Association to Benefit Children and Affiliate

Combining Financial Statements
Year Ended June 30, 2016

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Combining Financial Statements

Year Ended June 30, 2016

Contents

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Independent Auditor's Report

To the Board of Directors
Association to Benefit Children and Affiliate
New York, New York

We have audited the accompanying combining financial statements of Association to Benefit Children and Affiliate ("ABC and Affiliate"), which comprise the combining statement of financial position as of June 30, 2016, and the related combining statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combining financial statements.

Management's Responsibility for the Combining Financial Statements

Management is responsible for the preparation and fair presentation of these combining 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 combining financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combining 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 combining financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining 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 combining 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 combining 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 combining financial statements referred to above present fairly, in all material respects, the combining statement of financial position of Association to Benefit Children and Affiliate as of June 30, 2016, and the change in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The combining financial statements of ABC and Affiliate as of June 30, 2015 have been restated. As discussed in Note 14 to the combining financial statements, the June 30, 2015 net assets have been restated to reverse a contribution revenue related to an accrual for contributions recorded at year-end that pertains to the next fiscal period. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited ABC and Affiliate's 2015 combining financial statements and our report, dated February 2, 2015, expressed an unmodified opinion on those audited combining financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited combining financial statements from which it has been derived.

BDO USA, LLP

January 27, 2017

Association to Benefit Children and Affiliate

Combining Statement of Financial Position
(with comparative totals for 2015)

June 30,

	ABC	HDFC	Eliminations	Combined Totals 2016	Combined Totals 2015
					(As Restated)
Assets					
Current:					
Cash and cash equivalents (Notes 3 and 4)	$ 2,802,448	$ 191,991	$ -	**$ 2,994,439**	$ 2,840,141
Investments at fair value (Notes 3, 4 and 5)	6,380,346	-	-	**6,380,346**	6,391,610
Grants receivable	-	-	-	**-**	59,916
Accounts receivable (Note 3)	2,168,544	10,224	-	**2,178,768**	1,776,716
Due from affiliate (Note 7)	485,239	-	(485,239)	**-**	-
Rent receivable	-	33,827	-	**33,827**	27,957
Prepaid expenses and other assets	204,143	-	-	**204,143**	530,374
Total Current Assets	12,040,720	236,042	(485,239)	**11,791,523**	11,626,714
Cash Surrender Value of Life Insurance Policy (Note 13)	614,590	-	-	**614,590**	588,279
Other Assets	17,847	-	-	**17,847**	5,397
Fixed Assets, Net (Notes 3, 6 and 8)	7,379,100	376,904	-	**7,756,004**	8,476,102
	$20,052,257	**$ 612,946**	**$(485,239)**	**$20,179,964**	$20,696,492
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable and accrued expenses	$ 332,362	$ 159,767	$ -	**$ 492,129**	$ 419,996
Accrued compensation	477,954	-	-	**477,954**	686,745
Due to affiliate (Note 7)	-	485,239	(485,239)	**-**	-
Deferred tuition revenue (Note 3)	738,038	-	-	**738,038**	536,744
Deferred compensation (Note 9)	585,115	-	-	**585,115**	524,752
Total Current Liabilities	2,133,469	645,006	(485,239)	**2,293,236**	2,168,237
Long-term Debt (Note 8)	-	877,240	-	**877,240**	877,240
Total Liabilities	2,133,469	1,522,246	(485,239)	**3,170,476**	3,045,477
Commitments and Contingencies (Notes 3, 8, 9, 10 and 13)					
Net Assets (Notes 3 and 11):					
Unrestricted:					
General	10,183,945	(909,300)	-	**9,274,645**	9,261,695
Land, building and equipment	7,379,100	-	-	**7,379,100**	8,041,113
Total Unrestricted Net Assets	17,563,045	(909,300)	-	**16,653,745**	17,302,808
Temporarily restricted	355,743	-	-	**355,743**	348,207
Total Net Assets	17,918,788	(909,300)	-	**17,009,488**	17,651,015
	$20,052,257	**$ 612,946**	**$(485,239)**	**$20,179,964**	$20,696,492

See accompanying notes to combining financial statements.

Association to Benefit Children and Affiliate

Combining Statement of Activities
(with comparative totals for 2015)

Year ended June 30,

	ABC					Combined Totals	
	Unrestricted	Temporarily Restricted	Total	HDFC Unrestricted	Eliminations	**2016**	2015
							(As Restated)
Operating Revenues:							
Government grants	$11,834,297	$ -	$11,834,297	$ 122,257	$ -	**$11,956,554**	$10,320,111
Contributions and private grants	2,487,337	1,587,346	4,074,683	-	-	**4,074,683**	3,562,473
Tuition and client fees	1,114,858	-	1,114,858	-	-	**1,114,858**	1,175,550
Rental income (Note 3)	-	-	-	116,658	(21,060)	**95,598**	113,720
Other income	468,769	-	468,769	-	-	**468,769**	426,457
Net assets released from restrictions (Note 12)	1,579,810	(1,579,810)	-	-	-	**-**	-
Total Operating Revenues	17,485,071	7,536	17,492,607	238,915	(21,060)	**17,710,462**	15,598,311
Expenses:							
Program services:							
Early childhood programs	11,253,918	-	11,253,918	-	(21,060)	**11,232,858**	10,862,151
Wrap-around services	4,044,149	-	4,044,149	-	-	**4,044,149**	2,967,928
Other programs	-	-	-	322,363	-	**322,363**	322,011
Total Program Services	15,298,067	-	15,298,067	322,363	(21,060)	**15,599,370**	14,152,090
Supporting services:							
Management and general	2,143,896	-	2,143,896	-	-	**2,143,896**	1,991,386
Development and fundraising	330,264	-	330,264	-	-	**330,264**	368,353
Total Supporting Services	2,474,160	-	2,474,160	-	-	**2,474,160**	2,359,739
Total Expenses	17,772,227	-	17,772,227	322,363	(21,060)	**18,073,530**	16,511,829
Loss From Operations Before Support and Nonoperating Revenues	(287,156)	7,536	(279,620)	(83,448)	-	**(363,068)**	(913,518)
Support and Nonoperating Revenues:							
Unrealized gain (loss) on investments	261,560	-	261,560	-	-	**261,560**	(275,515)
Realized gain (loss) on investments	(298,546)	-	(298,546)	-	-	**(298,546)**	198,432
Interest income	158,266	-	158,266	-	-	**158,266**	140,545
Prior year revenue (expense) (Note 3)	(399,739)	-	(399,739)	-	-	**(399,739)**	30,603
Total Support and Nonoperating Revenue	(278,459)	-	(278,459)	-	-	**(278,459)**	94,065
Change in Net Assets	(565,615)	7,536	(558,079)	(83,448)	-	**(641,527)**	(819,453)
Net Assets, Beginning of Year (Restated Note 14)	18,128,660	348,207	18,476,867	(825,852)	-	**17,651,015**	18,470,468
Net Assets, End of Year	**$17,563,045**	**$ 355,743**	**$17,918,788**	**$(909,300)**	**$ -**	**$17,009,488**	$17,651,015

See accompanying notes to combining financial statements.

Association to Benefit Children and Affiliate

Combining Statement of Functional Expenses
(with comparative totals for 2015)

Year ended June 30,

	Program Services			Supporting Services						Combined Totals	
	Early Childhood Programs	Wrap-Around Services	Total	Management and General	Program Development and Fundraising	Total	ABC	HDFC	Eliminations	**2016**	2015
Expenses:											
Employee salaries	$ 5,461,758	$2,020,257	$ 7,482,015	$1,059,288	$190,836	$1,250,124	$ 8,732,139	$129,673	$ -	**$ 8,861,812**	$ 8,158,233
Employee benefits and taxes	1,796,657	667,557	2,464,214	468,621	61,196	529,817	2,994,031	30,609	-	**3,024,640**	2,644,725
Total Salaries and Related Expenses	7,258,415	2,687,814	9,946,229	1,527,909	252,032	1,779,941	11,726,170	160,282	-	**11,886,452**	10,802,958
Transportation and worker's expense	118,543	75,683	194,226	27,459	34,719	62,178	256,404	3,552	-	**259,956**	242,817
Client assistance and activities	101,871	61,213	163,084	4,833	9,855	14,688	177,772	2,960	-	**180,732**	183,301
Purchase of services	1,636,297	96,487	1,732,784	95,241	26,683	121,924	1,854,708	3,636	-	**1,858,344**	1,583,497
Food and clothing	365,973	74,614	440,587	5,236	139	5,375	445,962	-	-	**445,962**	504,719
Bedding, linen and supplies	169,478	167,143	336,621	103,285	449	103,734	440,355	2,999	-	**443,354**	275,388
Rent (Notes 3 and 10)	118,855	37,350	156,205	-	-	-	156,205	6,859	(21,060)	**142,004**	93,225
Utilities	111,864	46,396	158,260	15,713	-	15,713	173,973	12,798	-	**186,771**	208,257
Repairs and maintenance	455,635	378,990	834,625	68,129	424	68,553	903,178	31,128	-	**934,306**	890,061
Telephone/fax	43,283	43,032	86,315	11,763	311	12,074	98,389	3,533	-	**101,922**	101,947
Office and medical supplies	212,830	71,454	284,284	63,821	1,164	64,985	349,269	200	-	**349,469**	328,020
Professional fees	8,682	35,725	44,407	121,213	1,330	122,543	166,950	18,000	-	**184,950**	188,629
Insurance	128,277	45,654	173,931	15,226	3,158	18,384	192,315	6,892	-	**199,207**	194,966
Real estate water and sewer taxes	34,171	2,002	36,173	622	-	622	36,795	2,667	-	**39,462**	39,139
Depreciation and amortization	489,744	220,592	710,336	83,446	-	83,446	793,782	58,085	-	**851,867**	866,133
Interest expense	-	-	-	-	-	-	-	8,772	-	**8,772**	8,772
Total Expenses	**$11,253,918**	**$4,044,149**	**$15,298,067**	**$2,143,896**	**$330,264**	**$2,474,160**	**$17,772,227**	**$322,363**	**$(21,060)**	**$18,073,530**	$16,511,829

See accompanying notes to combining financial statements.

Association to Benefit Children and Affiliate

Combining Statement of Cash Flows
(with comparative totals for 2015)

Year ended June 30,

	ABC	HDFC	Eliminations	Combined Totals 2016	Combined Totals 2015
					(As Restated)
Cash Flows From Operating Activities:					
Change in net assets	$ (558,079)	$ (83,448)	$ -	**$ (641,527)**	$ (819,453)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Depreciation and amortization	793,782	58,085	-	**851,867**	866,133
Donated securities	(100,189)	-	-	**(100,189)**	-
Realized loss (gain) on investments	298,546	-	-	**298,546**	(198,432)
Unrealized (gain) loss on investments	(261,560)	-	-	**(261,560)**	275,515
(Increase) decrease in:					
Grants receivable	59,916	-	-	**59,916**	(351,135)
Accounts receivable	(409,934)	7,882	-	**(402,052)**	253,422
Due from affiliate	(125,367)	-	125,367	**-**	-
Rent receivable	-	(5,870)	-	**(5,870)**	(19,607)
Prepaid expenses and other assets	326,231	-	-	**326,231**	(110,980)
Cash surrender value of life insurance policy	(26,311)	-	-	**(26,311)**	(3,678)
Other assets	(12,450)	-	-	**(12,450)**	
Increase (decrease) in:					
Accounts payable and accrued expenses	63,361	8,772	-	**72,133**	35,368
Accrued compensation	(208,791)	-	-	**(208,791)**	(344,147)
Due to affiliate	-	125,367	(125,367)	**-**	-
Deferred tuition revenue	201,294	-	-	**201,294**	(90,855)
Deferred compensation	60,363	-	-	**60,363**	57,228
Net Cash Provided By (Used In) Operating Activities	100,812	110,788	-	**211,600**	(450,621)
Cash Flows From Investing Activities:					
Proceeds from sale of investments	1,796,884	-	-	**1,796,884**	1,128,275
Purchases of investments	(1,722,419)	-	-	**(1,722,419)**	(1,125,956)
Purchases of fixed assets	(131,767)	-	-	**(131,767)**	(215,844)
Net Cash Provided By (Used In) Investing Activities	(57,302)	-	-	**(57,302)**	(213,525)
Net Increase (Decrease) in Cash and Cash Equivalents	43,510	110,788	-	**154,298**	(664,146)
Cash and Cash Equivalents, Beginning of Year	2,758,938	81,203	-	**2,840,141**	3,504,287
Cash and Cash Equivalents, End of Year	**$ 2,802,448**	**$191,991**	**$ -**	**$ 2,994,439**	$ 2,840,141

See accompanying notes to combining financial statements.

1. Nature of the Organization

The Association to Benefit Children ("ABC"), a not-for-profit organization, provides services to children and families in the New York Metropolitan area. ABC was founded as a force to challenge and change the myriad of assaults to children, including, but not limited to, hunger, poverty, homelessness, physical and emotional abuse, abandonment, substandard housing, failing schools and substance abuse which endanger their welfare and undermine their future. These perils have shaped ABC's course, spurring the formation of humane, cost-effective, replicable model programs that help children and families reach their fullest potential.

ABC is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, is not subject to Federal income taxes.

The Association to Benefit Children - Housing Development Fund Corporation ("HDFC") (a not-for-profit corporation) was organized to operate a low-income housing project. HDFC acquired and renovated a building located at 318 East 116th Street in New York City, named the ABC-HDFC Apartments. The funds to finance the project were received under a mortgage with the City of New York Department of Housing Preservation and Development ("HPD") for the needy and persons of low income.

2. Principles of Combination

The accompanying combining financial statements include the accounts of ABC and HDFC (collectively, "ABC and Affiliate") which are related by certain common members of the Board of Trustees and identical management.

All intercompany balances and transactions have been eliminated in combination.

3. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of ABC and Affiliate have been prepared on the accrual basis. In the combining statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

(b) Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Income from investment gains and losses, including unrealized gains and losses, dividends, interest and other investments should be reported as increases (or decreases) in unrestricted net assets unless the use of the income received is limited by donor-imposed restrictions.

These classes are defined as follows:

(i) **Permanently Restricted** - Net assets resulting from contributions and other inflows of assets whose use by ABC and Affiliate is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

(ii) **Temporarily Restricted** - Net assets resulting from contributions and other inflows of assets whose use by ABC and Affiliate is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

(iii) **Unrestricted -** The part of net assets that is neither permanently nor temporarily restricted by donor or board-imposed stipulations. The unrestricted net assets are used to account for all resources over which the Board of Directors has discretionary control.

As of June 30, 2016, ABC had no permanently-restricted net assets.

(c) Cash and Cash Equivalents

ABC and Affiliate consider all highly liquid investments purchased with a maturity of three months or less, other than those held in marketable securities portfolios and long-term investments, to be cash and cash equivalents.

(d) Revenue Recognition

Revenue from governmental grants, primarily from the U.S. Department of Health and Human Services and New York City Department of Health and Mental Hygiene, is recognized as the expenditures for each contract are incurred. All grant monies received in excess of revenue earned are recorded as deferred revenue. Revenue from fee for service programs, primarily from the New York City Administration for Children's Services and the New York City Department of Education, is recognized as it is earned.

Reimbursements are subject to audit and retroactive adjustment by the respective third party fiscal intermediary. Revenue from retroactive adjustments is recognized in the year the adjustments are made.

(e) Investments

Investments primarily consist of marketable equity securities, mutual funds and fixed income funds. Investments are adjusted to their fair market value at the combining statement of financial position date, resulting in either an unrealized gain or loss. Investments donated to ABC are recorded at fair market value at the date of receipt. Gains and losses on investments are recognized on disposal at the trade date.

(f) Fair Value Measurements

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, "Fair Value Measurement," establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace would use in pricing of ABC's assets or liabilities based on independently derived and objectively determined market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of ABC are traded. ABC estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers administering each investment based on the best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly.

Level 3 – Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

(g) Allowance for Doubtful Accounts

ABC and Affiliate provide an allowance for doubtful accounts for accounts receivable, which is ABC and Affiliate's best estimate of the amount of probable credit losses in HDFC's existing accounts receivable. Such estimate is based on management's assessments of the creditworthiness for its donors and funding sources, as well as current economic conditions and historical information. Management believes accounts receivable are fully collectible and no allowance is deemed necessary at June 30, 2016.

(h) Fixed Assets

The cost of fixed assets is depreciated over the estimated useful lives of the assets using the straight-line method. Leasehold and building improvements are amortized over the lesser of the life of the lease or asset.

Equipment purchases are capitalized if the cost, or fair value at date of donation, is $1,000 or more and the useful life is greater than one year. The cost of equipment and leasehold improvements financed by government funding sources is expensed when incurred if the contractual agreement specifies that title to these assets rests with the governmental funding source rather than ABC and Affiliate. The estimated useful lives of the assets are as follows:

Building	25 - 27.5 years
Building improvements	10 - 20 years
Furniture and equipment	3 - 10 years

Leasehold improvements are amortized over the term of the lease or the life of the improvement, whichever is less.

(i) Impairment of Long-Lived Assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairment losses for the year ended June 30, 2016.

(j) Income Taxes

ABC and Affiliate are exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC") and, therefore, has made no provision for income taxes in the accompanying combining financial statements. In addition, ABC and Affiliate have been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the IRC. There was no unrelated business income for the year ended June 30, 2016.

Under ASC 740, "Income Taxes," an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. ABC and Affiliate do not believe they have taken any material uncertain tax positions and, accordingly, they have not recorded any liability for unrecognized tax benefits. ABC and Affiliate have filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, ABC and Affiliate have filed Internal Revenue Service ("IRS") Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2016, there was no interest or penalties recorded or included in the statement of activities. ABC and Affiliate are subject to routine audits by a taxing authority. As of June 30, 2016, ABC and Affiliate were not subject to any examination by a taxing authority. Management believes they are no longer subject to income tax examination for the years prior to June 30, 2013.

(k) Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

(l) Rental Income

HDFC receives apartment rent from various individual tenants and ABC, for the use of office and school space in its building located at 318 East 116th Street, New York. Rental income is recognized as earned on a straight-line basis over the term that HDFC provides occupancy to the tenants. Total rental income for the year ended June 30, 2016 amounted to $116,658 and the amount pertaining to ABC's rent is $21,060 which is eliminated in the combining financial statements.

(m) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on specific identification or allocation rates.

(n) Concentration of Credit Risk

Financial instruments which potentially subject ABC and Affiliate to concentration of credit risk consist primarily of cash and cash equivalents and investments. At various times, ABC and Affiliate have cash deposits at financial institutions, which exceed the FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

(o) Government Contracts

ABC and Affiliate are being funded by various government agencies, under contracts, which generally cover a three year period, subject to renewal on an annual basis. The terms of these contracts give the grantor the right to audit the costs incurred thereunder and adjust contract funding based upon the amount of funding received. Any costs disallowed by the grantor would be absorbed by ABC and Affiliate and adjustments by the grantors would be recorded when amounts are known; however, in the opinion of management, disallowances and adjustments, if any, would be immaterial and would not have an adverse effect on the financial position of ABC and Affiliate.

(p) Comparative Financial Information

The combining financial statements include certain prior year summarized comparative information. With respect to the combining statement of financial position, combining statement of activities and combining statement of cash flows, the prior year amounts are presented on a combined basis rather than by affiliate. With respect to the combining statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. 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 ABC and Affiliate's combining financial statements for the year ended June 30, 2015, from which the summarized information was derived.

(q) Reclassifications

Certain reclassifications have been made to the 2015 financial statements in order to conform to the 2016 presentation.

(r) New Accounting Pronouncements

(i) Accounting for Leases

On February 25, 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, "Leases," which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for nonpublic business entities for fiscal years beginning after December 15, 2019 and ABC and Affiliate are currently evaluating the impact of the pending adoption of ASU 2016-02.

(ii) Accounting Standards Update No. 2015-07 — Fair Value Measurement (Topic 820)

ASC 820 permits a reporting entity, as a practical expedient, to measure the fair value of certain investments using the net asset value ("NAV") per share of the investment. Currently, investments valued using the practical expedient are categorized within the fair value hierarchy on the basis of whether the investment is redeemable with the investee at NAV on the measurement date, never redeemable with the investee at NAV, or redeemable with the investee at NAV at a future date. To address the diversity in practice related to how certain investments measured at NAV with future redemption dates are categorized, the amendments in this Update remove the requirement to categorize investments for which fair values are measured using the NAV per share practical expedient. It also limits disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. The amendments are effective retrospectively for all nonpublic entities for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. ABC and Affiliate are currently evaluating the impact of the adoption of ASU 2015-07.

(iii) Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued ASU 2016-14 to improve the presentation of financial statements of not-for-profit entities. ASU 2016-14 impacts all not-for-profit entities in the scope of Topic 958, as well as health care entities subject to the nonprofit guidance in Topic 954. This is the first major change to the nonprofit financial statement model in over 20 years, which is intended to provide more useful information to donors, grantors and other users. The ASU becomes effective for fiscal years beginning after December 15, 2017. ABC and Affiliate are currently evaluating the impact of the adoption of ASU 2016-14.

4. Investments and Fair Value Measurements

Cost and respective fair values of investments at June 30, 2016 are as follows:

June 30, 2016

	Cost	Fair Value
Equities	$ 484,351	$ 594,524
Equity mutual funds	1,232,230	1,214,837
Fixed income mutual funds	66,206	78,307
Fixed income corporate bonds	1,840,976	1,885,379
Inflation indexed securities	839,185	860,380
Exchange-traded funds	1,330,723	1,488,492
Market index target-term securities	105,020	98,770
Preferred stock	153,990	159,657
Total	$6,052,681	$6,380,346

A description of the valuation methods applied to ABC and Affiliate's major categories of investments measured at fair value are as follows. There were no changes in valuation methodology at June 30, 2016.

In addition to the above investments, the investment portfolio included $417,067 of cash equivalents as of June 30, 2016.

Investment income as of June 30, 2016 consists of the following:

June 30, 2016

Realized losses	$(298,546)
Unrealized gains	261,560
Interest income	158,266
	$ 121,280

ABC and Affiliate's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 3 for a discussion of ABC and Affiliate's policies regarding this hierarchy. A description of the valuation techniques applied to ABC and Affiliate's major categories of assets measured at fair value are as follows:

Equities

ABC and Affiliate holdings in equity securities are determined by quoted market prices. Each of these investments can be liquidated daily. The valuation is based on Level 1 inputs within the hierarchy used in measuring fair value.

Equity Mutual Funds

ABC and Affiliate have investments in mutual funds, which are primarily in investment-grade bonds and large and mid-capitalization equity securities. For these investments, ABC and Affiliate have ownership interest in the mutual fund but not in the individual securities held by the fund. The assets of each mutual fund consist primarily of shares of the underlying holdings. Each mutual fund NAV is the value of a single share which is actively traded on national securities exchanges. The mutual funds are valued on a daily basis at the close of the business day. These funds are valued primarily on the basis of market quotation or on the basis of information furnished by a nationally recognized pricing service based on observable market data and are classified as Level 2 within the fair value hierarchy.

Inflation Indexed Securities

ABC and Affiliate's holdings in inflation indexed securities are determined by quoted market prices. Each of these investments can be liquidated daily. The valuation is based on Level 1 inputs within the hierarchy used in measuring fair value.

Preferred Stock

ABC and Affiliate are invested in preferred stock of a privately-held company. The preferred stock is valued at the outstanding principal balance, which approximates fair value. Both observable and unobservable inputs were employed in the fair value measurement of the privately-held company. Inputs are classified within Level 2 of the fair value hierarchy.

Fixed Income Corporate Bonds and Mutual Funds

ABC and Affiliate have investments in fixed income corporate bonds and equities. ABC and Affiliate's custodian prices these investments using nationally recognized pricing services. Since fixed income securities other than U.S. Treasury securities generally do not trade on a daily basis, the pricing services prepare estimates of fair value measurements for these securities using their proprietary pricing applications which include available relevant market information, bench curves, benchmarking or similar securities, sector groupings and matrix pricing. These investments are classified as Level 2.

Exchange-Traded Funds

ABC and Affiliate holdings in exchange-traded funds are determined by quoted market prices. These investments can be liquefied daily. The valuation of these investments is based on Level 2 inputs within the fair value hierarchy.

ABC and Affiliate's investment holdings are made up entirely of Level 1 and Level 2 securities. ABC and Affiliate do not invest in any Level 3 securities.

The following table shows, by level within the fair value hierarchy, ABC and Affiliate's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2016. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. ABC and Affiliate's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels.

	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Balance as of June 30, 2016
Equities	$ 594,524	$ -	$-	$ 594,524
Equity mutual funds	-	1,214,837	-	1,214,837
Fixed income mutual funds	-	78,307	-	78,307
Fixed income corporate bonds	-	1,885,379	-	1,885,379
Inflation indexed securities	860,380	-	-	860,380
Exchange-traded funds	-	1,488,492	-	1,488,492
Market index target-term securities	-	98,770	-	98,770
Preferred stocks	-	159,657	-	159,657
Total	$1,454,904	$4,925,442	$-	$6,380,346

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although ABC and Affiliate's management believe 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. As of June 30, 2016, there were no transfers between the level classifications.

5. Fair Value of Investments in Certain Entities That Calculate NAV Per Share (or its Equivalent)

The following table sets forth additional disclosures of ABC and Affiliate's investments in certain entities whose fair value is estimated using the NAV per share (or its equivalent) as of June 30, 2016.

Investment	Fair Value	Redemption Frequency	Redemption Notice Period
Mutual funds	$1,293,144	Daily	Up to 3 days
Exchange-traded funds	1,488,492	Daily	Up to 3 days
Fixed income corporate bonds	1,885,379	Daily	Up to 3 days
Market index target-term securities	98,770	Daily	Up to 3 days
Preferred stocks	159,657	Daily	Up to 3 days

6. Fixed Assets, Net

Fixed assets, net, stated at cost as of June 30, 2016 consist of the following:

June 30, 2016	ABC	HDFC	Total
Land	$ 55,000	$ 13,500	$ 68,500
Building	18,468,889	840,563	19,309,452
Building improvements	1,110,614	385,980	1,496,594
Furniture and equipment	601,263	9,800	611,063
Total fixed assets	20,235,766	1,249,843	21,485,609
Less: Accumulated depreciation and amortization	12,856,666	872,939	13,729,605
Fixed assets, net	$ 7,379,100	$ 376,904	$ 7,756,004

Depreciation and amortization expense for the year ended June 30, 2016 was $851,867.

7. Transactions With Affiliate

ABC is affiliated with HDFC through certain common board members and management. As of June 30, 2016, ABC advanced HDFC $484,207. This amount has been eliminated on the combining statement of financial position.

Management believes that all of these transactions were conducted at arm's length.

8. Long-Term Debt

HDFC obtained a mortgage pursuant to Article XI of the Private Housing Finance Law of the State of New York from the City of New York though the Department of Housing Development. As of June 30, 2016, the amount of the mortgage proceeds drawn down to rehabilitate the ABC-HDFC Apartment Building amounted to $877,240.

The mortgage note dated November 20, 1997 for $883,113 bears interest of 1% per annum, to be accrued to maturity in 30 years, and is secured by the building. The mortgage note matures on the 30th anniversary of the debt service date, which is 270 days after the receipt of a certificate of occupancy. Interest shall begin to accrue on the first calendar month following the debt service date. Accrued interest was $149,130 as of June 30, 2016.

At the closing for the mortgage, HDFC acquired the land for the project from the New York City Department of Housing Preservation and Development ("HPD") for $1.

9. Retirement Plans

(a) Tax Sheltered Annuity Plan

ABC and Affiliate have adopted a Section 403(b) tax sheltered annuity plan effective March 1, 2000. Any employee shall be eligible to participate in salary reduction contributions on the date of their employment with ABC and Affiliate. However, with respect to non-salary reduction contributions, any employee who has completed a one-year period of service shall be eligible to participate as of the date that they have satisfied such requirement. Employees may contribute up to the maximum permitted by law. ABC and Affiliate will match 50% of the employee’s contributions, limited to the first 2% of the employee's gross compensation.

(b) Pension Plan

ABC and Affiliate made contributions to the plan on behalf of their employees of $159,434 during 2016, which is included in ABC and Affiliate’s combining statement of functional expenses under employee benefits and taxes.

(c) Deferred Compensation Plan

ABC and Affiliate have a nonqualified deferred compensation plan for a certain key employee. The plan assets are held in accordance with a Rabbi Trust and are to be considered temporary assets of the employer; therefore, they are accessible to general and secured creditors of the employer in the event of bankruptcy or insolvency. As of June 30, 2016, the asset and the related liability amounted to $585,115. The asset and related liability, respectively, are shown in cash surrender value of life insurance policy and deferred compensation in the combining statement of financial position.

10. Commitments

ABC and Affiliate occupy certain of their premises under an operating lease expiring on December 31, 2020, and lease certain equipment under operating lease agreements expiring at various dates through June 2018. Future minimum annual lease payments are as follows:

Year ending June 30,	
2017	$109,281
2018	82,411
2019	79,272
2020	40,429
Total	$311,393

Total rent expense for the year ended June 30, 2016 amounted to $319,242.

11. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2016 are restricted for the following purposes:

June 30, 2016	
Director’s discretion	$ 30,723
Greenhouse/rooftop	52,977
CPP	7,617
Keith Harring School Renovation	14,426
Mental Health Fast Break	250,000
Total	$355,743

12. Net Assets Released from Restrictions

The amounts of temporarily restricted net assets released from restrictions during the year ended June 30, 2016 are as follows:

June 30, 2016	
Echo Park Tech Lab	$ 25,000
Graham School	275,050
Cassidy's Place Early Childhood	63,819
Cody House School	32,959
CPP	20,633
Open doors	300,000
Merricat's School	150,797
Keith Harring School Renovation	290,513
Youth services and summer camp	231,039
Mental Health Fast Break	190,000
Total	$1,579,810

13. Cash Surrender Value of Life Insurance

ABC and Affiliate are the beneficiaries of a life insurance policy on a certain key employee. The cash surrender value of this policy is reflected as an asset on the combining statement of financial position. Cash surrender value of life insurance was $614,590 as of June 30, 2016.

14. Restatement of Net Assets

The accompanying combining financial statements for the year ended June 30, 2015 have been restated to reverse a contribution revenue in the amount of $550,000 related to an accrual for contributions recorded at year-end that pertains to the next fiscal period. The effects of the restatement will decrease unrestricted net assets summarized as follows:

	Unrestricted	Temporarily Restricted	Total
Net assets at June 30, 2015, as previously reported	$17,852,808	$348,207	$18,201,015
Reversal of grants receivable	(550,000)	-	(550,000)
Net assets at June 30, 2015, as restated	$17,302,808	$348,207	$17,651,015
Change in net assets at June 30, 2015, as previously reported			$ (269,453)
Adjustment to contribution revenue			(550,000)
Change in net assets at June 30, 2015, as restated			$ (819,453)
Grants receivable at June 30, 2015, as previously reported			$ 609,916
Reversal of grants receivable			(550,000)
Grants receivable at June 30, 2015, as restated			$ 59,916

15. Subsequent Events

ABC and Affiliate's management has performed subsequent events procedures through January 27, 2017, which is the date the combining financial statements were available to be issued and there were no subsequent events requiring adjustment to the combining financial statements or disclosures as stated herein.