BIG BROTHERS BIG SISTERS OF NEW YORK CITY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Big Brothers Big Sisters of New York City, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Big Brothers Big Sisters of New York City, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2017, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of New York City, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the Organization as of and for the year ended June 30, 2016 were audited by other auditors, whose report, dated September 26, 2016, expressed an unmodified opinion.

EisnerAmper LLP

New York, New York
October 31, 2017

BIG BROTHERS BIG SISTERS OF NEW YORK CITY, INC.

Statements of Financial Position

	June 30,	
	2017	**2016**
ASSETS		
Cash	**$ 488,369**	$ 684,696
Government contracts receivable	**362,939**	294,048
Contributions receivable, net	**536,825**	507,878
Investments	**11,127,719**	11,220,729
Prepaid expenses and other assets	**135,328**	312,489
Assets held for deferred compensation	**169,668**	131,667
Software application, net	**202,064**	
Property and equipment, net	**14,519,677**	14,832,339
	$ 27,542,589	$ 27,983,846
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	**$ 1,095,682**	$ 1,020,978
Deferred revenues	**187,137**	1,053,141
Deferred compensation payable	**169,668**	131,667
Long term debt, net	**8,207,349**	8,463,362
Total liabilities	**9,659,836**	10,669,148
Net assets:		
Unrestricted	**17,341,811**	16,794,737
Temporarily restricted	**540,942**	519,961
Total net assets	**17,882,753**	17,314,698
	$ 27,542,589	$ 27,983,846

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF NEW YORK CITY, INC.

Statements of Activities

	Year Ended June 30,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Private grants and contributions	**$ 2,792,089**	**$ 206,981**	**$ 2,999,070**	$ 2,650,301	$ 208,711	$ 2,859,012
Special events (net of direct benefit to donors of $1,267,723 and $737,554 in 2017 and 2016, respectively)	**5,851,508**		**5,851,508**	3,745,555		3,745,555
Government grants and contracts	**1,590,633**		**1,590,633**	1,528,639		1,528,639
Interest and dividends, net	**437,110**		**437,110**	508,044		508,044
Net investment appreciation (depreciation)	**713,352**		**713,352**	(865,618)		(865,618)
Total public support and revenue before release from restrictions	**11,384,692**	**206,981**	**11,591,673**	7,566,921	208,711	7,775,632
Net assets released from restrictions	**186,000**	**(186,000)**	**0**	286,150	(286,150)	0
Total public support and revenue	**11,570,692**	**20,981**	**11,591,673**	7,853,071	(77,439)	7,775,632
Expenses:						
Program services	**8,445,214**		**8,445,214**	8,774,984		8,774,984
Management and general	**1,074,533**		**1,074,533**	984,597		984,597
Fund-raising	**1,503,871**		**1,503,871**	1,351,266		1,351,266
Total expenses	**11,023,618**		**11,023,618**	11,110,847		11,110,847
Change in net assets	**547,074**	**20,981**	**568,055**	(3,257,776)	(77,439)	(3,335,215)
Net assets, beginning of year	**16,794,737**	**519,961**	**17,314,698**	20,052,513	597,400	20,649,913
Net assets, end of year	**$ 17,341,811**	**$ 540,942**	**$ 17,882,753**	$ 16,794,737	$ 519,961	$ 17,314,698

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF NEW YORK CITY, INC.

Statements of Functional Expenses
Year Ended June 30, 2017
(with summarized information for year ended June 30, 2016)

	Program Services	Management and General	Fund Raising	Direct Cost of Special Events	Total Expenses 2017	Total Expenses 2016
Salaries and wages	$ 4,645,507	$ 486,910	$ 651,877		$ 5,784,294	$ 6,075,832
Payroll taxes and employee benefits	1,251,416	131,414	175,355		1,558,185	1,621,458
Telephone	80,534	17,473	12,332		110,339	122,183
Venue, décor, gifts and entertainment				$ 1,267,723	1,267,723	737,554
Office supplies	62,606	23,788	11,629		98,023	98,633
Advertising						921
Printing, postage and publications	59,973	4,998	34,984		99,955	54,910
Insurance	70,145	24,883			95,028	100,265
Conferences and travel	133,466	15,702	7,851		157,019	196,485
Professional fees	211,576	79,357	484,285		775,218	605,178
Temporary help		22,792			22,792	42,741
Equipment rental and maintenance	30,474	8,563	3,836		42,873	53,194
Building maintenance	64,048	20,134	7,309		91,491	88,090
Membership dues and subscriptions	59,040	10,834	2,849		72,723	62,673
Data processing	45,340	9,582	4,091		59,013	60,191
Background check	304,481				304,481	267,736
Occupancy	306,343	8,792	4,867		320,002	282,703
Depreciation and amortization	379,208	99,136	40,866		519,210	512,463
Education and development	37,495				37,495	52,712
Meals and refreshments	70,240				70,240	66,565
Venues and admissions	33,745				33,745	53,397
Interest	227,662	36,995	19,920		284,577	280,626
Recruitment outreach	173,911				173,911	
Honorariums and stipends	125,867				125,867	165,262
Bad debt expense		44,151			44,151	83,350
Scholarships and miscellaneous	72,137	29,029	41,820		142,986	163,279
Total expenses	8,445,214	1,074,533	1,503,871	1,267,723	12,291,341	11,848,401
Less expenses deducted directly on the statement of activities:						
Direct cost of special events				(1,267,723)	(1,267,723)	(737,554)
Total	$ 8,445,214	$ 1,074,533	$ 1,503,871	$ 0	$ 11,023,618	$ 11,110,847

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF NEW YORK CITY, INC.

Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services	Management and General	Fund-Raising	Direct Cost of Special Events	Total
Salaries and wages	$ 4,831,713	$ 450,550	$ 793,569		$ 6,075,832
Payroll taxes and employee benefits	1,289,584	120,252	211,622		1,621,458
Telephone	102,516	5,183	14,484		122,183
Venue, décor, gifts and entertainment				$ 737,554	737,554
Office supplies	76,934	9,863	11,836		98,633
Advertising			921		921
Printing, postage and publications	18,529	2,758	33,623		54,910
Insurance	80,213	15,039	5,013		100,265
Conferences and travel	168,253	19,650	8,582		196,485
Professional fees	353,206	71,022	180,950		605,178
Temporary help	24,700	18,041			42,741
Equipment rental and maintenance	39,049	9,202	4,943		53,194
Building maintenance	70,400	9,620	8,070		88,090
Membership dues and subscriptions	52,307	9,531	835		62,673
Data processing	42,013	13,827	4,351		60,191
Background check	267,736				267,736
Occupancy	260,061	16,135	6,507		282,703
Depreciation and amortization	370,961	94,174	47,328		512,463
Education and development	52,712				52,712
Meals and refreshments	66,565				66,565
Venues and admissions	53,397				53,397
Interest	270,766	9,860			280,626
Honorariums and stipends	165,262				165,262
Bad debt expense		83,350			83,350
Scholarships and miscellaneous	118,107	26,540	18,632		163,279
Total expenses	8,774,984	984,597	1,351,266	737,554	$ 11,848,401
Less expenses deducted directly on the statement of activities:					
Direct cost of special events				(737,554)	(737,554)
Total	$ 8,774,984	$ 984,597	$ 1,351,266	$ 0	$ 11,110,847

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF NEW YORK CITY, INC.

Statements of Cash Flows

	Year Ended June 30, 2017	2016
Cash flows from operating activities:		
Change in net assets	**$ 568,055**	$ (3,335,215)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	**507,762**	501,015
Amortization of bond issuance costs	**11,448**	11,448
Bad debt expense	**(69,151)**	83,350
Net realized and unrealized (gain) loss on investments	**(713,352)**	865,618
Changes in:		
Government contracts receivable	**(68,891)**	586,895
Contributions receivable	**40,204**	(90,877)
Prepaid expenses and other assets	**177,161**	(164,524)
Assets held for deferred compensation	**(38,001)**	(16,329)
Accounts payable and accrued expenses	**74,704**	297,655
Deferred revenues	**(866,004)**	721,456
Deferred compensation payable	**38,001**	16,329
Net cash used in operating activities	**(338,064)**	(523,179)
Cash flows from investing activities:		
Purchases of investments	**(454,103)**	(957,035)
Proceeds from sales of investments	**1,260,465**	435,628
Capitalized software development costs	**(214,405)**	
Purchases of property and equipment	**(182,759)**	(1,160)
Net cash provided by (used in) investing activities	**409,198**	(522,567)
Cash flows from financing activities:		
Drawdowns on line of credit	**1,400,000**	800,000
Repayments of line of credit	**(1,400,000)**	(800,000)
Principal payments on long-term debt	**(267,461)**	(251,135)
Net cash used in financing activities	**(267,461)**	(251,135)
Net decrease in cash	**(196,327)**	(1,296,881)
Cash - beginning of year	**684,696**	1,981,577
Cash - end of year	**$ 488,369**	$ 684,696
Supplemental disclosure of cash flow information:		
Interest paid	**$ 284,577**	$ 280,626

NOTE A - ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

Big Brothers Big Sisters of New York City, Inc. (the "Organization"), was founded in 1904 in the State of New York. The Organization is a not-for-profit community-based organization, which provides a trained adult volunteer to a needy youngster in a one-to-one mentoring program. In addition, the Organization also provides programs through local school districts and police departments. Program services are in the form of support groups, referral, advocacy, recreation and counseling.

The Organization is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and from state and local taxes under comparable laws.

[2] Basis of accounting:

The accompanying financial statements of the Organization have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, public support and revenue and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

[4] Investments:

The Organization has an investment in a mutual fund is reported at its fair value in the accompanying statements of financial position based on quoted market prices with realized and unrealized gains and losses included in the accompanying statements of activities.

The Organization has investments in an absolute return fund for which market values are not readily obtainable. The fair value of this investment has been estimated based on the respective net asset value ("NAV") per share, as a practical expedient to fair value, as reported by the respective investment manager.

Investment transactions are recorded on a trade-date basis. Realized gains or losses on investments are determined by comparison of the average cost of acquisition to proceeds at the time of disposition. The earnings from dividends and interest are recognized when earned and are reported in the accompanying statement of activities. Investment expenses are embedded in various investment transactions and therefore are not segregated in Note B.

NOTE A - ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Property and equipment:

Property and equipment are stated at their original costs at the date of acquisition, or, if contributed, at their fair values at the dates of donation. The Organization capitalizes items of property and equipment that have a cost of $1,000 or more and useful lives greater than one year. Depreciation is provided using the straight-line method over the estimated useful lives of the assets; office equipment are depreciated over three to five years and condominium improvements are depreciated over fifteen to forty years.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2017 and 2016, respectively, and, in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[6] Software application:

During fiscal-year 2017, the Organization developed software for use by its volunteers. Software is amortized over 5 to 10 years. In the accompanying financial statements, the software application is presented net of amortization of $12,341.

[7] Accrued vacation:

Accrued vacation is included as a liability in the accompanying financial statements and represents the Organization's obligation for the cost of unused employee vacation time payable in the event of employee terminations; the obligation is recalculated every year. At June 30, 2017 and 2016, the accrued vacation obligation was approximately $180,000 and $185,000, respectively, and was included in accounts payable and accrued expenses in the accompanying statements of financial position.

[8] Deferred revenue:

Amounts received in advance of the Organization's providing a related service are deferred until the service is provided.

[9] Net assets:

(i) Unrestricted:

Unrestricted net assets represent those resources that are not subject to donor restrictions and are available for current operations.

(ii) Temporarily restricted:

Temporarily restricted net assets represent those resources that have been restricted by donors and grantors for specified program-related activities or for use in specific time periods. The release from restrictions results from the satisfaction of the restricted purposes specified by the donors or grantors or the passing of time. Temporarily restricted contributions, the requirements of which are met in the year of donation, are reported as unrestricted.

NOTE A - ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] Revenue recognition:

(i) Contributions:

Contributions made to the Organization are recognized as revenue upon the receipt of cash or other assets, or of unconditional pledges. Contributions are recorded as temporarily restricted if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recorded when the conditions have been met, and, if received in advance, are recognized in the statements of financial position as funds received in advance. An allowance for uncollectible contributions receivable has been provided using management's judgement of potential defaults, which considers factors such as prior collection history, the type of contributions received, and the nature of the Organization's fund-raising activity.

(ii) Government contracts:

Revenue from government contracts is recognized when costs are incurred or services are performed. Receivables in the accompanying financial statements related to these contracts are expected to be fully collected in the subsequent year, and accordingly, no allowance has been established.

(iii) Special events:

During fiscal-years 2017 and 2016, the Organization held various fund-raising events to raise money for its operating costs. A portion of the gross proceeds paid by the attendees of the event represents payment for the direct cost of the benefits received by the attendees at the event. Such special-event income is reported net of the direct costs of the event that are attributable to the benefit that the donors receive referred to as "direct benefit to donor".

[11] Donated services:

Donated services are recognized in the financial statements if the services (i) create or enhance non-financial assets or require specialized skills, (ii) are provided by individuals possessing these skills, and (iii) would typically need to be acquired if not provided by donation. Accordingly, donated services are recorded as support at their estimated fair value at the dates of donation and are reported as unrestricted support. Donated services are reported as both contributions and offsetting expenses in the accompanying statements of activities.

The Organization receives a significant amount of donated services from numerous trained individuals who volunteer as big brothers and big sisters. Although the Organization could not conduct its programs without these volunteers, who are an integral part of the scope of the Organization’s activities, the value of this contributed time does not meet the above criteria for recognition of contributed services required under generally accepted accounting principles and, accordingly, is not included in the accompanying financial statements.

The number of trained volunteers that provided services to the Organization in 2017 and 2016 was 5,502 and 6,157, respectively.

NOTE A - ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] Functional allocation of expenses:

The expenses of providing the Organization's various programs and supporting services have been summarized on a functional basis in the accompanying statements activities and functional expenses. Accordingly, certain costs have been allocated by management among the program, management and general, fund-raising categories and direct cost for special events, using appropriate measurement methodologies. Indirect costs have been functionalized on the basis of time allocation.

[13] Income taxes:

The Organization is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Because of the Organization's general tax-exempt status, management believes ASC Topic 740 has not had, and is not expected to have, a material impact on the Organization's financial statements.

[14] Accounting pronouncements:

i. Effective July 1, 2016, the Organization adopted FASB's Accounting Standards Update ("ASU") No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires that debt-issuance costs related to a recognized debt liability be presented in an entity's statement of financial position, as a direct deduction from the carrying amount of that debt liability, which is consistent with the current treatment of debt discounts. ASU 2015-03 was applied on a retrospective basis to all periods presented. Prior to adoption, the Organization included debt-issuance costs in the accompanying statements of financial position in bond issuance costs. These costs are being amortized over the life of the bonds on a straight-line basis, which approximates the effective-interest method.

ii. In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. ASU 2015-07 removes the requirement to categorize within the fair-value hierarchy all investments for which fair value is measured using net asset value ("NAV") per share as a practical expedient. The Organization elected to adopt ASU 2015-07 for the fiscal-year 2017.

Accordingly, investments for which fair value is measured using NAV per share as a practical expedient have not been categorized within the fair-value hierarchy, and certain related tables have been properly excluded from the financial statements. The amendment has been applied retrospectively to all periods presented.

iii. In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 will amend financial-statement presentations and disclosures, with the goal of assisting not-for-profit organizations in providing more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and availability of resources, and (v) the presentation of operating cash flows. The new standard will be effective for annual reporting periods beginning after December 15, 2017. The Organization will adopt ASU 2016-14 when it becomes effective.

NOTE A - ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[14] Accounting pronouncements (continued):

As a result of adopting ASU 2015-03 on a retrospective basis, the following balances as of June 30, 2016 were adjusted:

	As Originally Recorded	As Adjusted
Bond issuance costs	$ 265,198	
Long term debt	8,728,560	$ 8,463,362

[15] Reclassification:

Certain information in the prior-year's financial statements has been reclassified to conform to the current year's presentation.

[16] Subsequent events:

The Organization considers all of the accounting treatments, and the related disclosures in the current fiscal-year's financial statements, that may be required as the result of all events or transactions that occur after June 30, 2017 through October 31, 2017, the date on which the financial statements were available to be issued.

NOTE B - INVESTMENTS

At each fiscal year-end, investments consisted of the following:

	Year Ended June 30,			
	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Mutual Fund - multi-asset fund	**$ 9,816,961**	**$ 9,250,613**	$ 9,941,916	$10,260,996
Absolute return fund	**1,310,758**	**1,000,000**	1,278,813	1,000,000
	$11,127,719	**$10,250,613**	$11,220,729	$11,260,996

At June 30, 2017, concentrations of the Organization's investment in excess of 10% of the fair values of its portfolio included approximately 88% invested in a mutual fund. At June 30, 2016, concentrations of the Organization's investment in excess of 10% of the fair values of its portfolio included approximately 89% invested in a mutual fund.

NOTE B - INVESTMENTS (CONTINUED)

During each year, investment earnings consisted of the following:

	Year Ended June 30, 2017	Year Ended June 30, 2016
Interest and dividends, net	**$ 437,110**	$ 508,044
Net realized and unrealized gains (losses)	**713,352**	(865,618)
	$ 1,150,462	$ (357,574)

The FASB's ASC Topic 820, *Fair Value Measurements,* establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for those investments, at the reporting date.

Level 2: Valuations are based on (i) quoted prices for similar investments in active markets, or (ii) quoted prices for those investments, or similar investments, in markets that are not active or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.

Level 3: Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued.

The FASB's ASU 2015-07 removes the requirement to categorize, within the fair-value hierarchy all investments for which fair value is measured using NAV per share, or its equivalent unit, as a practical expedient. The use of this practical expedient is applicable for investments (i) which do not have a readily determinable fair value, and (ii) are included in financial statements prepared by the respective investment managers, in a manner consistent with the measurement principles of an investment company or of an entity that has the attributes of an investment company.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. For fiscal-years 2017 and 2016, there were no transfers among the fair-value hierarchy levels.

NOTE B - INVESTMENTS (CONTINUED)

The following table summarizes the fair values of the Organization's assets at each fiscal year-end, in accordance with the ASC Topic 820 valuation levels:

	June 30, 2017			
	Amounts within the Fair-Value Hierarchy			
	Level 1	Total	Measured at NAV	Total Investments
Mutual fund	$ 9,816,961	$ 9,816,961		$ 9,816,961
Absolute return fund			$ 1,310,758	1,310,758
Total investments	$ 9,816,961	$ 9,816,961	$ 1,310,758	$ 11,127,719

	June 30, 2016			
	Amounts within the Fair-Value Hierarchy			
	Level 1	Total	Measured at NAV	Total Investments
Mutual fund	$ 9,941,916	$ 9,941,916		$ 9,941,916
Absolute return fund			$ 1,278,813	1,278,813
Total investments	$ 9,941,916	$ 9,941,916	$ 1,278,813	$ 11,220,729

The following table describes the funding commitment and redemption information for the Organization's alternative investments:

	June 30, 2017			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Absolute return fund	$ 1,310,758	$ -	Rolling lock-up. Next window expires December 31, 2017.	100 days

NOTE C - CONTRIBUTIONS RECEIVABLE

Contributions receivable of $536,825 and $507,878 at June 30, 2017 and 2016, respectively, consisted of amounts due to the Organization from unrelated parties. All amounts are due within one year. During 2017, management established an allowance for doubtful contributions receivable. At June 30, 2017, the allowance totaled $25,000.

NOTE D - PROPERTY AND EQUIPMENT

At each fiscal year-end, property and equipment consisted of the following:

	June 30, 2017	June 30, 2016
Condominium and improvements	**$ 15,563,080**	$ 15,486,126
Office equipment	**431,307**	325,502
	15,994,387	15,811,628
Less accumulated depreciation	**(1,474,710)**	(979,289)
	$ 14,519,677	$ 14,832,339

NOTE E - LONG-TERM DEBT AND LINE OF CREDIT

[1] New York City Industrial Development Agency Bonds:

In order to finance the acquisition and renovation of the Organization’s facility at 40 Rector Street, the Organization entered into an agreement with the Build NYC Resource Corporation ("BNRC") whereby BNRC issued $7,000,000 of Series A and $2,000,000 of Series B Civic Facility Revenue Bonds on May 1, 2014, which are secured by the facility.

Payments on the bonds were interest only for the first year which began June 1, 2014, principal payments are due monthly and began June 1, 2015, and continue through May 1, 2039. Interest is being charged at a fixed rate of 3.39% on the Series A and a floating rate of 72% of the 30-day LIBOR plus 1.44% for Series B, which was 2.33% and 1.78% at June 30, 2017 and 2016, respectively, and is payable monthly. Interest expense for 2017 and 2016 was $267,380 and $270,766, respectively.

Certain covenants exist under the terms of the bond borrowings. As of June 30, 2017 and 2016, the Organization was in compliance with these covenants.

At June 30, 2017 and 2016, the combined outstanding balance of the Series A and B bonds were $8,461,099 and $8,728,560, net of unamortized debt issuance costs of $253,750 and $265,198, respectively.

Principal payments due on the bonds subsequent to June 30, 2017 are as follows:

Year Ending June 30,	Amount
2018	$ 277,391
2019	284,562
2020	291,412
2021	299,646
2022	307,595
Thereafter	7,000,493
	$ 8,461,099

Bond issuance costs amounted to $286,184 and are being amortized over the term of the bonds. Amortization expense for both 2017 and 2016 was $11,448.

NOTE E - LONG-TERM DEBT AND LINE OF CREDIT (CONTINUED)

[2] Line of Credit

In February 2016, the Organization obtained an extension of its commercial line of credit from JP Morgan Chase ("Chase") for $1,000,000. In June 2016, the Organization increased its line of credit to $1,500,000. There is a requirement for the Organization to maintain its primary depository accounts with the bank. The interest rate charged is at LIBOR plus 2.600% for 2017 and 2016, which was 3.128% and 3.000% at June 30, 2017 and 2016, respectively. During 2017, there were drawdowns of $1,400,000, which were fully repaid during the year and interest expense for the year ended June 30, 2017 was $17,197. During 2016, there were drawdowns of $800,000, which were fully repaid during the year and interest expense for the year ended June 30, 2016 was $9,860. As of June 30, 2017 and 2016, there were no outstanding balances.

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

At each fiscal year-end, temporarily restricted net assets were categorized as follows:

	June 30,	
	2017	**2016**
Lindsay Morehouse Scholarship	**$ 404,829**	$ 365,167
Workplace	**125,000**	150,000
Other Program	**11,113**	4,794
	$ 540,942	$ 519,961

During each fiscal year, net assets released from restrictions were for the following:

	June 30,	
	2017	**2016**
Lindsay Morehouse Scholarship	**$ 19,000**	$ 16,500
Workplace	**150,000**	250,000
Other Program	**17,000**	19,650
	$ 186,000	$ 286,150

NOTE G - EMPLOYEE-BENEFIT PLAN

[1] The Organization sponsors a contributory tax-deferred 403(b) annuity plan for all full-time employees who have completed two years of service. The Organization contributes an amount equal to 5% of eligible employees' earnings whether or not the employees contribute to the plan. The pension expense for the fiscal-years 2017 and 2016 was $ 202,052 and $185,182, respectively.

NOTE G - EMPLOYEE-BENEFIT PLAN (CONTINUED)

[2] The Organization has established a 457(b) deferred compensation plan for its current senior executive. Contributions are made up to the annual limit set by the IRS. The deferred compensation expenses for the years ended June 30, 2017 and 2016 were $18,000 and $22,765, respectively. In addition, there were voluntary contributions made to the plan by the senior executive. At June 30, 2017 and 2016, the Organization maintains $169,668 and $131,667, respectively, as an asset and a liability of the deferred compensation plan.

NOTE H - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash accounts deposited in high-credit-quality financial institutions, the balances of which, from time-to-time, may exceed federal insurance limits. However, management believes that the Organization does not face a significant risk of loss on these accounts due to the failure of these institutions.

NOTE I - SUBSEQUENT EVENT

As of the date of these financial statements, the Organization was in the process of negotiating the terms of a special assessment from their condo board for building improvements. In October 2017, the Organization committed to approximately a $20,000 payment and is awaiting final determination of the remaining balance due, as well as the payment schedule for the special assessment.