Association to Benefit Children and Affiliate

Combining Financial Statements
Year Ended June 30, 2019

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

Association to Benefit Children and Affiliate

Combining Financial Statements

Year Ended June 30, 2019

Association to Benefit Children and Affiliate

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Independent Auditor's Report

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

Report on the Combining Financial Statements

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, 2019, 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, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the combining financial statements of ABC and Affiliate as of and for the year ended June 30, 2018 and our report, dated November 30, 2018, 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, 2018 is consistent, in all material respects, with the audited combining financial statements from which it has been derived.

BDO USA, LLP

December 13, 2019

Association to Benefit Children and Affiliate

Combining Statement of Financial Position
(with comparative totals for 2018)

June 30,	ABC	HDFC	Eliminations	Combined Totals **2019**	Combined Totals 2018
Assets					
Current					
Cash and cash equivalents (Notes 3 and 5)	$ 2,962,488	$ 358,994	$ -	**$ 3,321,482**	$ 4,213,664
Investments, at fair value (Note 3 and 5)	7,427,242	-	-	**7,427,242**	7,227,846
Accounts receivable, net (Note 3)	4,103,556	10,224	-	**4,113,780**	2,955,222
Due from affiliate (Note 7)	835,996	-	(835,996)	**-**	-
Rent receivable, net	-	15,238	-	**15,238**	34,545
Prepaid expenses and other assets	275,153	-	-	**275,153**	241,928
Total Current Assets	15,604,435	384,456	(835,996)	**15,152,895**	14,673,205
Cash Surrender Value of Life Insurance Policy (Note 9)	708,077	-	-	**708,077**	708,077
Other Assets	75,406	-	-	**75,406**	23,346
Fixed Assets, Net (Notes 3, 6 and 8)	5,245,828	246,120	-	**5,491,948**	6,198,916
	$ 21,633,746	$ 630,576	$ (835,996)	**$21,428,326**	$ 21,603,544
Liabilities and Net Assets					
Current Liabilities					
Accounts payable and accrued expenses	$ 221,674	$ 186,680	$ -	**$ 408,354**	$ 827,521
Accrued compensation	497,200	-	-	**497,200**	459,818
Due to affiliate (Note 7)	-	835,996	(835,996)	**-**	-
Deferred tuition revenue (Note 3)	1,031,726	-	-	**1,031,726**	938,077
Total Current Liabilities	1,750,060	1,022,676	(835,996)	**1,937,280**	2,225,416
Deferred Compensation (Note 9)	708,077	-	-	**708,077**	708,077
Long-Term Debt (Note 8)	-	877,240	-	**877,240**	877,240
Total Liabilities	2,458,677	1,899,916	(835,996)	**3,522,597**	3,810,733
Commitments and Contingencies (Notes 3, 8, 9, and 10)					
Net Assets (Notes 3, and 11)					
Without donor restrictions:					
General	13,390,448	(1,269,340)	-	**12,121,108**	11,435,464
Land, building and equipment	5,245,828	-	-	**5,245,828**	5,924,497
Total Without Donor Restrictions	18,636,276	(1,269,340)	-	**17,366,936**	17,359,961
With donor restrictions	538,793	-	-	**538,793**	432,850
Total Net Assets	19,175,069	(1,269,340)	-	**17,905,729**	17,792,811
	$ 21,633,746	$ 630,576	$ (835,996)	**$21,428,326**	$ 21,603,544

See accompanying notes to combining financial statements.

Association to Benefit Children and Affiliate

Combining Statement of Activities
(with comparative totals for 2018)

Year ended June 30,

	ABC			HDFC		Combined Totals	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminations	**2019**	2018
Operating Revenues							
Government grants	$ 14,435,455	$ -	$ 14,435,455	$ 129,618	$ -	**$ 14,565,073**	$ 13,712,201
Contributions and private grants	3,649,021	1,440,805	5,089,826	-	-	**5,089,826**	3,460,642
Tuition and client fees	1,488,910	-	1,488,910	-	-	**1,488,910**	1,459,070
Rental income (Note 3)	-	-	-	130,938	(17,820)	**113,118**	99,694
Other program income	1,792,997	-	1,792,997	-	-	**1,792,997**	1,351,272
Other income	31,343	-	31,343	-	-	**31,343**	13,624
Net assets released from restrictions (Note 11)	1,334,862	(1,334,862)	-	-	-	**-**	-
Total Operating Revenues	22,732,588	105,943	22,838,531	260,556	(17,820)	**23,081,267**	20,096,503
Operating Expenses							
Program services:							
Early childhood programs	12,258,122	-	12,258,122	-	(17,820)	**12,240,302**	11,534,358
Wrap-around services	8,516,640	-	8,516,640	-	-	**8,516,640**	5,978,007
Other programs	-	-	-	430,419	-	**430,419**	276,341
Total Program Services	20,774,762	-	20,774,762	430,419	(17,820)	**21,187,361**	17,788,706
Supporting services:							
Management and general	1,740,852	-	1,740,852	-	-	**1,740,852**	1,750,985
Development and fundraising	449,569	-	449,569	-	-	**449,569**	454,581
Total Supporting Services	2,190,421	-	2,190,421	-	-	**2,190,421**	2,205,566
Total Operating Expenses	22,965,183	-	22,965,183	430,419	(17,820)	**23,377,782**	19,994,272
Change in Net Assets from Operations	(232,595)	105,943	(126,652)	(169,863)	-	**(296,515)**	102,231
Nonoperating Activities							
Unrealized gain on investments	138,335	-	138,335	-	-	**138,335**	225,810
Realized gain (loss) on investments	95,868	-	95,868	-	-	**95,868**	(93,941)
Interest income	175,230	-	175,230	-	-	**175,230**	166,612
Total Nonoperating Activities	409,433	-	409,433	-	-	**409,433**	298,481
Change in Net Assets	176,838	105,943	282,781	(169,863)	-	**112,918**	400,712
Net Assets, beginning of year	18,459,438	432,850	18,892,288	(1,099,477)	-	**17,792,811**	17,392,099
Net Assets, end of year	$ 18,636,276	$ 538,793	$ 19,175,069	$ (1,269,340)	$ -	**$ 17,905,729**	$ 17,792,811

See accompanying notes to combining financial statements.

Association to Benefit Children and Affiliate

Combining Statement of Functional Expenses
(with comparative totals for 2018)

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	**2019**	2018
Expenses											
Salaries and wages	$ 5,690,445	$ 4,570,568	$ 10,261,013	$ 896,491	$ 275,851	$ 1,172,342	$ 11,433,355	$ 123,594	$ -	**$ 11,556,949**	$ 10,176,416
Payroll taxes and employee benefits	1,853,271	1,488,545	3,341,816	370,817	89,839	460,656	3,802,472	29,367	-	**3,831,838**	3,243,410
Total Salaries and Related Expenses	7,543,716	6,059,113	13,602,829	1,267,308	365,690	1,632,998	15,235,827	152,961	-	**15,388,788**	13,419,826
Transportation	234,755	157,279	392,034	25,816	29,158	54,974	447,008	2,585	-	**449,593**	362,031
Client assistance and activities	101,731	76,503	178,234	8,968	21,088	30,056	208,290	-	-	**208,290**	178,974
Purchase of services	1,636,470	358,356	1,994,826	93,227	10,073	103,300	2,098,126	4,098	-	**2,102,224**	1,714,478
Food and clothing	354,338	62,463	416,801	11,464	8,415	19,879	436,680	-	-	**436,680**	466,645
Bedding, linen and supplies	353,613	302,475	656,088	34,325	-	34,325	690,413	1,457	-	**691,870**	754,744
Rent (Notes 3 and 10)	143,164	307,745	450,909	18,104	-	18,104	469,013	5,179	(17,820)	**456,372**	369,851
Utilities	153,559	67,143	220,702	9,289	-	9,289	229,991	15,998	-	**245,989**	241,198
Repairs and maintenance	785,449	467,635	1,253,084	51,970	2,495	54,465	1,307,549	152,058	-	**1,459,607**	1,086,868
Telephone/fax	185,299	143,292	328,591	46,103	38	46,141	374,732	3,021	-	**377,753**	199,258
Office and medical supplies	63,468	27,842	91,310	43,425	6,033	49,458	140,768	524	-	**141,292**	139,010
Professional fees	72,489	79,704	152,193	84,894	2,300	87,194	239,387	14,381	-	**253,768**	178,887
Insurance	86,478	78,934	165,412	2,932	2,392	5,324	170,736	2,796	-	**173,532**	161,630
Real estate water and sewer taxes	60,830	3,734	64,564	1,293	-	1,293	65,857	3,744	-	**69,601**	28,298
Depreciation	482,763	152,285	635,048	41,734	1,887	43,621	678,669	28,299	-	**706,968**	683,801
Interest expense	-	-	-	-	-	-	-	8,773	-	**8,773**	8,773
Bad-debt expenses	-	172,137	172,137	-	-	-	172,137	34,545	-	**206,682**	-
Total Expenses	$ 12,258,122	$ 8,516,640	$ 20,774,762	$ 1,740,852	$ 449,569	$ 2,190,421	$ 22,965,183	$ 430,419	$ (17,820)	**$ 23,377,782**	$ 19,994,272

See accompanying notes to combining financial statements.

Association to Benefit Children and Affiliate

Combining Statement of Cash Flows
(with comparative totals for 2018)

Year ended June 30,				Combined Totals	
	ABC	HDFC	Eliminations	**2019**	2018
Cash Flows from Operating Activities					
Change in net assets	$ 282,781	$ (169,863)	$ -	**$ 112,918**	$ 400,712
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Depreciation	678,669	28,299	-	**706,968**	683,801
Bad-debt expenses	172,137	34,545	-	**206,682**	-
Donated securities	(79,833)	-	-	**(79,833)**	(77,023)
Realized loss (gain) on investments	(95,868)	-	-	**(95,868)**	93,941
Unrealized gain on investments	(138,335)	-	-	**(138,335)**	(225,810)
(Increase) decrease in:					
Accounts receivable	(1,330,695)	-	-	**(1,330,695)**	(142,374)
Due from affiliate	(228,531)	-	228,531	**-**	-
Rent receivable	-	(15,238)	-	**(15,238)**	7,552
Prepaid expenses and other assets	(33,225)	-	-	**(33,225)**	125,400
Cash surrender value of life insurance policy	-	-	-	**-**	(61,808)
Other assets	(52,060)	-	-	**(52,060)**	5,499
Increase (decrease) in:					
Accounts payable and accrued expenses	(427,933)	8,766	-	**(419,167)**	(23,782)
Accrued compensation	37,382	-	-	**37,382**	23,670
Due to affiliate	-	228,531	(228,531)	**-**	-
Deferred tuition revenue	93,649	-	-	**93,649**	37,723
Deferred compensation	-	-	-	**-**	61,808
Net Cash (Used in) Provided by Operating Activities	(1,121,862)	115,040	-	**(1,006,822)**	909,309
Cash Flows from Investing Activities					
Proceeds from sale of investments	1,301,368	-	-	**1,301,368**	944,202
Purchases of investments	(1,186,728)	-	-	**(1,186,728)**	(1,441,668)
Net Cash Provided by (Used in) Investing Activities	114,640	-	-	**114,640**	(497,466)
Net (Decrease) Increase in Cash and Cash Equivalents	(1,007,222)	115,040	-	**(892,182)**	411,843
Cash and Cash Equivalents, beginning of year	3,969,710	243,954	-	**4,213,664**	3,801,821
Cash and Cash Equivalents, end of year	$ 2,962,488	$ 358,994	$ -	**$ 3,321,482**	$ 4,213,664

See accompanying notes to combining financial statements.

1. Nature of the Organization

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.

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

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.

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 two classes of net assets—with donor restrictions and without donor restrictions—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 net assets-without donor restrictions, unless the use of the income received is limited by donor-imposed restrictions.

These classes are defined as follows:

Net Assets Without Donor Restrictions - This class consists of net assets that are not subject to donor-imposed stipulations and are, therefore, available for general operations. The Board of Directors of ABC and Affiliate includes within its nets assets without donor restrictions the amount invested in land, building and equipment of ABC and Affiliate of $5,245,828 and $5,924,497 as of June 30, 2019 and 2018, respectively.

Net Assets with Donor Restrictions – Net assets with donor restrictions consists of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

As of June 30, 2019, ABC and Affiliate had no net assets with donor restriction that are perpetual in nature.

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.

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.

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.

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 and Affiliate are recorded at fair market value at the date of receipt. Gains and losses on investments are recognized on disposal at the trade date.

Risks and Uncertainties

ABC's investments consist of a variety of investment securities. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that change in the value of ABC's investments will occur in the near-term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

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 and Affiliate'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 and Affiliate are traded. ABC and Affiliate estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants who 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 is 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 is 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 is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Allowance for Doubtful Accounts

ABC and Affiliate provide an allowance for doubtful accounts for accounts receivable, which is their 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, tenants, and funding sources, as well as on current economic conditions and historical information. The allowance for doubtful accounts for receivables from private insurance and rent receivables was $172,137 and $34,545, respectively, at June 30, 2019.

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	25-40 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.

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, 2019.

Income Taxes

ABC and Affiliate are exempt from federal, state and local income taxes under Section 501(c)(3) of the Code 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 (IRS) not to be a “private foundation” within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended June 30, 2019.

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 IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2019, 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, 2019, ABC and Affiliate were not subject to any examination by a taxing authority.

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.

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, 2019 amounted to $130,938 and the amount pertaining to ABC's rent is $17,820, which is eliminated in the combining financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis and by natural classification in the combining statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based upon the rates listed in the chart below. Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of ABC and HDFC. A portion of the management and general costs have been allocated to housing and education programs in the combining statement of functional expenses. The amount of the administrative expense allocated from management and general to the programs represents the portion of administration costs funded by the ABC's contracts. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. ABC generally does not conduct its fundraising activities in conjunction with its other activities.

Most expenses are charged to individual programs as actually incurred. Salaries and fringe of certain personnel who work on multiple programs are allocated. Such allocations are determined by management on an equitable basis and are disclosed to and audited by program funders. Costs that are allocated include the following:

Expense	Allocation Methodology
Salaries and wages	Based on the actual amount of time worked.
Fringe	Based on the total salary and wages for each program/cost center.
Rent and utilities	Based on square footage occupied by program as percent of total rental space occupied.
Insurance	Based on the total number of full-time equivalents in the program as percentage of the total full-time equivalents for the applicable agency.
Administrative costs	Based on the total expenses of each program in relation to the total expenses of ABC.

Concentration of Credit Risk

Financial instruments that 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.

Reclassifications

Certain amounts included in the fiscal year 2018 combined financial statements have been reclassified to conform to the fiscal year 2019 presentation.

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 ABC and Affiliate's combining financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Recently Adopted Accounting Pronouncement

Not-for-Profit Entities (Topic 958) and Health Care Entities (Tope 954) - Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) modifying the presentation of underwater endowment funds and related disclosures; (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise; (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs; (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (f) presenting investment return net of external and direct expenses; and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Organization's combining financial statements for fiscal years beginning after December 15, 2017. The provisions of the ASU must be applied on a retrospective basis for all years presented. Management has adopted the ASU as of and for the year ended June 30, 2019 and applied it retrospectively to all periods presented.

Accounting Pronouncements Issued but Not Yet Adopted

Accounting for Leases

On February 25, 2016, the FASB issued 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.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14, which deferred the effective date for ABC and Affiliate until annual periods beginning after December 15, 2018. Earlier adoption is permitted, subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. ABC and Affiliate is currently evaluating the impact of the pending adoption of ASU 2014-09.

Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement

In August 2018, the FASB issued ASU No. 2018-13, "Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement." The update modifies certain disclosure requirements in Topic 820, "Fair Value Measurement." The standard is effective for non-public business entities for fiscal years beginning after December 15, 2019, and management is currently evaluating the impact of this ASU on its combining financial statements.

4. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the combining statement of financial position for general expenditure are as follows:

Year ended June 30, 2019		
Cash and cash equivalents	$	3,321,482
Investments, at fair value		7,427,242
Accounts receivable, net of allowance of uncollectable accounts		4,113,780
Rent receivables, net of allowance for uncollectable accounts		15,238
Prepaid expenses and other current assets		275,153
Total Financial Assets		15,152,895
Less amounts not available to be used within one year:		
Prepaid expenses and other current assets		(275,153)
Total Financial Assets Available to Meet General Expenditure Within One Year	$	14,877,742

Liquidity Management

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's goal is to maintain Liquid Net Assets Without Donor Restrictions of ABC to meet 90 days of its expenses.

ABC and Affiliate expect all of amounts restricted with purpose restrictions be released within one year.

5. Investments and Fair Value Measurements

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, 2019. 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, 2019
Equities	$ 791,767	$ -	$ -	$ 791,767
Equity mutual funds	-	1,331,062	-	1,331,062
Fixed-income mutual funds	-	193,593	-	193,593
Fixed-income corporate bonds	-	2,132,762	-	2,132,762
Inflation indexed securities	923,905	-	-	923,905
Exchange-traded funds	-	1,908,135	-	1,908,135
Preferred stocks	-	146,018	-	146,018
Total	$ 1,715,672	$ 5,711,570	$ -	$ 7,427,242

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.

In addition to the above investments, the investment portfolio included $364,814 of cash equivalents grouped under cash and cash equivalents as of June 30, 2019.

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 net asset value is the value of a single share that 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 Stocks

ABC and Affiliate are invested in preferred stock of a privately held company. The preferred stocks are 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.

Investment income consists of the following:

June 30, 2019		
Realized gains	$	95,868
Unrealized gains		138,335
Interest income		175,230
	$	409,433

6. Fixed Assets, Net

Fixed assets, net, stated at cost consist of the following:

June 30, 2019		ABC		HDFC		Total
Land	$	305,000	$	13,500	$	318,500
Building		18,218,901		840,558		19,059,459
Building improvements		1,110,614		385,980		1,496,594
Furniture and equipment		601,263		9,800		611,063
Total Fixed Assets		20,235,778		1,249,838		21,485,616
Less: accumulated depreciation		14,989,950		1,003,718		15,993,668
Fixed Assets, Net	$	5,245,828	$	246,120	$	5,491,948

Depreciation expense for the year ended June 30, 2019 was $706,968.

7. Transactions with Affiliate

ABC is affiliated with HDFC through certain common board members and management. As of June 30, 2019, ABC advanced HDFC $835,996. 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, 2019, 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 $175,448 as of June 30, 2019.

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

Pension 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. ABC and Affiliate made contributions to the plan on behalf of their employees of $228,510 during 2019, which is included in ABC and Affiliate's combining statement of functional expenses under employee benefits and taxes.

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, 2019, the asset and the related liability amounted to $708,077. 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 and Contingencies

Operating Leases

ABC and Affiliate occupy certain of their premises under an operating lease expiring on August 20, 2027. Future minimum annual lease payments are as follows:

Year ending June 30,		
2020	$	347,049
2021		345,948
2022		328,278
2023		274,769
2024		220,217
Thereafter		733,923
Total	$	2,250,184

Total rent expense for the year ended June 30, 2019 amounted to $340,634.

Contingencies

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursements. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

11. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following:

Executive Director's Discretion	$	30,723
Fast Break Mental Health		250,000
Other Programs		205,093
Greenhouse		52,977
	$	538,793

Net assets with donor restrictions released from restrictions consist of the following:

Cassidy's Place	$	33,804
Cody House		17,527
Fast Break/MH Clinic		154,000
Graham School		626,600
Keith Haring		75,000
Merricat's		174,460
Open Door		6,539
Study Buddies Connect		78,562
Summer Camp		161,470
Youth Services/Afterschool		6,900
	$	1,334,862

12. Subsequent Events

ABC and Affiliate's management has performed subsequent events procedures through December 13, 2019, 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.