

Association to Benefit Children and Affiliate

Combining Financial Statements
Year Ended June 30, 2014

**Association to Benefit Children
and Affiliate**

Combining Financial Statements
Year Ended June 30, 2014

Association to Benefit Children and Affiliate

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Tel: +212 885-8000
Fax: +212 697-1299
www.bdo.com

100 Park Avenue
New York, NY 10017

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, 2014, 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, 2014, 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 2013 combining financial statements and our report, dated December 19, 2013, 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, 2013 is consistent, in all material respects, with the audited combining financial statements from which it has been derived.

BDO USA, LLP

November 26, 2014

Association to Benefit Children and Affiliate

Combining Statement of Financial Position (with comparative totals for 2013)

June 30,

	ABC	HDFC	Eliminations	Combined Totals	
				2014	2013
Assets					
Current:					
Cash and cash equivalents (Note 3)	\$ 3,411,636	\$ 92,651	\$ -	\$ 3,504,287	\$ 4,668,591
Investments at fair value (Notes 3, 4, 5 and 6)	6,471,013	-	-	6,471,013	4,142,230
Grants receivable	258,781	-	-	258,781	180
Accounts receivable (Note 3)	1,462,032	18,106	-	1,480,138	2,168,193
Due from affiliate (Note 8)	319,664	-	(319,664)	-	-
Rent receivable	-	8,350	-	8,350	10,549
Prepaid expenses and other assets	419,394	-	-	419,394	201,703
Total Current Assets	12,342,520	119,107	(319,664)	12,141,963	11,191,446
Cash Surrender Value of Life Insurance Policy (Note 14)	584,601	-	-	584,601	548,013
Other Assets	5,397	-	-	5,397	5,397
Fixed Assets, Net (Notes 3 and 7)	8,655,786	470,604	-	9,126,390	9,842,920
	\$21,588,304	\$ 589,711	\$(319,664)	\$21,858,351	\$21,587,776
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 621,920	\$ 142,223	\$ -	\$ 764,143	\$ 725,760
Accrued compensation	651,377	-	-	651,377	482,795
Due to affiliate (Note 8)	-	319,664	(319,664)	-	9,697
Deferred tuition revenue	627,599	-	-	627,599	517,650
Deferred compensation (Note 10)	467,524	-	-	467,524	411,471
Total Current Liabilities	2,368,420	461,887	(319,664)	2,510,643	2,147,373
Long-term Debt (Note 9)	-	877,240	-	877,240	877,240
Total Liabilities	2,368,420	1,339,127	(319,664)	3,387,883	3,024,613
Commitments and Contingencies (Notes 3, 9, 10, 11 and 14)					
Net Assets (Notes 3 and 12):					
Unrestricted:					
General	10,205,398	(749,416)	-	9,455,982	9,067,172
Land, building and equipment	8,655,786	-	-	8,655,786	9,345,621
Total Unrestricted Net Assets	18,861,184	(749,416)	-	18,111,768	18,412,793
Temporarily restricted	358,700	-	-	358,700	150,370
Total Net Assets	19,219,884	(749,416)	-	18,470,468	18,563,163
	\$21,588,304	\$ 589,711	\$(319,664)	\$21,858,351	\$21,587,776

See accompanying notes to combining financial statements.

Association to Benefit Children and Affiliate
Combining Statement of Activities
(with comparative totals for 2013)

	ABC					Combined Totals		
	Unrestricted	Temporarily Restricted		Total	HDFC Unrestricted	Eliminations	2014	2013
		ABC	Temporarily Restricted					
Operating Revenues:								
Contributions and private grants	\$ 2,244,783	\$ 1,430,026	\$ 3,674,809	\$ -	\$ -	\$ 3,674,809	\$ 3,488,976	
Government grants	9,754,793	-	9,754,793	119,684	-	9,874,477	9,773,969	
Tuition and client fees	1,080,511	-	1,080,511	-	-	1,080,511	1,134,218	
Rental income (Note 3)	-	-	-	124,172	(19,440)	104,732	110,080	
Other income	430,366	-	430,366	-	-	430,366	427,372	
Net assets released from restrictions (Note 13)	1,221,696	(1,221,696)	-	-	-	-	-	
Total Operating Revenues	14,732,149	208,330	14,940,479	243,856	(19,440)	15,164,895	14,934,615	
Expenses:								
Program services:								
Early childhood programs	10,611,280	-	10,611,280	-	(19,440)	10,591,840	10,530,585	
Wrap-around services	2,612,304	-	2,612,304	-	-	2,612,304	2,195,048	
Other programs	-	-	-	448,255	-	448,255	371,746	
Total Program Services	13,223,584	-	13,223,584	448,255	(19,440)	13,652,399	13,097,379	
Supporting services:								
Management and general Development and fundraising	1,942,639	-	1,942,639	-	-	1,942,639	1,607,753	
	292,484	-	292,484	-	-	292,484	249,869	
Total Supporting Services	2,235,123	-	2,235,123	-	-	2,235,123	1,857,622	
Total Expenses	15,458,707	-	15,458,707	448,255	(19,440)	15,887,522	14,955,001	
Loss From Operations Before Support and Nonoperating Revenues	(726,558)	208,330	(518,228)	(204,399)	-	(722,627)	(20,386)	
Support and Nonoperating Revenues:								
Unrealized gain on investments	299,387	-	299,387	-	-	299,387	131,983	
Realized gain (loss) on investments	115,497	-	115,497	-	-	115,497	(12,959)	
Adjustment to prior year revenue	110,281	-	110,281	-	-	110,281	129,716	
Interest income	104,767	-	104,767	-	-	104,767	74,697	
Total Support and Nonoperating Revenue	629,932	-	629,932	-	-	629,932	323,437	
Change in Net Assets	(96,626)	208,330	111,704	(204,399)	-	(92,695)	303,051	
Net Assets, Beginning of Year	18,957,810	150,370	19,108,180	(545,017)	-	18,563,163	18,260,112	
Net Assets, End of Year	\$18,861,184	\$ 358,700	\$19,219,884	\$(749,416)	\$ -	\$18,470,468	\$18,563,163	

See accompanying notes to combining financial statements.

Association to Benefit Children and Affiliate
Combining Statement of Functional Expenses
 (with comparative totals for 2013)

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	AFC	HDFC	Eliminations	2014	2013
Expenses:											
Employee salaries	\$ 5,045,635	\$ 1,251,455	\$ 6,297,090	\$ 1,026,394	\$ 156,018	\$ 1,182,412	\$ 7,479,502	\$ 140,157	\$ -	\$ 7,619,659	\$ 7,513,318
Employee benefits and taxes	1,574,962	393,860	1,968,822	363,084	48,459	411,543	2,380,365	43,597	-	2,423,962	2,240,253
Total Salaries and Related Expenses	6,620,597	1,645,315	8,265,912	1,389,478	204,477	1,593,955	9,859,867	183,754	-	10,043,621	9,753,571
Transportation and worker's expense	88,388	33,344	121,732	46,025	35,720	81,745	203,477	179	-	203,656	219,324
Client assistance and activities	93,564	75,871	169,435	-	24,145	24,145	193,580	6,211	-	199,791	184,687
Purchase of services	1,413,216	69,932	1,483,148	72,774	3,817	76,591	1,559,739	5,084	-	1,564,823	1,552,371
Food and clothing	246,284	57,930	304,214	-	4,262	4,262	308,476	60	-	308,536	285,421
Bedding, linen and supplies	281,103	95,207	376,310	25,139	1,083	26,222	402,532	-	-	402,532	336,663
Rent	90,000	-	90,000	-	-	-	90,000	22,005	(19,440)	92,565	90,330
Utilities	151,322	42,685	194,007	21,240	-	21,240	215,247	19,384	-	234,631	214,668
Repairs and maintenance	706,807	306,863	1,013,670	78,877	-	78,877	1,092,547	116,191	-	1,208,738	731,083
Telephone	46,056	20,955	67,011	14,539	-	14,539	81,550	7,070	-	88,620	134,638
Office and medical supplies	132,465	33,797	166,262	79,785	8,733	88,518	254,780	201	-	254,981	207,579
Professional fees	18,796	14,906	33,702	113,325	7,018	120,343	154,045	7,000	-	161,045	160,353
Insurance	124,830	32,966	157,796	15,167	3,229	18,396	176,192	6,582	-	182,774	171,216
Real estate water and sewer taxes	29,183	2,920	32,103	2,306	-	2,306	34,409	6,767	-	41,176	33,034
Depreciation and amortization	568,669	179,613	748,282	83,984	-	83,984	832,266	58,995	-	891,261	871,291
Interest expense	-	-	-	-	-	-	-	8,772	-	8,772	8,772
Total Expenses	\$10,611,280	\$2,612,304	\$13,223,584	\$1,942,639	\$292,484	\$2,235,123	\$15,458,707	\$448,255	\$(19,440)	\$15,887,522	\$14,955,001

See accompanying notes to combining financial statements.

Association to Benefit Children and Affiliate

Combining Statement of Cash Flows (with comparative totals for 2013)

Year ended June 30,

	ABC	HDFC	Eliminations	Combined Totals	
				2014	2013
Cash Flows From Operating Activities:					
Change in net assets	\$ 111,704	\$(204,399)	\$ -	\$ (92,695)	\$ 303,051
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Depreciation and amortization	832,266	58,995	-	891,261	871,291
Donated securities	(102,260)	-	-	(102,260)	(92,474)
Realized (gain) loss on investments	(115,497)	-	-	(115,497)	12,959
Unrealized gain on investments	(299,387)	-	-	(299,387)	(131,983)
(Increase) decrease in:					
Grants receivable	(258,601)	-	-	(258,601)	496,345
Accounts receivable	708,298	(20,243)	-	688,055	1,063,532
Due from affiliate	(47,204)	-	47,204	-	-
Prepaid expenses and other assets	(217,691)	-	-	(217,691)	128,217
Rent receivable	-	2,199	-	2,199	11,323
Cash surrender value of life insurance policy	(36,588)	-	-	(36,588)	(43,080)
Increase (decrease) in:					
Accrued compensation	25,973	1,773	-	27,746	(65,192)
Accounts payable and accrued expenses	168,582	-	-	168,582	42,462
Due to affiliate	-	47,204	(47,204)	-	-
Tenant security deposits	-	940	-	940	-
Deferred tuition revenue	109,949	-	-	109,949	(123,192)
Deferred compensation	56,053	-	-	56,053	55,639
Net Cash Provided By (Used in) Operating Activities	935,597	(113,531)	-	822,066	2,528,898
Cash Flows From Investing Activities:					
Proceeds from sale of investments	394,374	-	-	394,374	577,528
Purchase of investments	(2,206,013)	-	-	(2,206,013)	(519,223)
Purchase of fixed assets	(142,431)	(32,300)	-	(174,731)	(635,369)
Net Cash Used In Investing Activities	(1,954,070)	(32,300)	-	(1,986,370)	(577,064)
Net (Decrease) Increase in Cash and Cash Equivalents	(1,018,473)	(145,831)	-	(1,164,304)	1,951,834
Cash and Cash Equivalents, Beginning of Year	4,430,109	238,482	-	4,668,591	2,716,757
Cash and Cash Equivalents, End of Year	\$ 3,411,636	\$ 92,651	\$ -	\$ 3,504,287	\$4,668,591

See accompanying notes to combining financial statements.

Association to Benefit Children and Affiliate

Notes to Combining Financial Statements

1. Nature of the Organization

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

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

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

(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

(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:

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

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

Association to Benefit Children and Affiliate

Notes to Combining Financial Statements

(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 years ended June 30, 2014.

(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, 2014.

(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, 2014, 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 2011.

(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. Significant estimates by management are used in the computation of due to governmental agencies, receivables due from governmental agencies, accrued pension liability and bad debt expense on governmental receivables.

(n) Rental Income

HDFC receives apartment rent from various individual tenants and a related party, 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, 2014 amounted to \$124,172 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

(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.

(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, 2013, from which the summarized information was derived.

4. Investments and Fair Value Measurements

Cost and respective fair values of investments at June 30, 2014 are as follows:

June 30, 2014

	Cost	Fair Value
Equities	\$ 721,634	\$ 810,851
Equity mutual funds	1,025,172	1,229,379
Fixed income mutual funds	66,206	78,020
Fixed income corporate bonds	1,428,109	1,457,000
Inflation indexed securities	917,798	936,070
Exchange-traded funds	1,331,425	1,526,179
Market index target-term securities	304,933	276,342
Preferred stock	158,490	157,172
Total	\$5,953,767	\$6,471,013

In addition to the above investments, the investment portfolio included \$391,960 of cash equivalents as of June 30, 2014.

Association to Benefit Children and Affiliate

Notes to Combining Financial Statements

Investment income as of June 30, 2014 consists of the following:

<i>June 30, 2014</i>	
Realized gains	\$115,497
Unrealized gains	299,387
Interest income	104,767
	<hr/>
	\$519,651

The market or fair value of the investments detailed above is determined by reference to market quotations at June 30, 2014. The investments are managed by professional investment advisors and managers.

At June 30, 2014, 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

ABC and Affiliate's holdings in equities and publicly-traded mutual funds consist principally of debt and equity securities carried at their aggregate market value that is determined by quoted market prices. Each of the above investments can be liquidated daily. The valuation of the above is based on Level 1 inputs within the hierarchy used in measuring fair value.

ABC and Affiliate's holdings in the U.S. government and agencies are comprised of bonds issued by the U.S. Treasury. The fair values of the Company's U.S. government securities are based on quoted market prices in active markets and are included in Level 1 of the fair value hierarchy. The Company believes the market for U.S. Treasury securities is an actively traded market given the high level of daily trading volume.

The fair value of corporate bonds is estimated using recently executed transactions or market price quotations (where observable). The spread data used is for the same maturity as the bond. If the spread data does not reference the issuer, then data that references a comparable issuer is used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond, or single-name credit default swap spreads and recovery rates based on collateral values as key inputs. Corporate bonds are classified as Level 2 of 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.

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Notes to Combining Financial Statements

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, 2014. 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, 2014
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equities:				
Basic materials	\$ 14,823	\$ -	\$-	\$ 14,823
Communications	3,469	-	-	3,469
Consumer cyclicals	259,023	-	-	259,023
Consumer non-cyclicals	144,610	-	-	144,610
Energy	69,509	-	-	69,509
Financial	84,761	-	-	84,761
Healthcare	24,570	-	-	24,570
Industrial	77,609	-	-	77,609
Technology	132,477	-	-	132,477
Preferred stock:				
Financial	-	100,205	-	100,205
Utilities	-	13,155	-	13,155
Energy	-	4,226	-	4,226
Home and office products	-	5,188	-	5,188
Real estate trust	-	16,955	-	16,955
Insurance	-	7,029	-	7,029
Electrical equipment	-	10,414	-	10,414
Equity mutual funds:				
Foreign large blend	-	654,245	-	654,245
Large blend	-	210,792	-	210,792
Large growth	-	39,766	-	39,766
Intermediate	-	107,824	-	107,824
Small blend	-	216,752	-	216,752
Fixed income mutual funds	-	78,020	-	78,020
Fixed income corporate bonds	-	1,457,000	-	1,457,000
Inflation indexed securities	936,070	-	-	936,070
Exchange-traded funds	-	1,526,179	-	1,526,179
Market index target-term securities	-	276,342	-	276,342
Total	\$1,746,921	\$4,724,092	\$-	\$6,471,013

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, 2014, there were no changes within the level classifications.

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Notes to Combining Financial Statements

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, 2014.

Investment	Fair Value	Redemption Frequency	Redemption Notice Period
Mutual funds	\$1,307,399	Daily	Up to 3 days
Exchange-traded funds	1,526,179	Daily	Up to 3 days
Fixed income corporate bonds	1,457,000	Daily	Up to 3 days
Inflation indexed securities	936,070	Daily	Up to 3 days
Market index-target term securities	276,342	Daily	Up to 3 days

7. Fixed Assets, Net

Fixed assets, net, stated at cost as of June 30, 2014 consist of the following:

June 30, 2014	ABC	HDFC	Total
Land	\$ 55,000	\$ 13,500	\$ 68,500
Building	18,446,522	840,563	19,287,085
Building improvements	1,081,770	364,580	1,446,350
Furniture and equipment	326,262	9,800	336,062
	19,909,554	1,228,443	21,137,997
Less: Accumulated depreciation and amortization	11,253,768	757,839	12,011,607
Fixed assets, net	\$ 8,655,786	\$ 470,604	\$ 9,126,390

8. Transactions With Affiliate

ABC is affiliated with HDFC through certain common board members and management. As of June 30, 2014, ABC advanced HDFC \$319,664. 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.

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, 2014, the amount of the mortgage proceeds drawn down to rehabilitate the ABC-HDFC Apartment Building amounted to \$877,240.

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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 \$131,586 as of June 30, 2014.

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 \$174,310 during 2014, 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, 2014, the assets and the related liability amounted to \$467,524. The assets and related liability 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 August 31, 2015, and lease certain equipment under operating lease agreements expiring at various dates through June 2014. Future minimum annual lease payments for the year ending June 30, 2015 amount to \$19,097.

Total rent expense for the year ended June 30, 2014 amounted to \$90,000.

12. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2014 are restricted for the following purposes:

June 30, 2014

Director's discretion	\$ 30,723
Greenhouse/rooftop	52,977
Echo Park Tech Lab	25,000
Keith Harring School Renovation	250,000
Total	\$358,700

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Notes to Combining Financial Statements

13. Net Assets Released from Restrictions

The amounts of temporarily restricted net assets released from restrictions during the year ended June 30, 2014 are as follows:

June 30, 2014

Echo Park Early Childhood	\$ 277,370
Greenhouse	258,601
Cassidy's Place Early Childhood	46,895
Merricat's School	198,815
Variety House	35,659
Keith Harring School	30,000
Youth services and summer camp	184,884
Families Lead Our Way	41,667
Mental Health Fast Break	96,805
Saturday program	51,000
Total	\$1,221,696

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 \$584,601 as of June 30, 2014.

15. Subsequent Events

ABC and Affiliate's management has performed subsequent events procedures through November 26, 2014, 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.

