATIONS OF CREDIT RISK *(Continued)*

Beneficial Interest in Charitable Trust

Assets held by the charitable trust in which the Center has a beneficial interest are subject to risks of the securities markets as a whole.

NOTE 3 - FAIR VALUE MEASUREMENT

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The levels of the fair hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2

Inputs to the valuation method include: Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in active markets; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

Beneficial Interest in Charitable Trust

Beneficial interest in charitable trust is measured at the present value of expected future cash flows (Level 3 inputs).

There have been no changes in the methodologies used at June 30, 2020.

PAWCATUCK NEIGHBORHOOD CENTER, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The following is a summary of the source of fair value measurements for the Center's beneficial interests which is measured on a recurring basis as of June 30, 2020:

Description	Fair Value	Assets (Level 3)
<u>Beneficial Interest</u>	<u>\$ 17,035</u>	<u>\$ 17,035</u>

At June 30, 2020, the reconciliation of the fair market value of the beneficial interest in the Community Foundation (see *Note 4*) consists of the following:

Balance, June 30, 2019	\$ 16,612
Investment earnings (losses)	423
Balance, June 30, 2020	\$ 17,035

NOTE 4 - BENEFICIAL INTEREST IN CHARITABLE TRUST

The Center is a beneficiary of a charitable trust held by the Community Foundation of Eastern Connecticut, Inc. The Center maintains variance power over the assets contributed to the trust. An annual amount determined as a percentage of the total assets of the trust shall be distributed from the trust to the Center, which may be used for general purposes of the Center. This beneficial interest is designated by the Center's Board of Directors to function as an endowment (*See Note 6*).

NOTE 5 - DONATED SPACE

The Town of Stonington, Connecticut donates the use of the Center's facilities at 27 Chase Street under a five year \$1 lease renewed on January 1, 2017. The entire fair value of the lease, \$252,500, was recorded as a contribution with donor restrictions and deferred lease costs on the Center's 2017 financial statements. This contribution with donor restrictions will be released over the remainder of the lease term with the same amount recognized as rent expense.

NOTE 6 - BOARD DESIGNATED ENDOWMENT

The Center's board designated endowment consists of its beneficial interest in a charitable trust held by the Community Foundation of Eastern Connecticut, Inc. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

PAWCATUCK NEIGHBORHOOD CENTER, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 - BOARD DESIGNATED ENDOWMENT (Continued)

Interpretation of Relevant Law

The State of Connecticut adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

The philosophy contained in UPMIFA focuses on the following factors:

1. The duration and preservation of a fund
2. The purpose of the organization and the donor designations thereto
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return of the charitable assets
6. Other resources of the organization
7. The investment policies of the organization

Endowment net assets composition by type of fund as of June 30, 2020:

	Without Donor Restrictions
Beneficial interest in charitable trust	\$ 17,035
Total	\$ 17,035

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

	Without Donor Restrictions
Endowment net assets, beginning of year	\$ 16,612
Investment return:	
Investment income	-
Net appreciation (realized and unrealized)	423
Total investment return	423
Appropriation of assets for expenditures	-
Endowment net assets, end of year	\$ 17,035

PAWCATUCK NEIGHBORHOOD CENTER, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 - BOARD DESIGNATED ENDOWMENT (*Continued*)

Return Objectives and Risk Parameter

As the Center's beneficial interest is held by the Community Foundation of Eastern Connecticut, Inc. (the Foundation), the Center's investment and spending policies for endowment assets mirror those of the Foundation. These policies 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. Endowment assets include Board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Center expects its endowment funds, over time, to provide an average rate of return at least the rate of inflation annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Center 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 Center targets a diversified asset allocation that places a greater emphasis on equity based investments to achieve long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Center has a policy of appropriating for distribution each year four percent (4%) of its restricted endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Center considered the long-term expected return on its endowment. Accordingly, over the long-term, the Center expects the current spending policy to allow its endowment to grow at least at the rate of inflation annually. This is consistent with the Center's objective to maintain the purchasing power of the endowment assets held for a specified term as well as to provide additional real growth through new gifts and investment returns. The Center has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

NOTE 7 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Center's financial assets as of the statement of financial position date, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts that are not available also include board designated amounts that could be utilized if the Board of Trustees approved the use. However, amounts already appropriated from either the donor-restricted endowment or quasi-endowment for general expenditure within one year of the statement of financial position date have not been subtracted as unavailable.

PAWCATUCK NEIGHBORHOOD CENTER, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

Financial assets, at year-end:	
Cash and cash equivalents	\$ 579,927
Accounts receivable	473
United Way pledges receivable, net	48,540
Beneficial interest in charitable trust	17,035
	645,975
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	139,084
Board designations	67,259
Total unavailable	206,343
Financial assets available to meet cash needs for general expenditures within one year	\$ 439,632

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of contributions restricted for the following reasons:

Donated space	\$ 75,750
United Way	49,755
Food program	26,124
Bus purchase	10,000
Security system	2,336
Other programs	50,869
	\$ 214,834

Net assets with donor restrictions were released from donor restriction by satisfying the following restrictions:

Time restriction:	
Town of Stonington-donated space	\$ 50,500
United Way	48,461
	\$ 98,961
Purpose restrictions:	
Food assistance	\$ 33,776
Fuel assistance	6,450
Transportation and other programs	35,871
	\$ 76,097

PAWCATUCK NEIGHBORHOOD CENTER, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 - IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following:

Donated food	\$ 770,919
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NOTE 10 – METHODS USED FOR ALLOCATION OF EXPENSES AMONG FUNCTIONS

The financial statements of the Center report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and office and occupancy, which are both allocated on a square footage basis, as well as salaries and benefits, which are allocated on the basis of time and effort studies.