

# **Association to Benefit Children and Affiliate**

Combining Financial Statements  
Year Ended June 30, 2015

**Association to Benefit Children  
and Affiliate**

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Combining Financial Statements  
Year Ended June 30, 2015

# Association to Benefit Children and Affiliate

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## Independent Auditor's Report

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"), which comprise the combining statement of financial position as of June 30, 2015, 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, 2015, 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 ABC and Affiliate's 2014 combining financial statements and our report, dated November 26, 2014, 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, 2014 is consistent, in all material respects, with the audited combining financial statements from which it has been derived.

BDO USA, LLP

February 2, 2016

# Association to Benefit Children and Affiliate

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

June 30,

	ABC	HDFC	Eliminations	Combined Totals	
				2015	2014
<b>Assets</b>					
<b>Current:</b>					
Cash and cash equivalents (Notes 3 and 4)	\$ 2,758,938	\$ 81,203	\$ -	\$ 2,840,141	\$ 3,504,287
Investments at fair value (Notes 3, 4, 5 and 6)	6,391,610	-	-	6,391,610	6,471,013
Grants receivable	609,916	-	-	609,916	258,781
Accounts receivable, net (Note 3)	1,758,610	18,106	-	1,776,716	1,480,138
Due from affiliate (Note 8)	359,872	-	(359,872)	-	-
Rent receivable	-	27,957	-	27,957	8,350
Prepaid expenses and other assets	530,374	-	-	530,374	419,394
<b>Total Current Assets</b>	<b>12,409,320</b>	<b>127,266</b>	<b>(359,872)</b>	<b>12,176,714</b>	<b>12,141,963</b>
Cash Surrender Value of Life Insurance Policy (Note 14)	588,279	-	-	588,279	584,601
Other Assets	5,397	-	-	5,397	5,397
<b>Fixed Assets, Net (Notes 3 and 7)</b>	<b>8,041,113</b>	<b>434,989</b>	<b>-</b>	<b>8,476,102</b>	<b>9,126,390</b>
	<b>\$21,044,109</b>	<b>\$562,255</b>	<b>\$(359,872)</b>	<b>\$21,246,492</b>	<b>\$21,858,351</b>
<b>Liabilities and Net Assets</b>					
<b>Current Liabilities:</b>					
Accounts payable and accrued expenses	\$ 269,001	\$150,995	\$ -	\$ 419,996	\$ 764,143
Accrued compensation	686,745	-	-	686,745	651,377
Due to affiliate (Note 8)	-	359,872	(359,872)	-	-
Deferred tuition revenue (Note 3)	536,744	-	-	536,744	627,599
Deferred compensation (Note 10)	524,752	-	-	524,752	467,524
<b>Total Current Liabilities</b>	<b>2,017,242</b>	<b>510,867</b>	<b>(359,872)</b>	<b>2,168,237</b>	<b>2,510,643</b>
<b>Long-term Debt (Note 9)</b>	<b>-</b>	<b>877,240</b>	<b>-</b>	<b>877,240</b>	<b>877,240</b>
<b>Total Liabilities</b>	<b>2,017,242</b>	<b>1,388,107</b>	<b>(359,872)</b>	<b>3,045,477</b>	<b>3,387,883</b>
<b>Commitments and Contingencies (Notes 3, 9, 10, 11 and 14)</b>					
<b>Net Assets (Notes 3 and 12):</b>					
<b>Unrestricted:</b>					
General	10,637,547	(825,852)	-	9,811,695	9,455,982
Land, building and equipment	8,041,113	-	-	8,041,113	8,655,786
<b>Total Unrestricted Net Assets</b>	<b>18,678,660</b>	<b>(825,852)</b>	<b>-</b>	<b>17,852,808</b>	<b>18,111,768</b>
Temporarily restricted	348,207	-	-	348,207	358,700
<b>Total Net Assets</b>	<b>19,026,867</b>	<b>(825,852)</b>	<b>-</b>	<b>18,201,015</b>	<b>18,470,468</b>
	<b>\$21,044,109</b>	<b>\$562,255</b>	<b>\$(359,872)</b>	<b>\$21,246,492</b>	<b>\$21,858,351</b>

*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			HDFC Unrestricted	Eliminations	Combined Totals	
	Unrestricted	Temporarily Restricted	Total			2015	2014
<b>Operating Revenues:</b>							
Contributions and private grants	\$ 2,742,053	\$ 1,370,420	\$ 4,112,473	\$ -	\$ -	\$ 4,112,473	\$ 3,674,809
Government grants	10,199,638	-	10,199,638	120,473	-	10,320,111	9,874,477
Tuition and client fees	1,175,550	-	1,175,550	-	-	1,175,550	1,080,511
Rental income (Note 3)	-	-	-	133,160	(19,440)	113,720	104,732
Other income	426,457	-	426,457	-	-	426,457	430,366
Net assets released from restrictions (Note 13)	1,380,913	(1,380,913)	-	-	-	-	-
<b>Total Operating Revenues</b>	<b>15,924,611</b>	<b>(10,493)</b>	<b>15,914,118</b>	<b>253,633</b>	<b>(19,440)</b>	<b>16,148,311</b>	<b>15,164,895</b>
<b>Expenses:</b>							
Program services:							
Early childhood programs	10,881,591	-	10,881,591	-	(19,440)	10,862,151	10,591,840
Wrap-around services	2,967,928	-	2,967,928	-	-	2,967,928	2,612,304
Other programs	-	-	-	322,011	-	322,011	448,255
<b>Total Program Services</b>	<b>13,849,519</b>	<b>-</b>	<b>13,849,519</b>	<b>322,011</b>	<b>(19,440)</b>	<b>14,152,090</b>	<b>13,652,399</b>
Supporting services:							
Management and general	1,991,386	-	1,991,386	-	-	1,991,386	1,942,639
Development and fundraising	368,353	-	368,353	-	-	368,353	292,484
<b>Total Supporting Services</b>	<b>2,359,739</b>	<b>-</b>	<b>2,359,739</b>	<b>-</b>	<b>-</b>	<b>2,359,739</b>	<b>2,235,123</b>
<b>Total Expenses</b>	<b>16,209,258</b>	<b>-</b>	<b>16,209,258</b>	<b>322,011</b>	<b>(19,440)</b>	<b>16,511,829</b>	<b>15,887,522</b>
<b>Loss From Operations Before Support and Nonoperating Revenues</b>	<b>(284,647)</b>	<b>(10,493)</b>	<b>(295,140)</b>	<b>(68,378)</b>	<b>-</b>	<b>(363,518)</b>	<b>(722,627)</b>
<b>Support and Nonoperating Revenues:</b>							
Unrealized (loss) gain on investments	(275,515)	-	(275,515)	-	-	(275,515)	299,387
Realized gain on investments	198,432	-	198,432	-	-	198,432	115,497
Prior year revenue (expense) (Note 3)	38,661	-	38,661	(8,058)	-	30,603	110,281
Interest income	140,545	-	140,545	-	-	140,545	104,767
<b>Total Support and Nonoperating Revenue</b>	<b>102,123</b>	<b>-</b>	<b>102,123</b>	<b>(8,058)</b>	<b>-</b>	<b>94,065</b>	<b>629,932</b>
<b>Change in Net Assets</b>	<b>(182,524)</b>	<b>(10,493)</b>	<b>(193,017)</b>	<b>(76,436)</b>	<b>-</b>	<b>(269,453)</b>	<b>(92,695)</b>
<b>Net Assets, Beginning of Year</b>	<b>18,861,184</b>	<b>358,700</b>	<b>19,219,884</b>	<b>(749,416)</b>	<b>-</b>	<b>18,470,468</b>	<b>18,563,163</b>
<b>Net Assets, End of Year</b>	<b>\$18,678,660</b>	<b>\$ 348,207</b>	<b>\$19,026,867</b>	<b>\$(825,852)</b>	<b>\$ -</b>	<b>\$18,201,015</b>	<b>\$18,470,468</b>

*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			ABC	HDFC	Eliminations	Combined Totals	
	Early Childhood Programs	Wrap-Around Services	Total	Management and General	Program Development and Fundraising	Total				2015	2014
<b>Expenses:</b>											
Employee salaries	\$ 5,211,783	\$1,576,717	\$ 6,788,500	\$1,061,293	\$187,594	\$1,248,887	\$ 8,037,387	\$120,846	\$ -	\$ 8,158,233	\$ 7,619,659
Employee benefits and taxes	1,650,409	511,801	2,162,210	395,095	59,868	454,963	2,617,173	27,552	-	2,644,725	2,423,962
<b>Total Salaries and Related Expenses</b>	<b>6,862,192</b>	<b>2,088,518</b>	<b>8,950,710</b>	<b>1,456,388</b>	<b>247,462</b>	<b>1,703,850</b>	<b>10,654,560</b>	<b>148,398</b>	<b>-</b>	<b>10,802,958</b>	<b>10,043,621</b>
Transportation and worker's expense	115,784	48,761	164,545	37,345	40,291	77,636	242,181	636	-	242,817	203,656
Client assistance and activities	98,924	50,904	149,828	6,777	26,696	33,473	183,301	-	-	183,301	199,791
Purchase of services	1,412,864	75,548	1,488,412	87,766	4,130	91,896	1,580,308	3,189	-	1,583,497	1,564,823
Food and clothing	407,161	76,330	483,491	7,766	13,462	21,228	504,719	-	-	504,719	308,536
Bedding, linen and supplies	189,080	71,927	261,007	11,798	1,656	13,454	274,461	927	-	275,388	402,532
Rent (Notes 3 and 11)	106,580	-	106,580	-	-	-	106,580	6,085	(19,440)	93,225	92,565
Utilities	136,036	39,651	175,687	18,080	-	18,080	193,767	14,490	-	208,257	234,631
Repairs and maintenance	596,403	176,147	772,550	65,251	1,164	66,415	838,965	51,096	-	890,061	1,208,738
Telephone/fax	58,770	27,515	86,285	12,729	251	12,980	99,265	2,682	-	101,947	88,620
Office and medical supplies	174,841	54,293	229,134	93,073	5,405	98,478	327,612	408	-	328,020	254,981
Professional fees	21,249	25,069	46,318	101,883	25,428	127,311	173,629	15,000	-	188,629	161,045
Insurance	140,345	37,039	177,384	8,184	2,408	10,592	187,976	6,990	-	194,966	182,774
Real estate water and sewer taxes	28,628	2,871	31,499	1,317	-	1,317	32,816	6,323	-	39,139	41,176
Depreciation and amortization	532,734	193,355	726,089	83,029	-	83,029	809,118	57,015	-	866,133	891,261
Interest expense	-	-	-	-	-	-	-	8,772	-	8,772	8,772
<b>Total Expenses</b>	<b>\$10,881,591</b>	<b>\$2,967,928</b>	<b>\$13,849,519</b>	<b>\$1,991,386</b>	<b>\$368,353</b>	<b>\$2,359,739</b>	<b>\$16,209,258</b>	<b>\$322,011</b>	<b>\$(19,440)</b>	<b>\$16,511,829</b>	<b>\$15,887,522</b>

*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	
				2015	2014
<b>Cash Flows From Operating Activities:</b>					
Change in net assets	\$ (193,017)	\$(76,436)	\$ -	\$ (269,453)	\$ (92,695)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:					
Depreciation and amortization	809,118	57,015	-	866,133	891,261
Donated securities	-	-	-	-	(102,260)
Realized gain on investments	(198,432)	-	-	(198,432)	(115,497)
Unrealized loss (gain) on investments	275,515	-	-	275,515	(299,387)
(Increase) decrease in:					
Grants receivable	(351,135)	-	-	(351,135)	(258,601)
Accounts receivable	(296,578)	-	-	(296,578)	688,055
Due from affiliate	(40,208)	-	40,208	-	-
Rent receivable	-	(19,607)	-	(19,607)	2,199
Prepaid expenses and other assets	(110,980)	-	-	(110,980)	(217,691)
Cash surrender value of life insurance policy	(3,678)	-	-	(3,678)	(36,588)
Increase (decrease) in:					
Accounts payable and accrued expenses	35,368	-	-	35,368	168,582
Accrued compensation	(352,919)	8,772	-	(344,147)	27,746
Due to affiliate	-	40,208	(40,208)	-	-
Tenant security deposits	-	-	-	-	940
Deferred tuition revenue	(90,855)	-	-	(90,855)	109,949
Deferred compensation	57,228	-	-	57,228	56,053
<b>Net Cash (Used In) Provided By Operating Activities</b>	<b>(460,573)</b>	<b>9,952</b>	<b>-</b>	<b>(450,621)</b>	<b>822,066</b>
<b>Cash Flows From Investing Activities:</b>					
Proceeds from sale of investments	1,128,275	-	-	1,128,275	394,374
Purchases of investments	(1,125,956)	-	-	(1,125,956)	(2,206,013)
Purchases of fixed assets	(194,444)	(21,400)	-	(215,844)	(174,731)
<b>Net Cash Used In Investing Activities</b>	<b>(192,125)</b>	<b>(21,400)</b>	<b>-</b>	<b>(213,525)</b>	<b>(1,986,370)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(652,698)</b>	<b>(11,448)</b>	<b>-</b>	<b>(664,146)</b>	<b>(1,164,304)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>3,411,636</b>	<b>92,651</b>	<b>-</b>	<b>3,504,287</b>	<b>4,668,591</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 2,758,938</b>	<b>\$ 81,203</b>	<b>\$ -</b>	<b>\$ 2,840,141</b>	<b>\$ 3,504,287</b>

*See accompanying notes to combining financial statements.*

# Association to Benefit Children and Affiliate

## Notes to Combining Financial Statements

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### 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.

# Association to Benefit Children and Affiliate

## Notes to Combining Financial Statements

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(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.

(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) ***Donor-Restricted Contributions***

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to the unrestricted net assets. Support received with donor-imposed restrictions that are met in the same year in which the contributions are received is classified as unrestricted contributions.

Contributions of long-lived assets are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. An appropriate amount is reclassified to unrestricted net assets over the useful life of the long-lived assets as calculated by ABC and Affiliate's depreciation policy. In the absence of donors' stipulations, contributions of long-lived assets are recorded as unrestricted support.

(e) ***Revenue Recognition***

Revenue from governmental grants 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 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.

(f) ***Retirement Plans***

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.

# Association to Benefit Children and Affiliate

## Notes to Combining Financial Statements

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### *(g) Fair Value Measurements*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date (an exit price). 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 as ABC and Affiliate would use in pricing ABC and Affiliate's asset or liability based on independently derived and objectively determinable 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 estimate 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 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.

### *(h) Allowance for Doubtful Accounts*

ABC and Affiliate provide an allowance for doubtful accounts for receivables which are specifically identified by management as to their uncertainty in regards to collectibility.

### *(i) 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:

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

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

# Association to Benefit Children and Affiliate

## Notes to Combining Financial Statements

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### *(j) 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, 2015.

### *(k) Income Taxes*

ABC and Affiliate were incorporated in the State of New York and are exempt from Federal and state income taxes under Section 501(c)(3) of the Code. ABC and Affiliate have 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 "private foundations" within the meaning of Section 509(a) of the Code. There was no unrelated business income for the year ended June 30, 2015.

### *(l) Accounting for Uncertainty in Income Taxes*

Under ASC 740, "Income Taxes," an organization must recognize the financial statement effects of tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. ABC and Affiliate do not believe there are any material uncertain tax positions and, accordingly, they have not recognized any liability for unrecognized tax benefits. ABC and Affiliate have filed IRS Form 990 tax returns, as required, and all other applicable returns in jurisdictions where they are required. For the year ended June 30, 2015, there was no interest or penalties recorded or included in the combining statement of activities. Management believes it is no longer subject to income tax examination for the years prior to 2012.

### *(m) Use of Estimates*

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, 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.

### *(n) 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, 2015 amounted to \$133,160 and the amount pertaining to ABC's rent is \$19,440 which is eliminated in the combining financial statements.

### *(o) Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on an individual basis in the statement of activities. Accordingly, certain costs have been allocated to the programs and supporting services benefited.

# Association to Benefit Children and Affiliate

## Notes to Combining Financial Statements

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### *(p) 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.

### *(q) 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.

### *(r) 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, 2014, from which the summarized information was derived.

## 4. Investments and Fair Value Measurements

Cost and respective fair values of investments at June 30, 2015 are as follows:

*June 30, 2015*

	Cost	Fair Value
Equities	\$ 612,206	\$ 645,889
Equity mutual funds	1,083,479	1,187,286
Preferred stock	158,490	157,497
Fixed income mutual funds	66,206	75,498
Fixed income corporate bonds	1,505,876	1,515,703
Inflation indexed securities	1,122,943	1,141,810
Exchange-traded funds	1,331,071	1,483,507
Market index target-term securities	208,329	184,420
Total	\$6,088,600	\$6,391,610

In addition to the above investments, the investment portfolio included \$509,131 of cash equivalents as of June 30, 2015.

# Association to Benefit Children and Affiliate

## Notes to Combining Financial Statements

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Investment income as of June 30, 2015 consists of the following:

*June 30, 2015*

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Realized gains	\$ 198,432
Unrealized loss	(275,515)
Interest income	140,545
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	\$ 63,462

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The market or fair value of the investments detailed above is determined by reference to market quotations at June 30, 2015. The investments are managed by professional investment advisors and managers.

At June 30, 2015, ABC and Affiliate deemed that all securities which were in an unrealized loss position were temporarily impaired. Positive evidence considered in reaching ABC and Affiliate's conclusion that the investments in an unrealized loss position are not other than temporarily impaired consisted of:

1. there were no specific events which caused concerns;
2. ABC and Affiliate's ability and intent to retain the investment for a sufficient amount of time to allow an anticipated recovery in value; and
3. ABC and Affiliate also determined that the changes in market value were considered normal in relation to overall fluctuations in interest rates.

## 5. Fair Value Measurements

### *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.

### *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.

# Association to Benefit Children and Affiliate

## Notes to Combining Financial Statements

### *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, 2015. 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 at Reporting Date Using			Balance as of June 30, 2015
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equities:				
Basic materials	\$ 24,745	\$ -	\$-	\$ 24,745
Communications	9,696	-	-	9,696
Consumer cyclical	61,641	-	-	61,641
Consumer non-cyclicals	162,723	-	-	162,723
Energy	65,757	-	-	65,757
Financial	52,555	-	-	52,555
Healthcare	20,118	-	-	20,118
Industrial	99,787	-	-	99,787
Technology	127,167	-	-	127,167
Preferred stock:				
Financial	-	98,730	-	98,730
Utilities	-	13,315	-	13,315
Energy	-	4,509	-	4,509
Home and office products	-	5,090	-	5,090
Real estate trust	-	17,933	-	17,933
Insurance	-	7,164	-	7,164
Electrical equipment	-	10,756	-	10,756
Equity mutual funds:				
Foreign large blend	-	614,016	-	614,016
Large blend	-	216,367	-	216,367
Large growth	-	42,921	-	42,921
Intermediate	-	107,937	-	107,937
Small blend	-	206,045	-	206,045
Fixed income mutual funds	-	75,498	-	75,498
Fixed income corporate bonds	-	1,515,703	-	1,515,703
Inflation indexed securities	1,141,810	-	-	1,141,810
Exchange-traded funds	-	1,505,207	-	1,505,207
Market index target-term securities	-	184,420	-	184,420
<b>Total</b>	<b>\$1,765,999</b>	<b>\$4,625,611</b>	<b>\$-</b>	<b>\$6,391,610</b>

# Association to Benefit Children and Affiliate

## Notes to Combining Financial Statements

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, 2015, there were no transfers between the level classifications.

### 6. Fair Value of Investments in Certain Entities That Calculate Net Asset Value 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 net asset value per share (or its equivalent) as of June 30, 2015.

Investment	Fair Value	Redemption Frequency	Redemption Notice Period
Mutual funds	\$1,262,784	Daily	Up to 3 days
Exchange-traded funds	1,505,207	Daily	Up to 3 days
Fixed income corporate bonds	1,515,703	Daily	Up to 3 days
Inflation indexed securities	1,141,810	Daily	Up to 3 days
Market index target-term securities	184,420	Daily	Up to 3 days

### 7. Fixed Assets, Net

Fixed assets, net, stated at cost as of June 30, 2015 consist of the following:

<i>June 30, 2015</i>	ABC	HDFC	Total
Land	\$ 55,000	\$ 13,500	\$ 68,500
Building	18,468,888	840,563	19,309,451
Building improvements	1,110,615	385,980	1,496,595
Furniture and equipment	469,495	9,800	479,295
Total fixed assets	20,103,998	1,249,843	21,353,841
Less: Accumulated depreciation and amortization	12,062,885	814,854	12,877,739
Fixed assets, net	\$ 8,041,113	\$ 434,989	\$ 8,476,102

### 8. Transactions With Affiliate

ABC is affiliated with HDFC through certain common board members and management. As of June 30, 2015, ABC advanced HDFC \$359,872. 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.

# Association to Benefit Children and Affiliate

## Notes to Combining Financial Statements

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### 9. 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 through the Department of Housing Development. As of June 30, 2015, 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. 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 \$140,358 as of June 30, 2015.

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.

### 10. Retirement Plans

#### (a) Pension Plan

ABC and Affiliate made contributions to the plan on behalf of their employees of \$178,078 during 2015, which is included in ABC and Affiliate's combining statement of functional expenses under employee benefits and taxes.

#### (b) 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, 2015, the asset and the related liability amounted to \$524,752. 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.

### 11. Commitments

ABC and Affiliate occupy certain of their premises under an operating lease expiring on January 26, 2018, and lease certain equipment under operating lease agreements expiring at various dates through June 2015. Future minimum annual lease payments are as follows:

*Year ending June 30,*

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2016	\$ 66,320
2017	26,370
2018	9,492
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Total	\$102,182

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Total rent expense for the year ended June 30, 2015 amounted to \$93,225.

# Association to Benefit Children and Affiliate

## Notes to Combining Financial Statements

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### 12. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2015 are restricted for the following purposes:

*June 30, 2015*

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Director's discretion	\$ 30,723
Greenhouse/rooftop	52,977
Echo Park Tech Lab	25,000
Keith Harring School Renovation	229,940
Summer camp	9,567
<b>Total</b>	<b>\$348,207</b>

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### 13. Net Assets Released from Restrictions

The amounts of temporarily restricted net assets released from restrictions during the year ended June 30, 2015 are as follows:

*June 30, 2015*

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Graham School	\$ 703,432
Cassidy's Place Early Childhood	7,825
Cody House School	33,344
Merricat's School	163,482
Keith Harring School	119,275
Youth services and summer camp	204,241
Mental Health Fast Break	70,000
Saturday program	79,314
<b>Total</b>	<b>\$1,380,913</b>

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### 14. 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 \$588,279 as of June 30, 2015.

### 15. Subsequent Events

ABC and Affiliate's management has performed subsequent events procedures through February 2, 2016, 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.