

**CHINESE-AMERICAN PLANNING
COUNCIL, INC.**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY REPORTS
RELATED TO OMB CIRCULAR A-133**

JUNE 30, 2012

**TCBA WATSON RICE LLP
CERTIFIED PUBLIC ACCOUNTANTS**

CHINESE-AMERICAN PLANNING COUNCIL, INC.
JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Chinese-American Planning Council, Inc.

We have audited the accompanying statement of financial position of Chinese-American Planning Council, Inc. (hereinafter referred to as "CPC"), as of June 30, 2012, and the related statements of support, revenues and expenses, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of CPC's management. 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, and the New York City Administration for Children's Services Single Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CPC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of CPC as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012 on our consideration of CPC'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 audits 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.

TCBA Watson Rice LLP

New York, New York
November 26, 2012

CHINESE-AMERICAN PLANNING COUNCIL, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
YEAR ENDED JUNE 30, 2012

Assets

Cash and cash equivalents (Note 3)	\$ 3,394,597
Grants and contracts receivable (Note 4)	2,097,760
Accounts receivable	620,426
Prepaid expenses and deposits	253,780
Investments (Note 5)	1,898,785
Due from affiliates (Note 6)	2,722,842
Memorial plots	62,409
Property and equipment - net (Note 7)	20,271
Total Assets	<u>\$11,070,870</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses (Note 8)	\$ 1,600,471
Refundable advances and deferred revenues (Note 9)	288,922
Other liabilities (Note 10)	3,841,874
Due to funding source	61,273
Total Liabilities	<u>5,792,540</u>

Net Assets (Note 12)

Unrestricted:

Board designated	244,580
Undesignated	4,945,225
	<u>5,189,805</u>
Temporarily restricted	15,269
Permanently restricted	73,256
Total Net Assets	<u>5,278,330</u>

Total Liabilities and Net Assets	<u>\$11,070,870</u>
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See notes to financial statements.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
STATEMENT OF SUPPORT, REVENUES AND EXPENSES
YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Government grants and contracts	\$ 14,609,729	\$ -	\$ -	\$14,609,729
Contributions and private grants	994,044	-	-	994,044
Service fees	1,662,962	-	-	1,662,962
Other income and public support	358,928	-	-	358,928
Investment income	14,348	11,528	-	25,876
Fundraising and events	1,097,592	-	1,660	1,099,252
	<u>18,737,603</u>	<u>11,528</u>	<u>1,660</u>	<u>18,750,791</u>
Net assets released from restrictions	-	-	-	-
Total Support and Revenues	<u>18,737,603</u>	<u>11,528</u>	<u>1,660</u>	<u>18,750,791</u>
Expenses				
<u>Program Services</u>				
Child care	5,999,762	-	-	5,999,762
Community services	4,199,349	-	-	4,199,349
Senior citizens' services	2,787,527	-	-	2,787,527
Youth services	2,960,400	-	-	2,960,400
Workforce	436,067	-	-	436,067
Literacy	96,283	-	-	96,283
Total Program Services	<u>16,479,388</u>	<u>-</u>	<u>-</u>	<u>16,479,388</u>
<u>Support Services</u>				
Management and general	2,296,655	-	-	2,296,655
Fundraising/development	230,610	-	-	230,610
Total Support Services	<u>2,527,265</u>	<u>-</u>	<u>-</u>	<u>2,527,265</u>
Total Expenses	<u>19,006,653</u>	<u>-</u>	<u>-</u>	<u>19,006,653</u>
Changes in Net Assets Before Transfer	(269,050)	11,528	1,660	(255,862)
Transfer of AAHMC Assets to CPC (Note 13)	<u>234,833</u>	<u>-</u>	<u>-</u>	<u>234,833</u>
Changes in Net Assets	(34,217)	11,528	1,660	(21,029)
Net Assets - Beginning of Year	<u>5,224,022</u>	<u>3,741</u>	<u>71,596</u>	<u>5,299,359</u>
Net Assets - End of the Year	<u>\$ 5,189,805</u>	<u>\$ 15,269</u>	<u>\$ 73,256</u>	<u>\$ 5,278,330</u>

See notes to financial statements.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	Program Services						Support Services			Total	
	Child Care	Community Services	Senior Citizens' Services	Youth Services	Workforce	Literacy	Total Program Services	Management and General	Fund- Raising	Total Support Services	Program & Support Services
Personnel Costs											
Salaries	\$ 4,059,928	\$ 2,461,503	\$ 1,565,110	\$ 1,917,589	\$ 292,152	\$ 78,314	\$ 10,374,596	\$ 744,872	\$101,890	\$ 846,762	\$ 11,221,358
Fringe benefits	719,549	672,762	205,506	441,815	83,550	17,619	2,140,801	507,355	31,243	538,598	2,679,399
Total Personnel Costs	4,779,477	3,134,265	1,770,616	2,359,404	375,702	95,933	12,515,397	1,252,227	133,133	1,385,360	13,900,757
Program Activities											
Educational materials	7,054	462	-	-	-	-	7,516	-	-	-	7,516
Food/non-food	410,511	10,198	628,721	9,921	-	-	1,059,351	855	-	855	1,060,206
Other program supplies	96,428	1,000	-	-	-	-	97,428	-	-	-	97,428
Participant expenses	-	69,658	22,414	21,890	-	-	113,962	-	-	-	113,962
Program services/fundraising	124,487	106,785	37,593	108,206	8,735	350	386,156	15,930	33,013	48,943	435,099
Professional Services											
Audit fees	-	-	-	-	-	-	-	67,500	-	67,500	67,500
Legal fees	-	-	-	-	-	-	-	11,170	-	11,170	11,170
Consultant	4,413	2,470	32,458	15,018	-	-	54,359	43,499	41,450	84,949	139,308
Payroll preparation	-	-	-	-	-	-	-	57,960	-	57,960	57,960
Occupancy Costs											
Rent	385,098	456,674	196,788	268,416	21,062	-	1,328,038	384,771	-	384,771	1,712,809
Utilities	20,694	46,091	7,620	21,577	1,356	-	97,338	23,417	-	23,417	120,755
Building maintenance and repairs	35,064	16,540	6,690	1,970	-	-	60,264	13,378	-	13,378	73,642
Others											
Supplies	59,023	71,452	41,371	53,191	2,103	-	227,140	3,831	-	3,831	230,971
Telephone	25,183	61,111	17,082	14,713	4,800	-	122,889	38,989	-	38,989	161,878
Internet maintenance	-	3,109	-	-	-	-	3,109	51,631	-	51,631	54,740
Insurance	-	-	-	-	-	-	-	170,341	-	170,341	170,341
Transportation/travel related	10,540	18,778	15,418	51,411	95	-	96,242	6,125	-	6,125	102,367
Equipment purchase/rental	19,845	47,472	10,500	26,994	21,862	-	126,673	6,604	1,700	8,304	134,977
Printing/postage/subscriptions	374	49,601	256	1,356	352	-	51,939	16,552	21,314	37,866	89,805
Promotion/public relations	4,870	18,596	-	-	-	-	23,466	32,169	-	32,169	55,635
Staff training/conference/advertising	16,701	79,421	-	-	-	-	96,122	2,300	-	2,300	98,422
Interest and loan fees	-	-	-	-	-	-	-	3,675	-	3,675	3,675
Depreciation and amortization	-	5,666	-	-	-	-	5,666	238	-	238	5,904
Bad debt expense	-	-	-	6,333	-	-	6,333	89,652	-	89,652	95,985
Miscellaneous	-	-	-	-	-	-	-	3,841	-	3,841	3,841
Total Expenses	\$ 5,999,762	\$ 4,199,349	\$ 2,787,527	\$ 2,960,400	\$ 436,067	\$ 96,283	\$ 16,479,388	\$ 2,296,655	\$ 230,610	\$ 2,527,265	\$ 19,006,653

See notes to financial statements.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012

Cash Flows from Operating Activities

Changes in net assets \$ (21,029)

Adjustments to reconcile changes in net assets to
net cash used in operating activities:

Depreciation and amortization 5,904

Contributions restricted for long-term purposes (1,660)

Investment income restricted for long-term investment (3,694)

Unrealized gains on investments (7,834)

(Increase) decrease in:

Grants and contracts receivable 303,366

Accounts receivable (496,942)

Prepaid expenses and deposits (24,990)

Due from affiliates (1,028,128)

Increase (decrease) in:

Accounts payable and accrued expenses 111,908

Refundable advances and deferred revenues 50,033

Due to funding source 61,273

Other liabilities (26,904)

Net cash used in operating activities (1,078,697)

Cash Flows from Investing Activities

Purchase of equipment (3,513)

Decrease in memorial plots 7,500

Net proceeds from sale of investments 1,567,001

Net cash provided by investing activities 1,570,988

Cash Flows from Financing Activities

Proceeds from contributions restricted for
investment in permanent endowment 1,660

Investment income restricted for permanent reinvestment 3,694

Cash provided by financing activities 5,354

Net increase in cash and cash equivalents 497,645

Cash and cash equivalents, beginning of year 2,896,952

Cash and cash equivalents, end of year \$ 3,394,597

See notes to financial statements.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. ORGANIZATION

Chinese-American Planning Council, Inc. ("CPC") is a not-for-profit corporation organized under the New York State not-for-profit corporation law. Its primary purpose is to provide multi-social and educational services to New York City's Chinese-American community. CPC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

CPC reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, described as follows:

Unrestricted net assets – Consists of net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets – Consists of assets whose use by CPC is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of CPC. The temporarily restricted assets include all revenues and contributions designated for program activities.

Permanently restricted net assets – Consists of assets whose use by CPC is subject to donor-imposed stipulations that the funds be maintained in perpetuity and only the interests earned from the investment of such funds may be released from restrictions and used in CPC's operations. CPC has \$73,256 in permanently restricted net assets as of June 30, 2012.

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

For financial statement purposes, CPC considers all cash and other highly liquid instruments with original maturities of three months or less to be cash equivalents.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments in marketable securities with determinable fair values and all investments in debt securities are reported at their fair value in the Statement of Assets, Liabilities and Net Assets. All gains and losses arising from the sale or other disposition of investments and other non-cash assets are accounted for in CPC's operating fund as unrestricted and are included in the accompanying statement of support, revenues and expenses as part of other income and public support and are accounted for as follows:

- Increases in permanently restricted net assets if the terms of the donation require that they be added to the principal of permanently restricted net assets;
- Increases in temporarily restricted net assets if the terms of the donation impose restrictions on the current use of the income or net gains; and,
- Increases in unrestricted net assets in all other cases.

Support and Revenues

Grants and contributions are recorded as revenues when received, or when amounts and collectibility are known, and considered to be available for unrestricted use unless specifically restricted by donors. Grants reimbursing expenditures are recognized as support for the amount expended during the period. Amounts received prior to the time related expenses were incurred are reflected as a liability to the funding source.

Property and Equipment

Property and equipment purchased with an acquisition cost of \$1,000 and above are carried at cost and those acquired by gifts and bequests are carried at appraised or fair market value at the date of the gift, less accumulated depreciation. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets.

Equipment purchased with funds provided through grant contracts under which title remains with the grantor are expensed at the time of purchase.

**CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Vacation Leave

In accordance with the rules set forth in CPC's personnel manual and other union regulations that supplant the rules of the personnel manual, CPC has accrued \$659,326 of vacation expense on its financial statements.

Contributed Services and Property

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period services are provided. A substantial number of volunteers have donated significant amounts of time to CPC's various program services; however, these donated services are not reflected in the financial statements since they do not meet the recognition criteria.

Interfund Obligations

Interfund obligations are currently payable and do not bear interest.

Allocation of Costs

Allocation of common costs to programs is based on actual usage and percentage of personnel time devoted to each program. Allocation of funds to programs is determined in accordance with the grant provisions.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

CPC is a not-for-profit corporation, exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for such taxes has been included in the accompanying financial statements.

Accounting for Uncertain Tax Positions

CPC adopted the provisions pertaining to uncertain tax positions (ASC 740). The adoption of ASC 740 did not have any impact on CPC's financial statements because there were no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Endowment Funds

CPC's endowment funds consist of two individual funds established for a variety of purposes and is reported in the permanently restricted net assets. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

CPC's Board of Directors has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds in the absence of explicit donor stipulations to the contrary. As a result of this interpretation, CPC classifies as permanently restricted net assets (a) the original value of gift donated to the permanent endowment, (b) the original value of subsequent gift to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CPC in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, CPC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of CPC, and (7) CPC's investment policies.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Endowment Funds – Continued

Investment Return Objectives, Risk Parameters and Strategies. CPC had adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4% to 5% while growing the funds if possible. Therefore, CPC expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. CPC shall expend income and appreciation on the fund on a total return basis in accordance with standards applicable under the New York State Not-for-Profit Corporation Law and NYPMIFA at a percentage of total return deemed prudent by the board. In establishing this policy, CPC considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. CPC expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 5% annually. This is consistent with CPC's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

3. CASH AND CASH EQUIVALENTS

The account consists of the following as of June 30, 2012:

Petty cash funds	\$ 5,378
Operating funds	594,510
Payroll funds	1,063,208
Short-term certificates of deposit	<u>1,731,501</u>
	<u>\$ 3,394,597</u>

CPC maintains cash balances at several banks. Accounts at each institution are insured by the Federal Depository Insurance Coverage (FDIC) up to \$250,000.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

4. GRANTS AND CONTRACTS RECEIVABLE

The account consists of the following as of June 30, 2012:

From government grants	\$ 1,966,443
From private foundations	131,317
	<u>\$ 2,097,760</u>

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at June 30, 2012 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level 2</u>
Certificates of deposit	\$ 1,522,015	\$ 1,522,015	\$ 1,522,015
Money market placements	104,424	104,424	104,424
Fixed income	220,831	254,709	254,709
Daily income fund	17,637	17,637	17,637
	<u>\$ 1,864,907</u>	<u>\$ 1,898,785</u>	<u>\$ 1,898,785</u>

Investments in certificates of deposit are carried at face value plus accrued earnings, which approximates its fair value. Fair values for investments in money market are determined based on net asset value of shares held by CPC at year-end. Fair values for investments in municipal bonds are determined based on bids, prices within the bid offer spread, closing prices or matrix methodology that uses data relating to other securities whose prices are more ascertainable to produce a hypothetical price based on the estimated yield spread relationship between the securities.

Investment income for the year ended June 30, 2012 is summarized as follows:

Dividends and interest	\$ 18,042
Net appreciation in fair value of fixed income fund	7,834
	<u>\$ 25,876</u>

CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

6. DUE FROM AFFILIATES

Due from affiliates as of June 30, 2012 consist of the following:

Due from affiliates:

Nan Shan Local Development Corporation	\$ 2,587,476
Chinese-American Planning Council Home Attendant Program, Inc.	193,915
Chinese-American Arts Council, Inc.	118,000
	<u>2,899,391</u>

Due to affiliates:

CPC Tribeca Center, Inc.	(57,297)
Chinese-American Local Development Corporation	(119,252)
	<u>(176,549)</u>
	<u>\$ 2,722,842</u>

7. PROPERTY AND EQUIPMENT

The account consists of the following as of June 30, 2012:

	Estimated Life	Amount
Leasehold improvements	5 years	\$ 203,298
Equipment	5 years	74,999
Furniture and fixtures	5 years	30,487
Vehicle	5 years	28,328
Total depreciable assets		337,112
Less: Accumulated depreciation and amortization		(316,841)
Property and Equipment, net		<u>\$ 20,271</u>

CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The account consists of the following as of June 30, 2012:

Vendor payables	\$ 363,698
Payroll and related taxes	<u>1,236,773</u>
	<u>\$ 1,600,471</u>

9. REFUNDABLE ADVANCES AND DEFERRED REVENUES

The account consists of the following as of June 30, 2012:

From government grants	\$ 82,923
From fee for service programs	<u>205,999</u>
	<u>\$ 288,922</u>

10. OTHER LIABILITIES

The account consists of the following as of June 30, 2012:

Custodial funds	\$ 2,982,818
Others	<u>859,056</u>
	<u>\$ 3,841,874</u>

Included in others of \$859,056 is the \$151,750 grant for Karen Liu Child Care Staff Development Fund which is composed of \$113,750 received from Ong Family Foundation and \$38,000 from Lin and Susie Chen Foundation.

Certain programs of CPC formed advisory committees to raise funds for related and specific purposes. Disbursements from these funds must have the authorization from their respective advisory committees. CPC's role is to oversee that the disbursements are in accordance with CPC's by-laws and the restrictions originally set forth by the committees.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

10. OTHER LIABILITIES – CONTINUED

As of June 30, 2012, the balances related to these activities, which are included in the accompanying financial statements, are as follows:

Cash and cash equivalents	\$ 1,420,654
Investments	1,499,755
Memorial plots	<u>62,409</u>
Total assets	2,982,818
Less: Total liabilities	<u>(2,982,818)</u>
Net Assets	<u>\$ -</u>

11. LEASES

CPC leases an office space at 150 Elizabeth Street, New York, New York under an operating lease, which commenced on June 1, 2004 and expired on May 31, 2009. The lease was modified and extended for a period of three years expiring on May 31, 2012. Effective June 1, 2012, a verbal agreement was made and the rent will be based on a monthly billing. It was also verbally agreed that both lessor and lessee will give a three-month notice regarding any anticipated changes to the agreement. Rental expense for the year ended June 30, 2012 amounted to \$277,522.

CPC's Day Care Centers are negotiating for renewal of lease agreements except for Chung Pak Day Care, which has an operating lease agreement for twenty eight (28) years that commenced on July 1, 1993 and will end on June 30, 2021, at an annual rate of \$111,500. Rental expense for the year ended June 30, 2012 amounted to \$111,500.

Rental expense incurred by other programs operated by CPC for the year ended June 30, 2012 amounted to \$1,420,846.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

12. NET ASSETS

Board Designated Net Assets

On November 14, 2007, CPC received \$600,000 from 365 Broadway Associates LLC, the Landlord, as compensation for the early termination and surrender of the lease agreement for its Community Services Program, effective April 19, 2007. The original lease agreement should have expired on October 31, 2007. This amount has since been designated by the Board to cover the following:

- a. costs to be incurred in leasing and renovating a new property for the program; and
- b. incremental rent expenses, in the event that the new location is to be leased at a higher rate.

As of June 30, 2012, total incremental costs incurred in relation to the new lease agreement amounted to \$355,420 and were offset against the \$600,000 payout received from the Landlord. Said funds are presented as part of CPC's unrestricted net assets that were designated by the Board to cover incremental rent expenses for the Community Services Program.

Temporarily Restricted and Permanently Restricted Net Assets

Permanently restricted net assets consist of endowment funds in the amount of \$73,256 at June 30, 2012.

The composition of and changes in donor-restricted endowment net assets as of June 30, 2012 are as follows:

	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 3,741	\$ 71,596	\$ 75,337
Contributions	-	1,660	1,660
Interest and dividends	3,694	-	3,694
Net appreciation	7,834	-	7,834
Endowment net assets, end of year	<u>\$ 15,269</u>	<u>\$ 73,256</u>	<u>\$ 88,525</u>

CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED

13. TRANSFER OF AAHMC ASSETS

During the fiscal year 2012, the Board of Directors has determined that it would be in the best interests of CPC to dissolve its affiliate, Asian American Housing Management Company, Inc. (“AAHMC”) and to transfer its assets to CPC and outsource the housing operations to TUC Management Company.

14. CONTINGENT LIABILITIES

Grants and revenues from services rendered are subject to audit by the government agencies. In the past, CPC has been audited by the New York City Department of Youth and Community Development (NYC DYCD), the New York City Administration for Children’s Services (NYC-ACS). Management indicated that there have been no reportable liabilities brought to its attention, and that there exists no material liabilities outstanding at the current time.

15. CONCENTRATIONS OF CREDIT RISKS

Financial instruments which potentially subject CPC to a concentration of credit risk are cash accounts with major financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

CPC receives a substantial portion of its revenue from the U.S. Department of Health and Human Services passed through NYC-ACS, the New York City Department for the Aging, as well as from the U.S. Department of Labor passed through the NYC DYCD. If for any reason these grantors discontinue funding, there is a risk that CPC will not be able to continue operations and provide the services that it currently does.

16. SUBSEQUENT EVENTS

CPC has evaluated subsequent events through November 26, 2012, the date which the financial statements were available to be issued. NYC-ACS ceased funding of the CPC Day Care Program effective September 30, 2012. The City Council of New York granted new contracts for the Day Care Programs starting October 1, 2012.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Grantor/Passed through Grantor/Program Title	Federal CFDA#	Pass Through Entity Identifying Number	Expenditures
<u>U.S. Department of Health and Human Services:</u>			
Passed through the City of New York <u>Administration for Children's Services</u>			
Child Care and Development Block Grant			
Day Care Programs	93.575	309	\$ 1,353,918
Infant Toddler	93.575	N/A	57,681
CCC & R	93.575	C025197	1,168,550
			<u>2,580,149</u>
Passed through the City of New York <u>Administration for Children's Services</u>			
Social Service Block Grant			
Asian Family Services	93.667	CT068-20120000279	<u>418,322</u>
Passed through the City of New York <u>Department for the Aging</u>			
Social Services Block Grant			
NY Chinatown Senior Center	93.667	20120001795	119,250
Project Open Door	93.667	20120000606	123,667
Queens Senior Citizen Center	93.667	20120001910	123,397
			<u>366,314</u>
			<u>784,636</u>
Passed through the City of New York <u>Department for the Aging</u>			
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations			
Medicare Outreach Program			
07/01/11-09/29/11	93.779	20121421905	12,219
09/30/11-06/30/12	93.779	20121445217	8,490
			<u>20,709</u>

See notes to schedule of expenditures of federal awards.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

Federal Grantor/Passed through Grantor/Program Title	Federal CFDA#	Pass Through Entity Identifying Number	Expenditures
<u>U.S. Department of Health and Human Services: – Continued</u>			
<u>Passed through Metropolitan Council on Jewish Poverty</u>			
State Child/Family Health Plus Program			
MCJP Child/Family Health Plus (B)			
07/01/11-12/31/11	93.767		\$ 20,779
01/01/12-06/30/12	93.767		18,658
			<u>39,437</u>
<u>Passed through the Children's Aid Society</u>			
Children's Health Insurance Program			
Children Health Plus/Family Health Plus (M)	93.767	N/A	11,644
			<u>51,081</u>
<u>Passed through the Fund for Public Health New York</u>			
ARRA Prevention and Wellness – Communities Putting			
Prevention to Work Funding Opportunities Announcement			
Smoke-Free Queens	93.724	48CHINE001	26,949
<u>Passed through New York State Office of Children and Family Services</u>			
Community-Based Child Abuse Prevention Grants			
Family Resource Center	93.590	C025420	21,608
Family Resource Center (Child Abuse Prevention)			
07/01/11 - 05/31/12	93.590	T011685	36,198
06/01/12 - 06/30/12	93.590	C026561	1,577
			<u>59,383</u>
<u>Passed through the City of New York Department of Youth and Community Development</u>			
Community Services Block Grant			
NDA Queens	93.569	840700/20100000538	74,977
NDA Manhattan	93.569	830301/20100000775	64,598
			<u>139,575</u>
<u>Passed through New York Department of State</u>			
Community Services Block Grant	93.569	C001406	67,101
			<u>206,676</u>

See notes to schedule of expenditures of federal awards.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

Federal Grantor/Passed through Grantor/Program Title	Federal CFDA#	Pass Through Entity Identifying Number	Expenditures
<u>U.S. Department of Health and Human Services: – Continued</u>			
Passed through New York State Office of Children and Family Services			
Temporary Assistance for Needy Families			
Silver Grant and Settlement House	93.558	C026077	\$ <u>101,593</u>
Passed through the City of New York Department for the Aging			
Aging Cluster			
Special Programs for the Aging - Title III, Part B – Grants for Supportive Services and Senior Centers			
Queens Senior Citizens Center	93.044	20120001910	4,433
NY Chinatown Senior Center	93.044	20120001795	64
Special Programs for the Aging - Title III, Part C – Nutrition Services			
NY Chinatown Senior Center	93.045	20120001795	25,766
Project Open Door	93.045	20120000606	60,281
Queens Senior Citizens Center	93.045	20120001910	42,995
Nutrition Services Incentive Program			
NY Chinatown Senior Center	93.053	20120001795	54,281
Project Open Door	93.053	20120000606	51,207
Queens Senior Citizens Center	93.053	20120001910	<u>31,168</u>
Total Aging Cluster			<u>270,195</u>
Total for U.S. Department of Health & Human Services			<u>4,101,371</u>

See notes to schedule of expenditures of federal awards.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

Federal Grantor/Passed through Grantor/Program Title	Federal CFDA#	Pass Through Entity Identifying Number	Expenditures
<u>U.S. Department of Education:</u>			
Passed through the State of New York <u>Department of Education</u>			
21st Century Community Learning Center	84.287	0187-12-5007	\$ 124,688
Total U.S. Department of Education			<u>124,688</u>
<u>U.S. Department of Labor:</u>			
<u>U.S. Department of Labor/Employment and Training Administration</u>			
WIA Pilots, Demonstrations, and Research Projects Earmark	17.261	18916-09-60-A-36	<u>29,079</u>
Passed through the City of New York Department <u>of Youth and Community Development</u>			
WIA Cluster			
WIA Youth Activities			
In School Youth Brooklyn 09/01/09-08/31/10 Extended (07/01/11-08/31/11)	17.259	20100009239	298
In School Youth Queens 09/01/09-08/31/10 Extended (07/01/11-08/31/11)	17.259	20100008052	605
In School Youth Manhattan 09/01/09-08/31/10 Extended (07/01/11-08/31/11)	17.259	20100008030	1,061
In School Youth Stimulus Brooklyn 09/01/09-08/31/10 Extended (07/01/11-08/31/11)	17.259	20100009239	374
In School Youth Stimulus Queens 09/01/09-08/31/10 Extended (07/01/11-08/31/11)	17.259	20100008052	102
In School Youth Stimulus Manhattan 09/01/09-08/31/10 Extended (07/01/11-08/31/11)	17.259	20100008030	513
OST High School Queens 09/01/09-08/31/10 Extended (07/01/11-08/31/11)	17.259	20100011367	2,008
09/01/10-08/31/11 Extended (07/01/11-06/30/12)	17.259	20100011367	16,461
09/01/11-06/30/12	17.259	20100011367	58,719

See notes to schedule of expenditures of federal awards.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

Federal Grantor/Passed through Grantor/Program Title	Federal CFDA#	Pass Through Entity Identifying Number	Expenditures
<u>U.S. Department of Labor: – Continued</u>			
Passed through the City of New York Department of Youth and Community Development			
<u>WIA Cluster</u>			
OST High School Manhattan			
09/01/09-08/31/10 Extended (07/01/11-08/31/11)	17.259	20100011114	\$ 3,640
09/01/10-08/31/11 Extended (07/01/11-06/30/12)	17.259	20100011114	22,434
09/01/11-06/30/12	17.259	20100011114	101,369
SYEP Summer Jobs Express (Manhattan)	17.259	20090033538	15,671
SYEP Summer Jobs Express (Queens)	17.259	20090033565	34,855
YEP/In-School (SYEP) (Brooklyn)	17.259	20090033558	6,290
YEP/In-School (SYEP) (Manhattan)	17.259	20090033538	21,749
Total WIA Cluster			286,149
<u>Passed through the Senior Service America, Inc.</u>			
Senior Community Service Employment Program	17.235	139	644,459
SCSEP - CAA	17.235	139	107,998
			752,457
Total for U.S. Department of Labor			1,067,685
<u>U.S. Department of Justice:</u>			
Passed through the New York State Division of Criminal Justice Services			
Edward Byrne Memorial Justice Assistance Grant Program			
07/01/11-12/31/11	16.738	C632373	54,277
01/01/12-06/30/12	16.738	C632547	5,188
			59,465
Total for U.S. Department of Justice			59,465

See notes to schedule of expenditures of federal awards.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

Federal Grantor/Passed through Grantor/Program Title	Federal CFDA#	Pass Through Entity Identifying Number	Expenditures
<u>U.S. Department of Housing and Urban Development (HUD):</u>			
<u>Passed through the Lower Manhattan Development Corporation</u>			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii Community Outreach and Public Education	14.228	6584	<u>\$ 103,587</u>
<u>Passed through the City of New York Department for the Aging</u>			
Community Development Block Grants/Entitlement Grants NY Chinatown Senior Center	14.218	20120001795	<u>10,500</u>
Total for U.S. Department of HUD			<u>114,087</u>
<u>U.S. Department of Agriculture (USDA):</u>			
<u>Passed through the Hunger Solutions New York</u>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Nutrition Outreach and Education Program	10.561	C021045	<u>36,946</u>
<u>Passed through the State of New York Department of Health</u>			
Child and Adult Care Food Program			
07/01/11-09/30/11	10.558	03111	159,642
10/01/11-06/30/12	10.558	03111	313,420
			<u>473,062</u>
Total for USDA			<u>510,008</u>
Total Federal Expenditures			<u>\$ 5,977,304</u>

See notes to schedule of expenditures of federal awards.

CHINESE-AMERICAN PLANNING COUNCIL, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of CPC under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of CPC, it is not intended to and does not present the financial position, changes in net assets or cash flows of CPC.

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 OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. DAY CARE PROGRAMS

The expenditures of \$1,353,918 in the schedule represent the Federal portion of the \$2,219,537 total Day Care Programs' expenditures. For the year ended June 30, 2012, the levels of funding provided for the programs are as follows:

	<u>Percentage</u>	<u>Amount</u>
Federal	61%	\$ 1,353,918
New York State	8%	177,563
New York City	31%	688,056
Total	<u>100%</u>	<u>\$ 2,219,537</u>

**INDEPENDENT AUDITOR'S 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
Chinese-American Planning Council, Inc.

We have audited the financial statements of Chinese-American Planning Council, Inc. ("CPC"), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 26, 2012. 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.

Internal Control over Financial Reporting

Management of CPC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered CPC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CPC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CPC's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

INDEPENDENT AUDITOR'S 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 CPC's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Directors, management of CPC, and federal awarding agencies and pass-through entities listed in the accompanying Schedule of Expenditures of Federal Awards, and are not intended to be and should not be used by anyone other than those specified parties.

TCBA Watson Rice LLP

New York, New York
November 26, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of
Chinese-American Planning Council, Inc.

Compliance

We have audited Chinese-American Planning Council, Inc.'s compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of CPC's major federal programs for the year ended June 30, 2012. CPC's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of CPC's management. Our responsibility is to express an opinion on CPC's compliance based on our audit.

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 OMB Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations.*" Those standards and OMB Circular A-133 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 CPC'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. Our audit does not provide a legal determination on CPC's compliance with those requirements.

In our opinion, CPC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 – CONTINUED

Internal Control over Compliance

Management of CPC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered CPC's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, 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 CPC'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management of CPC, and federal awarding agencies and pass-through entities listed in the accompanying Schedule of Expenditures of Federal Awards, and are not intended to be and should not be used by anyone other than those specified parties.

TCBA Watson Rice LLP

New York, New York
November 26, 2012

CHINESE-AMERICAN PLANNING COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? yes ✓ none reported

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? yes ✓ none reported

Type of auditor’s report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required to be reported
in accordance with Section 510(a) of OMB Circular A-133? yes ✓ no

Identification of Major Programs

<u>CFDA No.</u>	<u>Name of Federal Program or Cluster</u>
93.575	Child Care and Development Block Grant
17.235	Senior Community Service Employment Program
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? ✓ yes no

CHINESE-AMERICAN PLANNING COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

SECTION II – FINANCIAL STATEMENT FINDINGS

Current Year

None noted.

Prior Year

None noted.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Current Year

None noted.

Prior Year

None noted.