



# **BROOKLYN BUREAU OF COMMUNITY SERVICE D/B/A BROOKLYN COMMUNITY SERVICES**

Financial Statements  
(Together with Independent Auditors' Report)

Years Ended June 30, 2015 and 2014

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

**BROOKLYN BUREAU OF COMMUNITY SERVICE  
D/B/A BROOKLYN COMMUNITY SERVICES  
FINANCIAL STATEMENTS  
(Together with Independent Auditors' Report)  
  
YEARS ENDED JUNE 30, 2015 AND 2014**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Brooklyn Bureau of Community Service  
D/B/A Brooklyn Community Services

We have audited the accompanying financial statements of Brooklyn Bureau of Community Service D/B/A Brooklyn Community Services ("BCS"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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 audits. We conducted our audits 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 of material misstatement.

An audit involves performing procedures to obtain audit 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 entity'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 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 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 the Brooklyn Community Service as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of government fees and contracts on page 19 and the schedules of functional expenses on pages 20-21 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Marks Paneth LLP*

November 24, 2015  
New York, NY

**BROOKLYN BUREAU OF COMMUNITY SERVICE  
D/B/A BROOKLYN COMMUNITY SERVICES  
STATEMENTS OF FINANCIAL POSITION  
YEARS ENDED JUNE 30, 2015 AND 2014**

|   | <u>2015</u>          | <u>2014</u>          |
|---|----------------------|----------------------|
| <b>ASSETS</b>   |                      |                      |
| Cash and cash equivalents (Notes 2C and 14)                   | \$ 270,225           | \$ 880,498           |
| Accounts receivable, net (Note 2G)                            | 6,121,482            | 5,763,888            |
| Contributions and grants receivable, net (Notes 2G, 2H and 3) | 544,077              | 516,075              |
| Other receivables (Note 2G)                                   | 68,069               | 30,289               |
| Investments (Notes 2E, 4 and 13)                              | 9,643,622            | 9,848,947            |
| Prepaid expenses, deferred charges and other                  | 973,110              | 497,466              |
| Property and equipment, net (Notes 2D and 6)                  | 1,257,443            | 1,558,896            |
| Assets held by insurance trusts (Note 5)                      | 221,119              | 148,206              |
| <b>TOTAL ASSETS</b>   | <u>\$ 19,099,147</u> | <u>\$ 19,244,265</u> |
| <b>LIABILITIES</b>  |                      |                      |
| Accounts and accrued expenses payable                         | \$ 1,594,636         | \$ 1,652,025         |
| Accrued payroll and related liabilities                       | 1,037,810            | 1,335,647            |
| Deferred rent (Note 2L)                                       | 104,512              | 122,816              |
| Deferred revenue / refundable advances (Notes 6 and 7)        | 1,521,547            | 827,284              |
| Lines of credit (Note 8)                                      | 5,524,004            | 5,540,292            |
| Loan and mortgage payable (Note 9)                            | 2,425,766            | 2,311,337            |
| Defined benefit pension plan payable (Note 10)                | 2,678,288            | 2,652,972            |
| Supplemental retirement benefit plan payable (Note 10)        | 533,841              | 699,925              |
| <b>TOTAL LIABILITIES</b>                                      | <u>15,420,404</u>    | <u>15,142,298</u>    |
| <b>COMMITMENTS AND CONTINGENCIES (Note 11)</b>                |                      |                      |
| <b>NET ASSETS (Note 2B)</b>                                   |                      |                      |
| Unrestricted  |                      |                      |
| Operating   | 2,543,497            | 4,778,938            |
| Invested in property and equipment, net                       | 1,257,443            | 8,165                |
| Defined benefit pension plan -                                |                      |                      |
| Pension related changes (Note 10)                             | (2,536,609)          | (2,262,459)          |
| Accrued pension expense                                       | (141,679)            | (390,513)            |
| Supplemental retirement benefit plan                          | (533,841)            | (699,925)            |
| Total unrestricted  | 588,811              | 1,434,206            |
| Temporarily restricted (Note 12)                              | 2,114,088            | 1,691,917            |
| Permanently restricted (Note 13)                              | 975,844              | 975,844              |
| <b>TOTAL NET ASSETS</b>                                       | <u>3,678,743</u>     | <u>4,101,967</u>     |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                       | <u>\$ 19,099,147</u> | <u>\$ 19,244,265</u> |

**BROOKLYN BUREAU OF COMMUNITY SERVICE  
D/B/A BROOKLYN COMMUNITY SERVICES  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2015 AND 2014**

|   | For the Year Ended June 30, 2015 |                        |                        |                     | For the Year Ended June 30, 2014 |                        |                        |                     |
|---|----------------------------------|------------------------|------------------------|---------------------|----------------------------------|------------------------|------------------------|---------------------|
|   | Unrestricted                     | Temporarily Restricted | Permanently Restricted | Total 2015          | Unrestricted                     | Temporarily Restricted | Permanently Restricted | Total 2014          |
| <b>OPERATING REVENUES:</b>  |                                  |                        |                        |                     |                                  |                        |                        |                     |
| <b>Public Support:</b>  |                                  |                        |                        |                     |                                  |                        |                        |                     |
| Special events revenue (net of expenses of \$135,400 and \$126,032, respectively) (Note 2J) | \$ 311,177                       | \$ -                   | \$ -                   | \$ 311,177          | \$ 309,832                       | \$ -                   | \$ -                   | \$ 309,832          |
| Contributions   |                                  |                        |                        |                     |                                  |                        |                        |                     |
| Individual and corporations   | 288,178                          | 427,777                | -                      | 715,955             | 579,375                          | 391,710                | -                      | 971,085             |
| Foundations and trusts  | 193,596                          | 186,700                | -                      | 380,296             | 234,555                          | 198,654                | -                      | 433,209             |
| Legacies and bequests (Note 2H)   | -                                | -                      | -                      | -                   | 100,000                          | -                      | -                      | 100,000             |
| New York Times Neediest Cases   | 801,994                          | -                      | -                      | 801,994             | 810,858                          | -                      | -                      | 810,858             |
| In-kind contribution - equipment (Note 2K)  | 49,223                           | -                      | -                      | 49,223              | 75,126                           | -                      | -                      | 75,126              |
| Investment return used for current operations (Notes 4 and 13)                              | 243,309                          | (68,309)               | -                      | 175,000             | 243,309                          | (68,309)               | -                      | 175,000             |
| Net assets released from restrictions (Note 12)   | 532,128                          | (532,128)              | -                      | -                   | 717,461                          | (717,461)              | -                      | -                   |
| <b>Total Public Support</b>   | <u>2,419,605</u>                 | <u>14,040</u>          | <u>-</u>               | <u>2,433,645</u>    | <u>3,070,516</u>                 | <u>(195,406)</u>       | <u>-</u>               | <u>2,875,110</u>    |
| <b>Governmental Support:</b>  |                                  |                        |                        |                     |                                  |                        |                        |                     |
| Government fees and contracts (Note 2I)   | 22,724,663                       | 400,000                | -                      | 23,124,663          | 22,355,208                       | -                      | -                      | 22,355,208          |
| <b>Total Governmental Support</b>   | <u>22,724,663</u>                | <u>400,000</u>         | <u>-</u>               | <u>23,124,663</u>   | <u>22,355,208</u>                | <u>-</u>               | <u>-</u>               | <u>22,355,208</u>   |
| <b>Other Revenue:</b>   |                                  |                        |                        |                     |                                  |                        |                        |                     |
| Day care fees   | 323,238                          | -                      | -                      | 323,238             | 484,875                          | -                      | -                      | 484,875             |
| Sales-contract and other  | 270,434                          | -                      | -                      | 270,434             | 240,954                          | -                      | -                      | 240,954             |
| Other   | 180,325                          | -                      | -                      | 180,325             | 307,250                          | -                      | -                      | 307,250             |
| <b>Total Other Revenue</b>  | <u>773,997</u>                   | <u>-</u>               | <u>-</u>               | <u>773,997</u>      | <u>1,033,079</u>                 | <u>-</u>               | <u>-</u>               | <u>1,033,079</u>    |
| <b>TOTAL OPERATING REVENUES</b>   | <u>25,918,265</u>                | <u>414,040</u>         | <u>-</u>               | <u>26,332,305</u>   | <u>26,458,803</u>                | <u>(195,406)</u>       | <u>-</u>               | <u>26,263,397</u>   |
| <b>OPERATING EXPENSES:</b>  |                                  |                        |                        |                     |                                  |                        |                        |                     |
| Education and child care  | 7,727,381                        | -                      | -                      | 7,727,381           | 7,678,817                        | -                      | -                      | 7,678,817           |
| Family counseling   | 3,000,221                        | -                      | -                      | 3,000,221           | 3,104,582                        | -                      | -                      | 3,104,582           |
| Developmental disabilities  | 2,498,852                        | -                      | -                      | 2,498,852           | 2,257,004                        | -                      | -                      | 2,257,004           |
| Mental health   | 4,943,271                        | -                      | -                      | 4,943,271           | 4,994,326                        | -                      | -                      | 4,994,326           |
| Job training and employment services  | 2,794,745                        | -                      | -                      | 2,794,745           | 3,173,464                        | -                      | -                      | 3,173,464           |
| Special programs  | 1,468,003                        | -                      | -                      | 1,468,003           | 884,426                          | -                      | -                      | 884,426             |
| <b>Total Program Services Expenses</b>  | <u>22,432,473</u>                | <u>-</u>               | <u>-</u>               | <u>22,432,473</u>   | <u>22,092,619</u>                | <u>-</u>               | <u>-</u>               | <u>22,092,619</u>   |
| Management and administration   | 3,626,032                        | -                      | -                      | 3,626,032           | 3,393,208                        | -                      | -                      | 3,393,208           |
| Fund raising  | 513,656                          | -                      | -                      | 513,656             | 575,998                          | -                      | -                      | 575,998             |
| Marketing and Volunteer   | 431,567                          | -                      | -                      | 431,567             | 408,166                          | -                      | -                      | 408,166             |
| <b>Total Supporting Services Expenses</b>   | <u>4,571,255</u>                 | <u>-</u>               | <u>-</u>               | <u>4,571,255</u>    | <u>4,377,372</u>                 | <u>-</u>               | <u>-</u>               | <u>4,377,372</u>    |
| <b>TOTAL OPERATING EXPENSES</b>   | <u>27,003,728</u>                | <u>-</u>               | <u>-</u>               | <u>27,003,728</u>   | <u>26,469,991</u>                | <u>-</u>               | <u>-</u>               | <u>26,469,991</u>   |
| <b>LOSS FROM OPERATIONS BEFORE PENSION ADJUSTMENT</b>                                       | (1,085,463)                      | 414,040                | -                      | (671,423)           | (11,188)                         | (195,406)              | -                      | (206,594)           |
| Pension changes other than net periodic cost (Note 10)                                      | (274,150)                        | -                      | -                      | (274,150)           | 360,268                          | -                      | -                      | 360,268             |
| <b>OPERATING (LOSS) GAIN AFTER PENSION ADJUSTMENT</b>                                       | <u>(1,359,613)</u>               | <u>414,040</u>         | <u>-</u>               | <u>(945,573)</u>    | <u>349,080</u>                   | <u>(195,406)</u>       | <u>-</u>               | <u>153,674</u>      |
| <b>NONOPERATING ACTIVITIES:</b>   |                                  |                        |                        |                     |                                  |                        |                        |                     |
| Other income (Note 6)   | 761,538                          | -                      | -                      | 761,538             | -                                | -                      | -                      | -                   |
| Loss on disposal of property and equipment (Note 6)   | (3,321)                          | -                      | -                      | (3,321)             | -                                | -                      | -                      | -                   |
| Nonoperating expenses   | (142,178)                        | -                      | -                      | (142,178)           | -                                | -                      | -                      | -                   |
| Investment (loss) / gain in excess of spending rate (Note 4)                                | (101,821)                        | 8,131                  | -                      | (93,690)            | 706,375                          | 97,930                 | -                      | 804,305             |
| <b>Total Nonoperating Activities</b>  | <u>514,218</u>                   | <u>8,131</u>           | <u>-</u>               | <u>522,349</u>      | <u>706,375</u>                   | <u>97,930</u>          | <u>-</u>               | <u>804,305</u>      |
| <b>CHANGE IN NET ASSETS</b>   | (845,395)                        | 422,171                | -                      | (423,224)           | 1,055,455                        | (97,476)               | -                      | 957,979             |
| Net Assets - Beginning of Year  | 1,434,206                        | 1,691,917              | 975,844                | 4,101,967           | 378,751                          | 1,789,393              | 975,844                | 3,143,988           |
| <b>NET ASSETS - END OF YEAR</b>   | <u>\$ 588,811</u>                | <u>\$ 2,114,088</u>    | <u>\$ 975,844</u>      | <u>\$ 3,678,743</u> | <u>\$ 1,434,206</u>              | <u>\$ 1,691,917</u>    | <u>\$ 975,844</u>      | <u>\$ 4,101,967</u> |

See Independent Auditors' Report.

**BROOKLYN BUREAU OF COMMUNITY SERVICE  
D/B/A BROOKLYN COMMUNITY SERVICES  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2015 AND 2014**

|   | <b>2015</b>        | <b>2014</b>       |
|---|--------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                    |                   |
| Change in net assets  | \$ (423,224)       | \$ 957,979        |
| Adjustments to reconcile change in net assets to net cash used in operating activities: |                    |                   |
| Depreciation  | 403,421            | 409,694           |
| Loss on disposal of property and equipment  | 3,321              | -                 |
| Realized gain on sale of investments  | (278,972)          | (379,805)         |
| Unrealized loss (gain) on investments   | 384,210            | (386,609)         |
| Bad debt  | 34,933             | 441,800           |
| Amortization of deferred financing costs  | 10,071             | 39,450            |
| Other income - property and equipment   | (761,538)          | -                 |
| Amortization of discount on pledges   | (81)               | (545)             |
|   | (627,859)          | 1,081,964         |
| Subtotal  |                    |                   |
| (627,859)   |                    | 1,081,964         |
| Changes in operating assets and liabilities:  |                    |                   |
| (Increase) decrease in assets:  |                    |                   |
| Accounts receivable   | (357,594)          | (1,651,103)       |
| Contributions and grants receivable   | (62,854)           | (192,138)         |
| Other receivables   | (37,780)           | 296,829           |
| Prepaid expenses, deferred charges and other  | (485,715)          | (303,341)         |
| Increase (decrease) in liabilities:   |                    |                   |
| Accounts and accrued expenses payable   | (57,389)           | 520,520           |
| Accrued payroll and related liabilities   | (297,837)          | (70,996)          |
| Deferred rent   | (18,304)           | (7,522)           |
| Deferred revenue / refundable advances  | (44,199)           | 189,285           |
| Defined benefits pension plan payable   | 25,316             | (369,493)         |
| Supplemental retirement benefit payable   | (166,084)          | (44,376)          |
| <b>Net Cash Used in Operating Activities</b>  | <b>(2,130,299)</b> | <b>(550,371)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                    |                   |
| Increase in assets held by insurance trusts   | (72,913)           | (76,100)          |
| Purchases of property and equipment   | (105,289)          | (79,944)          |
| Purchases of investments  | (3,800,719)        | (4,018,457)       |
| Proceeds from sale of investments   | 3,900,806          | 3,816,171         |
| Nonrefundable payments - property and equipment   | 1,500,000          | -                 |
| <b>Net Cash Provided by (Used in) Investing Activities</b>                              | <b>1,421,885</b>   | <b>(358,330)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                    |                   |
| Proceeds from line of credit  | 4,558,712          | 2,915,267         |
| Repayments of line of credit  | (4,575,000)        | (2,425,000)       |
| Proceeds from loan and mortgage payable   | 2,300,000          | 2,350,000         |
| Principal repayments of loan and mortgage   | (2,185,571)        | (1,739,394)       |
| <b>Net Cash Provided by Financing Activities</b>  | <b>98,141</b>      | <b>1,100,873</b>  |
| <b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>                             | <b>(610,273)</b>   | <b>192,172</b>    |
| Cash and cash equivalents - beginning of year   | 880,498            | 688,326           |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>  | <b>\$ 270,225</b>  | <b>\$ 880,498</b> |
| <b>Supplementary Disclosure of Cash Flow Information:</b>                               |                    |                   |
| Cash paid during the year for interest  | \$ 210,079         | \$ 227,564        |

**BROOKLYN BUREAU OF COMMUNITY SERVICE  
D/B/A BROOKLYN COMMUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Brooklyn Bureau of Community Service D/B/A Brooklyn Community Services (“BCS”) was founded in 1866 as a voluntary, nonsectarian, social service agency serving families, children and persons with disabilities throughout various communities in Brooklyn. BCS operates various programs for families and children, persons with disabilities and for persons who are mentally, developmentally and emotionally disabled at a number of community and program sites. BCS’s current focus, in all its programs, is to assist participants to move to more independent levels of functioning by building upon individual, family and community strengths. BCS is supported primarily by government fees and contracts and contributions from individuals, corporations and foundations.

BCS is a not-for-profit organization exempt from Federal income tax under IRC Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under IRC Section 509(a).

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. ***Basis of Accounting*** – BCS’s financial statements have been prepared on the accrual basis of accounting. BCS adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. ***Basis of Presentation*** – BCS maintains its net assets under the following three classes:
- Unrestricted – represents resources available for support of BCS’s operations over which the Board of Directors (the “Board”) has discretionary control.
  - Temporarily restricted – represents assets that are subject to donor-imposed stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.
  - Permanently restricted – represents net assets that are subject to donor-imposed stipulations and restricted to investment in perpetuity, the income from which is expendable for general purposes.
- C. ***Cash Equivalents*** BCS considers all highly liquid instruments with maturities of three months or less, when acquired, to be cash equivalents.
- D. ***Property and Equipment*** – Property and equipment are stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Property and equipment are capitalized by BCS provided their costs are \$5,000 or more and their useful life is greater than one year. There are instances where certain expenditures for property and equipment are reflected in the accompanying financial statements as expenses because the cost of these items was reimbursed by certain governmental funding sources and the contractual agreement specifies that title to these assets rests with the funding source rather than BCS. Management has determined that the net book value of these assets is not material.
- E. ***Investments and Fair Value Measurements*** – Investments are stated at their fair values. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.
- F. ***Revenue from Government Sources*** – Principal support for the programs operated by BCS is derived from various Federal, New York State and New York City governmental sources. BCS recognizes revenue from these sources when the contractual obligations are met. There are occasions when funding source reimbursements for prior years are adjusted in the current period. Such adjustments may be due to funding source audit findings, additional monies available over and above original contractual amounts, etc. Included as an increase / (decrease) in revenue for the years ended June 30, 2015 and 2014, is \$11,559 and (\$530), respectively, from prior years.



**BROOKLYN BUREAU OF COMMUNITY SERVICE  
D/B/A BROOKLYN COMMUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- G. ***Allowance for uncollectible Receivables*** – BCS determines whether an allowance for uncollectible accounts receivable should be provided. Such estimates are based on management’s assessment of the aged basis of BCS’s government funding sources, current economic conditions, creditworthiness of other sources and historical information. As of June 30, 2015 and 2014, BCS determined that an allowance was necessary amounting to approximately \$14,000 for each of such years, for the accounts receivable. Historically, BCS has not experienced significant bad debt losses relative to its contributions and other receivables. BCS evaluates the need for an allowance for doubtful contributions on its historical loss experience and considering the age of the receivable. BCS has determined that an allowance of \$9,770 was necessary as of June 30, 2015 and 2014, for contributions and grants receivables.
- H. ***Unconditional Promises to Give*** – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates for the expected term of the promise to give applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Bequests are recognized as revenue when the will has gone through probate and the sum is certain. Certain government grants revenue received for capital campaign and certain program are recorded as temporarily restricted revenue, and as the expenditures are incurred, net assets equivalent to expenditures incurred are released from restrictions.
- I. ***Fees Income*** – Government fees and contracts are for services rendered and are reported at the estimated net realizable amounts from government sources, program participants and others.
- J. ***Special Event Costs*** – The direct costs of special events include expenses for the benefit of the donors. For example, meal and facilities rental are considered direct costs of special events. The costs of providing the various programs and activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- K. ***Contributed Services, Rent and Other In-Kind*** – Donated services are recognized in the financial statements at fair value, if the services enhance or create non-financial assets or require specialized skills, provided the individuals possess those skills and would typically need to be purchased, if not provided by donation. BCS has recognized the donated goods (primarily equipment) and services in the statements of activities, amounting to \$49,223 and \$75,126 for the years ended June 30, 2015 and 2014, respectively.
- L. ***Rent Straight-Lining*** – BCS leases real property under operating leases expiring at various dates in the future. Since the rent payments increase over time, BCS records an adjustment to rent expense each year to reflect its straight-line policy. The deferred rent recorded for the years ended June 30, 2015 and 2014 amounted to approximately \$105,000 and \$123,000, respectively. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying statements of financial position.
- M. ***Use of Estimates*** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.
- N. ***Functional Allocation of Expenses*** – The costs of providing various programs and other activities of BCS have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services.
- O. ***Reclassifications*** – Certain line items in the June 30, 2014 financial statements have been reclassified to conform to the June 30, 2015 presentation.

**BROOKLYN BUREAU OF COMMUNITY SERVICE  
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**NOTE 3 – CONTRIBUTIONS AND GRANTS RECEIVABLE, NET**

Contributions and grants receivable are scheduled to be received as of June 30, 2015 and 2014 as follows:

|                                    | <u>2015</u>       | <u>2014</u>       |
|------------------------------------|-------------------|-------------------|
| Amounts due in less than one year  | \$ 553,657        | \$ 425,136        |
| Amounts due in one to five years   | <u>200</u>        | <u>100,800</u>    |
|                                    | 553,857           | 525,936           |
| Less: allowance for bad debt       | (9,770)           | (9,770)           |
| Less: discount (at 3.25% to 5.00%) | <u>(10)</u>       | <u>(91)</u>       |
|                                    | <u>\$ 544,077</u> | <u>\$ 516,075</u> |

**NOTE 4 – INVESTMENTS**

Investments consisted of the following as of June 30, 2015 and 2014:

|                       | <u>2015</u>         | <u>2014</u>         |
|-----------------------|---------------------|---------------------|
| Money market funds    | \$ 2,384,245        | \$ 1,856,559        |
| U.S. Government bonds | 592,689             | 882,748             |
| U.S. Treasury notes   | 377,383             | 382,464             |
| Corporate obligations | 1,558,674           | 1,795,434           |
| Mutual funds          | 164,007             | 141,619             |
| Common stocks         | <u>4,566,624</u>    | <u>4,790,123</u>    |
|                       | <u>\$ 9,643,622</u> | <u>\$ 9,848,947</u> |

Certain investments are subject to market volatility which could substantially change their values in the near term.

Investment activity consisted of the following for the years ended June 30, 2015 and 2014:

|                                      | <u>2015</u>      | <u>2014</u>       |
|--------------------------------------|------------------|-------------------|
| Interest and dividends               | \$ 266,289       | \$ 288,844        |
| Realized gain on investment          | 278,972          | 379,805           |
| Unrealized gain (loss) on investment | (384,210)        | 386,609           |
| Investment fees                      | <u>(79,741)</u>  | <u>(75,953)</u>   |
|                                      | <u>\$ 81,310</u> | <u>\$ 979,305</u> |

The fair value hierarchy defines three levels as follows:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models or similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

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**NOTE 4 – INVESTMENTS (Continued)**

In determining fair value, BCS utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

The following methods and assumptions were used in estimating the fair values of significant financial instruments at June 30, 2015 and 2014.

**Money market funds** – Money market funds are valued at a constant \$1.00 per share, of which, only the yield goes up and down.

**U.S. Government bonds** – U.S. Government bonds are valued at the closing price reported in the active market in which the bond is traded.

**U.S. Treasury notes** – are valued at the closing price reported in the active market in which the individual securities are traded.

**Corporate obligations** – are valued based on yields currently available on comparable securities issuers with similar credit ratings.

**Mutual funds** – are valued based upon quoted market prices determined in an active market. There are no restrictions on redemptions off these funds.

**U.S. and international equities** – U.S. and International equities are valued at the closing price reported on the active market on which the individual securities are traded.

BCS has a policy to recognize transfers in and transfers out from one fair value level to another as of the end of the period in which transfers take place. During the year ended June 30, 2015 and 2014, no such transfers occurred.

Financial assets carried at fair value at June 30, 2015, were classified in the table as follows:

|                                     | <u>Level 1</u>      | <u>Level 2</u>      | <u>Total</u>        |
|-------------------------------------|---------------------|---------------------|---------------------|
| <b>ASSETS CARRIED AT FAIR VALUE</b> |                     |                     |                     |
| Money market funds                  | \$ 2,384,245        | \$ -                | \$ 2,384,245        |
| U.S. Government bonds               | 592,689             | -                   | 592,689             |
| U.S. Treasury notes                 | 377,383             | -                   | 377,383             |
| Mutual funds                        | 164,007             | -                   | 164,007             |
| Corporate obligations:              |                     |                     |                     |
| Basic materials                     | -                   | 205,468             | 205,468             |
| Consumer goods                      | -                   | 204,025             | 204,025             |
| Financial                           | -                   | 543,335             | 543,335             |
| Industrial goods                    | -                   | 210,736             | 210,736             |
| Technology                          | -                   | 295,986             | 295,986             |
| Healthcare                          | -                   | 99,124              | 99,124              |
| U.S. and international equities:    |                     |                     |                     |
| Financial                           | 666,049             | -                   | 666,049             |
| Services                            | 684,236             | -                   | 684,236             |
| Technology                          | 752,215             | -                   | 752,215             |
| Energy                              | 201,444             | -                   | 201,444             |
| Healthcare                          | 631,217             | -                   | 631,217             |
| Consumer/Non-Cyclical               | 234,031             | -                   | 234,031             |
| Other                               | <u>1,397,432</u>    | <u>-</u>            | <u>1,397,432</u>    |
| Total Assets at Fair Value          | <u>\$ 8,084,948</u> | <u>\$ 1,558,674</u> | <u>\$ 9,643,622</u> |

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**NOTE 4 – INVESTMENTS (Continued)**

Financial assets carried at fair value at June 30, 2014, were classified in the table as follows:

| ASSETS CARRIED AT FAIR VALUE     | Level 1      | Level 2      | Total        |
|----------------------------------|--------------|--------------|--------------|
| Money market funds               | \$ 1,856,559 | \$ -         | \$ 1,856,559 |
| U.S. Government bonds            | 882,748      | -            | 882,748      |
| U.S. Treasury notes              | 382,464      | -            | 382,464      |
| Mutual funds                     | 141,619      | -            | 141,619      |
| Corporate obligations:           |              |              |              |
| Basic materials                  | -            | 208,645      | 208,645      |
| Consumer goods                   | -            | 305,215      | 305,215      |
| Financial                        | -            | 589,587      | 589,587      |
| Industrial goods                 | -            | 224,907      | 224,907      |
| Technology                       | -            | 368,372      | 368,372      |
| Healthcare                       | -            | 98,708       | 98,708       |
| U.S. and international equities: |              |              |              |
| Financial                        | 598,861      | -            | 598,861      |
| Services                         | 734,023      | -            | 734,023      |
| Technology                       | 841,924      | -            | 841,924      |
| Energy                           | 386,549      | -            | 386,549      |
| Healthcare                       | 700,694      | -            | 700,694      |
| Consumer/Non-Cyclical            | 296,369      | -            | 296,369      |
| Other                            | 1,231,703    | -            | 1,231,703    |
| Total Assets at Fair Value       | \$ 8,053,513 | \$ 1,795,434 | \$ 9,848,947 |

**NOTE 5 – INSURANCE TRUSTS**

**A. Workers' Compensation**

Effective May 1, 1996, BCS established a Workers' Compensation Fund, approved by the New York State Workers' Compensation Board. BCS makes payments to the fund as determined by the New York State Workers' Compensation Board. Payments for the years ended June 30, 2015 and 2014 amounted to \$162,072 and \$123,744, respectively.

**B. Unemployment Insurance**

Effective January 1, 1997, BCS established an Unemployment Insurance Trust, approved by the New York State Department of Labor. BCS makes contributions to the trust as determined by an independent actuary. Contributions for the years ended June 30, 2015 and 2014 amounted to \$129,216 and \$136,877, respectively.

As of June 30, 2015 and 2014, the following amounts were available for future claims and administrative costs:

|                        | 2015       | 2014       |
|------------------------|------------|------------|
| Worker's compensation  | \$ 20,060  | \$ 8,287   |
| Unemployment insurance | 201,059    | 139,919    |
|                        | \$ 221,119 | \$ 148,206 |

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**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30, 2015 and 2014:

|                                | <u>2015</u>         | <u>2014</u>         | <u>Estimated<br/>Useful Lives</u> |
|--------------------------------|---------------------|---------------------|-----------------------------------|
| Land                           | \$ 26,520           | \$ 26,520           |                                   |
| Building                       | 373,480             | 373,480             | 27.5 Years                        |
| Building improvements          | 4,013,659           | 4,013,659           | 10-29 Years                       |
| Furniture and equipment        | 764,994             | 1,768,428           | 3-10 Years                        |
| Automobiles                    | <u>50,742</u>       | <u>22,643</u>       | 5 Years                           |
| Total cost                     | 5,229,395           | 6,204,730           |                                   |
| Less: accumulated depreciation | <u>(3,971,952)</u>  | <u>(4,645,834)</u>  |                                   |
| Net book value                 | <u>\$ 1,257,443</u> | <u>\$ 1,558,896</u> |                                   |

Depreciation expense amounted to \$403,421 and \$409,694, for the years ended June 30, 2015 and 2014, respectively.

In the year beginning July 1, 2013, the Board of Directors resolved and authorized BCS to start negotiations concerning a potential real estate transaction involving a building located in Brooklyn, NY (“285 Schermerhorn”). On December 31, 2014, BCS entered into multiple agreements with a development partner entity for the development of a two-unit condominium and planned sale of one unit at 285 Schermerhorn. Pursuant to these agreements, the building would be redeveloped by the partner entity with BCS remaining as the building's owner and occupant throughout the construction period. Upon completion of the redevelopment and construction, BCS would own a condominium unit at the base of the structure and would convey a condominium unit containing the upper stories of the building (floors 3 and above) to the development partner entity. BCS has a contractual right to receive non-refundable payments in the amount of \$3.3 million from the partner entity during the redevelopment and construction phase and a final payment on or before the completion of twenty-six months from December 31, 2014. The \$3.3 million is recorded as revenue over the twenty-six month period on a straight line basis. During the year ended June 30, 2015, BCS has received a payment of \$1,500,000 from the development partner entity of which approximately \$761,000 is recorded as other income and the balance \$739,000 is included in deferred revenue in the accompanying statements of activities and statements of financial position, respectively.

On July 1, 2013, the net book value of the 285 Schermerhorn building amounted to approximately \$908,000 and is classified as “held and used” and is included in property and equipment in the accompanying statements of financial position.

During the year ended June 30, 2015, BCS disposed of fully depreciated and, no longer in use, furniture and equipment amounting to approximately \$1,075,000. In addition, during the year BCS auctioned off an automobile that was previously donated and recorded a loss on disposal related to the sale of \$3,321 in the accompanying statements of activities.

**NOTE 7 – DEFERRED REVENUE / REFUNDABLE ADVANCES**

Refundable advances represent advances received from various funding sources under government contracts for which BCS has not yet met the grant conditions or provided the services. In addition, they include amounts due to government agencies that primarily represent advances received during current and prior years. Such amounts will be recouped by the funding sources.

In February 2014, BCS received a letter from State of New York Office of the Medicaid Inspector General (“OMIG”) notifying BCS of retrospective adjustments amounting to \$791,808 to be repaid by BCS. Such funds are currently being recouped by OMIG. The balance outstanding amounted to approximately \$499,000 and \$761,000, as June 30, 2015 and 2014, respectively and is included in deferred revenue / refundable advances in the accompanying statements of financial position.

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**NOTE 8 – LINES OF CREDIT**

In May 2010, BCS entered into a demand promissory note with Credit Suisse with a total maximum withdrawal of \$5,000,000, which was increased to \$6,500,000 in October 2012. Principal and interest (1.5865% as of June 30, 2015) are payable on demand. This note is collateralized by BCS's investment account. As of June 30, 2015 and 2014, the outstanding balance amounted to \$5,524,004 and \$5,540,292, respectively. This line of credit has a covenant that if BCS's net assets fall below \$3,000,000, the loan is considered payable on demand. As of June 30, 2015 and 2014, BCS complied with the covenant. As of November 24, 2015, the outstanding balance is \$5,271,032.

**NOTE 9 – LOAN AND MORTGAGE PAYABLE**

In September 2009, BCS secured a five-year \$2,000,000 mortgage with JP Morgan Chase at a rate of 7.5%. The mortgage required monthly installments of \$21,104 with a balloon payment due in October 2014. In 2014, BCS paid off the balance with JP Morgan Chase by refinancing the mortgage with Carver Bank.

In July 2013, BCS secured a five year \$2,200,000 mortgage with Carver Federal Bank with an annual interest rate of 4.75%. During the initial term, mortgage required monthly installments of \$12,630 consisting of principal and interest based on a 25 year amortization schedule, commencing September 2013 until July 2018. After the expiration of the initial term, BCS had the option to extend the term for additional five years. The loan was collateralized by real estate located at 285 Schermerhorn Street. The outstanding balance as of June 30, 2014 was \$2,161,252. In December 2014, BCS paid off the balance with Carver Federal Bank from the proceeds from refinancing the mortgage with Spring Bank.

In December 2014, BCS secured a five year \$2,300,000 mortgage with Spring Bank with an annual interest rate of 4.75% for the initial term ending on December 18, 2017. Commencing January 18, 2018, BCS shall pay to the lender a monthly payment of principal and interest in the amount to be determined by the lender with a fluctuating rate per annum equal to prime plus 1.5%, with a floor of 4.75%. During the initial term, the mortgage requires monthly installments of \$13,204 consisting of principal and interest based on a 25 year amortization schedule, commencing January 2015 until December 2017. The loan is collateralized by real estate located at 285 Schermerhorn Street. The outstanding balance as of June 30, 2015 was \$2,275,766. The mortgage with Spring Bank has a covenant that BCS shall maintain a Debt Service Coverage Ratio of not less than 1.25:1.00 as of the last day of each fiscal year. As of June 30, 2015, BCS complied with the covenant. In addition, the same agreement includes clauses for prepayment premiums that will apply if any prepayments made prior to the last 60 days before maturity of the mortgage.

Future minimum principal payments on the mortgage in each of the years subsequent to June 30, 2015, are as follows:

|      |    |           |
|------|----|-----------|
| 2016 | \$ | 49,641    |
| 2017 |    | 52,384    |
| 2018 |    | 54,964    |
| 2019 |    | 57,670    |
| 2020 |    | 2,061,107 |
|      |    | 2,275,766 |
|      | \$ | 2,275,766 |

Interest expense for the years ended June 30, 2015 and 2014, on all borrowings, amounted to approximately \$210,000 and \$228,000 respectively.

In January 2013, The Fund for the City of New York approved an interest-free loan of \$150,000 for BCS. This unsecured loan was made to support the operational loss caused by Hurricane Sandy and repayable upon receipt of funds from NYC Administration of Children's Services, the NYS Office of Persons with Developmental Disabilities, the NYS Office of Mental Health and Philadelphia Insurance (Agency funds) no later than January 30, 2015. This loan was repaid in July 2015.

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**NOTE 10 – PENSION AND SUPPLEMENTAL RETIREMENT BENEFITS**

**Pension Plan**

BCS has a noncontributory defined benefit retirement plan (the “Plan”) covering substantially all of its non-union employees. Normal retirement age is 65, but provisions are made for early retirement. Benefits are based on salary and years of service. BCS funds the Plan in accordance with the minimum amount required under the Employee Retirement Income Security Act of 1974, as amended. BCS uses a June 30 measurement date.

Effective December 31, 2009, BCS froze all future benefit accruals under the terms of the Plan and in conjunction therewith, participation in the Plan for any eligible employees not yet a participant before December 31, 2009 was also eliminated.

In accordance with ASC 715-30, “Employer’s Accounting for Defined Benefit Pension and Other Postretirement Plans”, BCS recognized the funded status of the defined benefit pension and other postretirement plans as a net asset or liability and recognized changes in that funded status in the year in which the changes occur through a separate line within the change in unrestricted net assets, apart from expenses, to the extent those changes are not included in the net periodic cost.

The funded status reported on the statements of financial position as of June 30, 2015 and 2014, in accordance with ASC 715-30, was measured as the difference between the fair value of plan assets and the benefit obligation of the Plan.

The following table provides information with respect to the Plan as of and for the years ended June 30, 2015 and 2014:

|   | <u>2015</u>           | <u>2014</u>           |
|---|-----------------------|-----------------------|
| Benefit obligation at beginning of year     | \$ 10,442,109         | \$ 9,952,053          |
| Interest cost                               | 501,948               | 510,298               |
| Effect of settlement                        | (624,703)             | -                     |
| Actuarial loss                              | 24,926                | 296,687               |
| Benefits paid                               | <u>(231,464)</u>      | <u>(316,929)</u>      |
| Projected benefit obligation at end of year | 10,112,816            | 10,442,109            |
| Fair value of plan assets at June 30,       | <u>7,434,528</u>      | <u>7,789,137</u>      |
| Funded status                               | <u>\$ (2,678,288)</u> | <u>\$ (2,652,972)</u> |

Amounts recognized in the statements of financial position:

|                                      |                       |                       |
|--------------------------------------|-----------------------|-----------------------|
| Defined benefit pension plan payable | <u>\$ (2,678,288)</u> | <u>\$ (2,652,972)</u> |
| Employer contributions               | <u>\$ 484,000</u>     | <u>\$ 212,512</u>     |

The components of net periodic cost for the years ended June 30, 2015 and 2014 were as follows:

|                                  | <u>2015</u>       | <u>2014</u>       |
|----------------------------------|-------------------|-------------------|
| Interest cost                    | \$ 501,948        | \$ 510,298        |
| Expected return on plan assets   | (562,626)         | (506,459)         |
| Amortization of accumulated loss | 139,090           | 199,448           |
| ASC 715 Settlement expense       | <u>156,754</u>    | <u>-</u>          |
| Net periodic cost                | <u>\$ 235,166</u> | <u>\$ 203,287</u> |

The amounts recognized in unrestricted net assets for the Plan as of June 30, 2015 and 2014 were as follows:

|   | <u>2015</u>         | <u>2014</u>         |
|---|---------------------|---------------------|
| Pension related changes other than net periodic pension costs | <u>\$ 2,536,609</u> | <u>\$ 2,262,459</u> |

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**NOTE 10 – PENSION AND SUPPLEMENTAL RETIREMENT BENEFITS (Continued)**

Components of other changes in Plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended June 30, 2015 and 2014 were as follows:

|   | <u>2015</u>         | <u>2014</u>       |
|---|---------------------|-------------------|
| Net actuarial (gain) loss                                     | \$ (413,240)        | \$ 160,820        |
| Amortization of loss  | <u>139,090</u>      | <u>199,448</u>    |
| Pension related changes other than net periodic pension costs | <u>\$ (274,150)</u> | <u>\$ 360,268</u> |

The estimated net loss for the pension plan that will be amortized from the unrestricted net asset balance into net periodic benefit cost over the next fiscal year is \$171,001.

The weighted average assumptions used to determine the benefit obligation as of June 30, 2015 and 2014 were as follows:

|                               | <u>2015</u> | <u>2014</u> |
|-------------------------------|-------------|-------------|
| Discount rate                 | 5.00%       | 5.00%       |
| Rate of compensation increase | N/A         | N/A         |
| Mortality table               | RP-2000     | RP-2000     |

The weighted average assumptions used to determine the net periodic benefit cost as of June 30, 2015 and 2014 were as follows:

|                                | <u>2015</u> | <u>2014</u> |
|--------------------------------|-------------|-------------|
| Discount rate                  | 5.00%       | 5.25%       |
| Expected return on plan assets | 7.40%       | 7.40%       |
| Rate of compensation increase  | N/A         | N/A         |
| Mortality table                | RP-2000     | RP-2000     |

The assumptions have been determined by reflecting expectations regarding future rates of return for the investment portfolio with considerations given first to distributions of investments by asset class and then to historical rates of return.

BCS expects to contribute approximately \$570,685 to the plan in the fiscal year ending June 30, 2016.

The following schedule of benefit payments, which reflects expected future services, as appropriate, are expected to be paid in each of the next five years and in the aggregate for the five years thereafter, as follows:

|                    |            |
|--------------------|------------|
| 2016               | \$ 494,997 |
| 2017               | 548,477    |
| 2018               | 570,598    |
| 2019               | 609,827    |
| 2020               | 655,606    |
| 5 years thereafter | 3,475,709  |



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**NOTE 10 – PENSION AND SUPPLEMENTAL RETIREMENT BENEFITS (Continued)**

The fair value hierarchy defines three levels, as further described in Note 4. Pension assets carried at fair value at June 30, 2015 are classified in the table as Level 2 and Level 3 as follows:

|                                     | <u>Level 2</u>      | <u>Level 3</u>   | <u>Total</u>        |
|-------------------------------------|---------------------|------------------|---------------------|
| General Investment Account          | \$ -                | \$ 67,726        | \$ 67,726           |
| Separate Investment Accounts:       |                     |                  |                     |
| Long Duration Bond (Babson)         | 743,026             | -                | 743,026             |
| Prem Short-Duration Bond (Babson)   | 306,313             | -                | 306,313             |
| Select Strategic Bond (Western)     | 1,438,265           | -                | 1,438,265           |
| High Yield (PIMCO)                  | 378,625             | -                | 378,625             |
| Comstock (Invesco)                  | 977,571             | -                | 977,571             |
| Growth (Franklin)                   | 1,128,659           | -                | 1,128,659           |
| Mid Cap Value (Goldman Sachs)       | 259,822             | -                | 259,822             |
| Atlanta Cap SMID-Cap (Eaton Vance)  | 272,333             | -                | 272,333             |
| Small Company Opportunity (Victory) | 307,456             | -                | 307,456             |
| Growth (Baron)                      | 306,638             | -                | 306,638             |
| EuroPacific Growth (American)       | 812,294             | -                | 812,294             |
| New World (American)                | 221,975             | -                | 221,975             |
| Real Estate (OFI)                   | 213,825             | -                | 213,825             |
|                                     | <u>\$ 7,366,802</u> | <u>\$ 67,726</u> | <u>\$ 7,434,528</u> |

The fair value hierarchy defines three levels, as further described in Note 4. Pension assets carried at fair value at June 30, 2014 were classified in the table as Level 1 as follows:

|                                  |                     |
|----------------------------------|---------------------|
| Equities:                        |                     |
| Non-financial                    | \$ 19,656           |
| Financial                        | 435,945             |
| Utilities                        | 44,064              |
| Consumer growth                  | 415,963             |
| Consumer staples                 | 151,052             |
| Consumer Cyclical                | 242,881             |
| Industrial resources             | 86,390              |
| Capital equipment                | 152,810             |
| Technology                       | 289,784             |
| Services                         | 39,547              |
| Energy                           | 159,017             |
| Mutual Funds                     |                     |
| Discovery growth fund            | 117,653             |
| Real estate investment fund      | 235,075             |
| Intermediate duration portfolio  | 2,145,581           |
| International portfolio          | 703,564             |
| Emerging markets portfolio       | 152,633             |
| Dynamic asset allocation overlay | 2,352,608           |
| Cash                             | 44,914              |
|                                  | <u>\$ 7,789,137</u> |

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**NOTE 10 – PENSION AND SUPPLEMENTAL RETIREMENT BENEFITS (Continued)**

**Supplemental Retirement Benefits**

In January 2003, the Board established a supplemental retirement plan to improve the overall retirement benefit for the selected key personnel affected. Service under the plan is recognized from the date of hire of each of the covered employees and their vesting is to occur at age 62. The expense for the years ended June 30, 2015 and 2014 amounted to \$166,086 and \$44,376, respectively. Supplemental retirement benefits payable as of June 30, 2015 and 2014 amounted to \$533,841 and \$699,925, respectively.

Weighted average assumptions used to determine benefit obligations at June 30:

|                               | 2015  | 2014  |
|-------------------------------|-------|-------|
| Discount rate                 | 5.00% | 5.00% |
| Rate of compensation increase | 0.00% | 0.00% |

**Tax-Deferred Annuity Plan (403B)**

In 2009, BCS established a Tax-Deferred Annuity Plan for its employees. Each employee of BCS shall be eligible to participate in the 403(b) plan. BCS matches the lesser of 0.5% of the eligible compensation or 12.5% of the participant’s annual election and then contributes another 2% to 8%, based on the employee’s years of service to those employees who are still employed at December 31. For the year ended June 30, 2015 and 2014, BCS contributed approximately \$39,000 and \$25,000, respectively.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

- A. Pursuant to BCS’s contractual relationships with certain governmental funding sources, outside governmental agencies have the right to examine the books and records of BCS involving transactions relating to these contracts. The accompanying financial statements make no provision for possible disallowances.
- B. BCS is obligated for minimum aggregate rents under lease agreements for various program locations through 2024. In addition, BCS has entered into non-cancelable operating leases for equipment. The minimum annual rentals related to the leases are approximated as follows for the years ended subsequent to June 30, 2015:

|            | <u>Program Offices</u> | <u>Equipment</u> | <u>Total</u> |
|------------|------------------------|------------------|--------------|
| 2016       | \$ 1,003,000           | \$ 45,000        | \$ 1,048,000 |
| 2017       | 725,000                | 16,000           | 741,000      |
| 2018       | 277,000                | 15,000           | 292,000      |
| 2019       | 244,000                | -                | 244,000      |
| 2020       | 176,000                | -                | 176,000      |
| Thereafter | 425,000                | -                | 425,000      |
|            | \$ 2,850,000           | \$ 76,000        | \$ 2,926,000 |

Rent expense amounted to approximately \$1,446,000 and \$1,404,000 for the years ended June 30, 2015 and 2014, respectively.

- C. BCS believes it had no uncertain tax positions as of June 30, 2015 and 2014 in accordance with Accounting Standards Codification (“ASC”) Topic 740 (“Income Taxes”), which provides standards for establishing and classifying any tax provisions for uncertain tax positions. BCS believed it is no longer subject to federal or state and local tax examinations by tax authorities for fiscal years ended prior to June 30, 2012.

**BROOKLYN BUREAU OF COMMUNITY SERVICE  
D/B/A BROOKLYN COMMUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 12 – NET ASSETS**

Temporarily restricted net assets were available for the following purposes or periods as of June 30, 2015 and 2014:

|                                   | <u>2015</u>         | <u>2014</u>         |
|-----------------------------------|---------------------|---------------------|
| Education and child care:         |                     |                     |
| Klinsky After School              | \$ 167,566          | \$ 27,624           |
| Adolescent Education & Employment | -                   | 7,170               |
| Brooklyn High School Leadership   | 15,275              | 25,517              |
| Duffield Day Care                 | 20,000              | -                   |
| Families                          | -                   | 3,500               |
| Disaster Relief                   | -                   | 58,642              |
| Summer Interns                    | 3,500               | 3,500               |
| PROS                              | -                   | 46,104              |
| Senior Program                    | 2,500               | -                   |
| Employment                        | -                   | 5,435               |
| Capital improvements              | 1,836,093           | 1,436,093           |
| Time restricted                   | 51,000              | -                   |
| Unappropriated endowment earnings | <u>18,154</u>       | <u>78,332</u>       |
|                                   | <u>\$ 2,114,088</u> | <u>\$ 1,691,917</u> |

Temporarily restricted net assets of \$532,128 and \$717,461 were released from contractual or donor-imposed restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the years ended June 30, 2015 and 2014, respectively.

**NOTE 13 – ENDOWMENT NET ASSETS**

BCS recognizes that New York State adopted as law the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) on September 17, 2010. NYPMIFA replaces the prior law, which was the Uniform Management of Institutional Funds Act (“UMIFA”).

In addition, NYPMIFA creates a rebuttable presumption of imprudence if an organization appropriates more than 7 percent of a donor-restricted permanent endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated.

BCS’s Board of Directors has interpreted NYPMIFA as allowing BCS to appropriate for expenditure or accumulate so much of an endowment fund as BCS determines is prudent for the uses, benefits, purposes and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise, the assets in a donor-restricted endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Directors.

In accordance with U.S. GAAP, BCS is required to disclose any deterioration of the fair value of assets associated with donor restricted funds that fall below the level the donor requires BCS to retain in perpetuity. The deficiencies may result from unfavorable market fluctuations that occurred in the economy as a whole that may have affected the donor restricted fund where the fair value of donor restricted fund fell below the amount that is required to be retained permanently. BCS has not incurred such deficiencies in its endowment funds as of June 30, 2015 and 2014.

BCS’s endowment investment policy is to invest primarily in a mix of equities and fixed-income securities based on an asset allocation to satisfy its overall endowment financial and investment objectives, such as to preserve the principal, protect against inflation, receive stable returns and achieve long-term growth.

BCS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

**BROOKLYN BUREAU OF COMMUNITY SERVICE  
D/B/A BROOKLYN COMMUNITY SERVICES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 13 – ENDOWMENT NET ASSETS (Continued)**

Changes in endowment net assets for the year ended June 30, 2015, were as follows:

|   | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total<br/>Endowment<br/>Investment</u> |
|---|-----------------------------------|-----------------------------------|---|
| Endowment net assets, beginning of year | \$ 78,332                         | \$ 975,844                        | \$ 1,054,176                              |
| Investment activity                     |                                   |                                   |   |
| Interest and dividends                  | 26,629                            | -                                 | 26,629                                    |
| Unrealized loss on investments          | (38,421)                          | -                                 | (38,421)                                  |
| Realized gain on investments            | 27,897                            | -                                 | 27,897                                    |
| Investment expense                      | <u>(7,974)</u>                    | <u>-</u>                          | <u>(7,974)</u>                            |
| Total investment activity               | 8,131                             | -                                 | 8,131                                     |
| Amount appropriated for expenditure     | <u>(68,309)</u>                   | <u>-</u>                          | <u>(68,309)</u>                           |
| Endowment net assets, end of year       | <u>\$ 18,154</u>                  | <u>\$ 975,844</u>                 | <u>\$ 993,998</u>                         |

Changes in endowment net assets for the year ended June 30, 2014, were as follows:

|   | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total<br/>Endowment<br/>Investment</u> |
|---|-----------------------------------|-----------------------------------|---|
| Endowment net assets, beginning of year | \$ 48,711                         | \$ 975,844                        | \$ 1,024,555                              |
| Investment activity                     |                                   |                                   |   |
| Interest and dividends                  | 28,884                            | -                                 | 28,884                                    |
| Unrealized gain on investments          | 38,661                            | -                                 | 38,661                                    |
| Realized gain on investments            | 37,980                            | -                                 | 37,980                                    |
| Investment expense                      | <u>(7,595)</u>                    | <u>-</u>                          | <u>(7,595)</u>                            |
| Total investment activity               | 97,930                            | -                                 | 97,930                                    |
| Amount appropriated for expenditure     | <u>(68,309)</u>                   | <u>-</u>                          | <u>(68,309)</u>                           |
| Endowment net assets, end of year       | <u>\$ 78,332</u>                  | <u>\$ 975,844</u>                 | <u>\$ 1,054,176</u>                       |

Endowment net assets of \$993,998 and \$1,054,176 were included with investments in the accompanying statements of financial position as of June 30, 2015 and 2014, respectively.

**NOTE 14 – CONCENTRATION**

Financial instruments that potentially subject BCS to a concentration of credit risk include cash accounts with a bank that exceeded the Federal Deposit Insurance Coverage (“FDIC”) insurance limits. Interest bearing accounts are insured up to \$250,000 per depositor. As of June 30, 2015 and 2014, there was approximately \$121,000 and \$567,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

**NOTE 15 – SUBSEQUENT EVENTS**

BCS has evaluated, events subsequent to the date of the statements of financial position through November 24, 2015, the date the financial statements were available to be issued.

**BROOKLYN BUREAU OF COMMUNITY SERVICE  
D/B/A BROOKLYN COMMUNITY SERVICES  
SCHEDULES OF GOVERNMENT FEES AND CONTRACTS  
YEARS ENDED JUNE 30, 2015 AND 2014**

|  | <b>2015</b>          | <b>2014</b>          |
|--|----------------------|----------------------|
| New York City Administration for Children Services:              |                      |                      |
| Early Learn  | \$ 2,220,322         | \$ 2,269,308         |
| Preventive Services  | 3,210,436            | 3,210,436            |
| Discretionary Fund   | 300,000              | 300,000              |
| New York City Human Resources Administration:                    |                      |                      |
| Brooklyn High School for Leadership                              | 81,901               | 49,117               |
| New York City Department of Youth and Community Development:     |                      |                      |
| Klinsky After School Program                                     | 2,194,352            | 1,374,743            |
| New York State Office of Vocational Educational Services:        |                      |                      |
| Case Services  | 95,172               | 202,576              |
| Specialized Vocational Training                                  | 97,200               | 113,120              |
| Supported Employment   | 182,043              | 242,784              |
| VESID Services   | -                    | 6,827                |
| New York State Office of People with Developmental Disabilities: |                      |                      |
| Sheltered Employment   | -                    | 290,730              |
| Day Habilitation   | 2,014,657            | 1,932,162            |
| Community Habilitation   | 213,090              | 225,537              |
| Family Support Service   | 80,890               | 77,735               |
| Individual Support Service                                       | 110,910              | 129,223              |
| Case Management  | 616,585              | 592,732              |
| Supported Employment   | 432,808              | 419,194              |
| Pre-Vocational Service   | 1,374,021            | 1,226,109            |
| IRA Residential Program  | 692,923              | 697,083              |
| BIP Transformation   | 51,692               | -                    |
| New York City Department of Health and Mental Hygiene:           |                      |                      |
| East New York Club House   | 573,491              | 590,620              |
| Work Readiness   | -                    | 8,000                |
| Transitional Living Community                                    | 642,713              | 644,117              |
| Adolescent Employment and Education                              | 395,647              | 395,647              |
| Senior Program   | 49,000               | 41,000               |
| BC PROS  | 1,302                | -                    |
| New York State Office of Mental Health:                          |                      |                      |
| METRO PROS   | 967,899              | 1,092,721            |
| BC PROS  | 1,785,849            | 1,785,121            |
| Ticket to Work   | 45,078               | 63,474               |
| Health Homes   | 76,663               | 38,115               |
| United States Department of Agriculture:                         |                      |                      |
| Child and Adult Care Food Program                                | 785,438              | 836,038              |
| United States Department of Housing and Urban Development:       |                      |                      |
| Transitional Living Community                                    | 738,852              | 738,852              |
| New York City Department of Education:                           |                      |                      |
| UPK Program  | 538,483              | -                    |
| Brooklyn High School for Leadership                              | 735,942              | 735,942              |
| The After School Corporation (TASC)                              | 80,000               | -                    |
| New York State Office of Children and Family Services:           |                      |                      |
| Disaster Relief  | 1,079,956            | 94,940               |
| United States Department of Education:                           |                      |                      |
| BC PROS  | -                    | 17,904               |
| United States Department of Health and Human Services:           |                      |                      |
| Head Start   | -                    | 422,601              |
| Early Head Start   | -                    | 959,512              |
| New York City Department for the Aging                           |                      |                      |
| Senior Program   | 4,822                | 5,200                |
| Federal Emergency Management Agency                              |                      |                      |
| Disaster Relief  | 254,526              | 525,988              |
| Office of the Brooklyn Borough President                         | 300,000              | -                    |
| City Council Office - The Honorable Stephen Levin                | 100,000              | -                    |
| <b>TOTAL GOVERNMENT AGENCIES</b>                                 | <b>\$ 23,124,663</b> | <b>\$ 22,355,208</b> |