



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

Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2016 and 2015

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, 2016 AND 2015**

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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, 2016 and 2015, 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, 2016 and 2015, 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

December 1, 2016
New York, NY

**BROOKLYN BUREAU OF COMMUNITY SERVICE
D/B/A BROOKLYN COMMUNITY SERVICES
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
ASSETS		
Cash and cash equivalents (Notes 2C and 14)	\$ 399,179	\$ 270,225
Accounts receivable, net (Note 2G)	6,489,099	6,121,482
Contributions and grants receivable, net (Notes 2G, 2H and 3)	306,763	544,077
Other receivables (Note 2G)	209,795	68,069
Investments (Notes 2E, 4 and 13)	10,175,075	9,643,622
Prepaid expenses, deferred charges and other	1,344,032	973,110
Property and equipment, net (Notes 2D and 6)	1,188,208	1,257,443
Assets held by insurance trusts (Note 5)	52,302	221,119
TOTAL ASSETS	\$ 20,164,453	\$ 19,099,147
 LIABILITIES		
Accounts and accrued expenses payable	\$ 1,424,755	\$ 1,594,636
Accrued payroll and related liabilities	967,864	1,037,810
Deferred rent (Note 2L)	82,334	104,512
Deferred revenue / refundable advances (Notes 6 and 7)	1,918,099	1,521,547
Lines of credit (Note 8)	5,954,552	5,524,004
Loan and mortgage payable (Note 9)	2,310,113	2,425,766
Defined benefit pension plan payable (Note 10)	2,490,103	2,678,288
Supplemental retirement benefit plan payable (Note 10)	301,328	533,841
TOTAL LIABILITIES	15,449,148	15,420,404
 COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS (Note 2B)		
Unrestricted		
Operating	3,225,759	2,543,497
Invested in property and equipment, net	1,188,208	1,257,443
Defined benefit pension plan -		
Pension related changes (Note 10)	(2,425,007)	(2,536,609)
Accrued pension expense	(65,096)	(141,679)
Supplemental retirement benefit plan	(301,328)	(533,841)
Total unrestricted	1,622,536	588,811
Temporarily restricted (Note 12)	2,116,925	2,114,088
Permanently restricted (Note 13)	975,844	975,844
TOTAL NET ASSETS	4,715,305	3,678,743
TOTAL LIABILITIES AND NET ASSETS	\$ 20,164,453	\$ 19,099,147

**BROOKLYN BUREAU OF COMMUNITY SERVICE
D/B/A BROOKLYN COMMUNITY SERVICES
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015**

	For the Year Ended June 30, 2016				For the Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015
OPERATING REVENUES:								
Public Support:								
Special events revenue (net of direct expenses of \$172,497 and \$135,400, respectively) (Note 2J)	\$ 194,461	\$ -	\$ -	\$ 194,461	\$ 311,177	\$ -	\$ -	\$ 311,177
Contributions								
Individual and corporations	534,373	443,287	-	977,660	288,178	427,777	-	715,955
Foundations and trusts	411,645	230,264	-	641,909	193,596	186,700	-	380,296
New York Times Neediest Cases	589,910	-	-	589,910	801,994	-	-	801,994
In-kind contribution - equipment (Note 2K)	37,412	-	-	37,412	49,223	-	-	49,223
Investment return used for current operations (Notes 4 and 13)	214,952	(39,952)	-	175,000	243,309	(68,309)	-	175,000
Net assets released from restrictions (Note 12)	652,560	(652,560)	-	-	532,128	(532,128)	-	-
Total Public Support	<u>2,635,313</u>	<u>(18,961)</u>	<u>-</u>	<u>2,616,352</u>	<u>2,419,605</u>	<u>14,040</u>	<u>-</u>	<u>2,433,645</u>
Governmental Support:								
Government fees and contracts (Notes 2F and 2I)	22,904,932	-	-	22,904,932	22,724,663	400,000	-	23,124,663
Total Governmental Support	<u>22,904,932</u>	<u>-</u>	<u>-</u>	<u>22,904,932</u>	<u>22,724,663</u>	<u>400,000</u>	<u>-</u>	<u>23,124,663</u>
Other Revenue:								
Day care fees	466,203	-	-	466,203	323,238	-	-	323,238
Sales-contract and other	257,680	-	-	257,680	270,434	-	-	270,434
Other	284,977	-	-	284,977	180,325	-	-	180,325
Total Other Revenue	<u>1,008,860</u>	<u>-</u>	<u>-</u>	<u>1,008,860</u>	<u>773,997</u>	<u>-</u>	<u>-</u>	<u>773,997</u>
TOTAL OPERATING REVENUES	<u>26,549,105</u>	<u>(18,961)</u>	<u>-</u>	<u>26,530,144</u>	<u>25,918,265</u>	<u>414,040</u>	<u>-</u>	<u>26,332,305</u>
OPERATING EXPENSES:								
Education and child care	8,237,306	-	-	8,237,306	7,727,381	-	-	7,727,381
Family counseling	3,020,590	-	-	3,020,590	3,000,221	-	-	3,000,221
Developmental disabilities	2,826,544	-	-	2,826,544	2,498,852	-	-	2,498,852
Mental health	5,000,054	-	-	5,000,054	4,943,271	-	-	4,943,271
Job training and employment services	2,212,819	-	-	2,212,819	2,794,745	-	-	2,794,745
Special programs	927,051	-	-	927,051	1,468,003	-	-	1,468,003
Total Program Services Expenses	<u>22,224,364</u>	<u>-</u>	<u>-</u>	<u>22,224,364</u>	<u>22,432,473</u>	<u>-</u>	<u>-</u>	<u>22,432,473</u>
Management and administration	3,773,137	-	-	3,773,137	3,626,032	-	-	3,626,032
Fund raising	508,405	-	-	508,405	513,656	-	-	513,656
Marketing and Volunteer	541,882	-	-	541,882	431,567	-	-	431,567
Total Supporting Services Expenses	<u>4,823,424</u>	<u>-</u>	<u>-</u>	<u>4,823,424</u>	<u>4,571,255</u>	<u>-</u>	<u>-</u>	<u>4,571,255</u>
TOTAL OPERATING EXPENSES	<u>27,047,788</u>	<u>-</u>	<u>-</u>	<u>27,047,788</u>	<u>27,003,728</u>	<u>-</u>	<u>-</u>	<u>27,003,728</u>
LOSS FROM OPERATIONS BEFORE PENSION ADJUSTMENT	<u>(498,683)</u>	<u>(18,961)</u>	<u>-</u>	<u>(517,644)</u>	<u>(1,085,463)</u>	<u>414,040</u>	<u>-</u>	<u>(671,423)</u>
Pension changes other than net periodic cost (Note 10)	(18,590)	-	-	(18,590)	(274,150)	-	-	(274,150)
OPERATING (LOSS) GAIN AFTER PENSION ADJUSTMENT	<u>(517,273)</u>	<u>(18,961)</u>	<u>-</u>	<u>(536,234)</u>	<u>(1,359,613)</u>	<u>414,040</u>	<u>-</u>	<u>(945,573)</u>
NONOPERATING ACTIVITIES:								
Other income (Note 6)	1,523,076	-	-	1,523,076	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)	27,922	21,798	-	49,720	(101,821)	8,131	-	(93,690)
Total Nonoperating Activities	<u>1,550,998</u>	<u>21,798</u>	<u>-</u>	<u>1,572,796</u>	<u>514,218</u>	<u>8,131</u>	<u>-</u>	<u>522,349</u>
CHANGE IN NET ASSETS	<u>1,033,725</u>	<u>2,837</u>	<u>-</u>	<u>1,036,562</u>	<u>(845,395)</u>	<u>422,171</u>	<u>-</u>	<u>(423,224)</u>
Net Assets - Beginning of Year	588,811	2,114,088	975,844	3,678,743	1,434,206	1,691,917	975,844	4,101,967
NET ASSETS - END OF YEAR	<u>\$ 1,622,536</u>	<u>\$ 2,116,925</u>	<u>\$ 975,844</u>	<u>\$ 4,715,305</u>	<u>\$ 588,811</u>	<u>\$ 2,114,088</u>	<u>\$ 975,844</u>	<u>\$ 3,678,743</u>

The accompanying notes are an integral part of these financial statements.

**BROOKLYN BUREAU OF COMMUNITY SERVICE
D/B/A BROOKLYN COMMUNITY SERVICES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,036,562	\$ (423,224)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	211,164	403,421
Loss on disposal of property and equipment	-	3,321
(Gain) loss on investments	(19,652)	105,238
Bad debt	25,000	34,933
Amortization of deferred financing costs	3,667	10,071
Other income - property and equipment	(1,523,076)	(761,538)
Amortization of discount on pledges	(10)	(81)
	(266,345)	(627,859)
Subtotal		
(266,345)		
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(367,617)	(357,594)
Contributions and grants receivable	212,324	(62,854)
Other receivables	(141,726)	(37,780)
Prepaid expenses, deferred charges and other	(374,589)	(485,715)
(Decrease) Increase in liabilities:		
Accounts and accrued expenses payable	(169,881)	(57,389)
Accrued payroll and related liabilities	(69,946)	(297,837)
Deferred rent	(22,178)	(18,304)
Deferred revenue / refundable advances	119,628	(44,199)
Defined benefits pension plan payable	(188,185)	25,316
Supplemental retirement benefit payable	(232,513)	(166,084)
Net Cash Used in Operating Activities	(1,501,028)	(2,130,299)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in assets held by insurance trusts	168,817	(72,913)
Purchases of property and equipment	(141,929)	(105,289)
Purchases of investments	(5,955,530)	(3,800,719)
Proceeds from sale of investments	5,443,729	3,900,806
Nonrefundable payments - property and equipment	1,800,000	1,500,000
Net Cash Provided by Investing Activities	1,315,087	1,421,885
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	9,317,634	4,558,712
Repayments of line of credit	(8,887,086)	(4,575,000)
Proceeds from loan and mortgage payable	2,300,000	2,300,000
Principal repayments of loan and mortgage	(2,415,653)	(2,185,571)
Net Cash Provided by Financing Activities	314,895	98,141
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	128,954	(610,273)
Cash and cash equivalents - beginning of year	270,225	880,498
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 399,179	\$ 270,225
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 233,767	\$ 210,079

**BROOKLYN BUREAU OF COMMUNITY SERVICE
D/B/A BROOKLYN COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

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 (decrease) / increase in revenue for the years ended June 30, 2016 and 2015, is (\$590,426) and \$11,559, respectively, from prior years.

**BROOKLYN BUREAU OF COMMUNITY SERVICE
D/B/A BROOKLYN COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

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, 2016 and 2015, BCS determined that an allowance was necessary amounting to approximately \$13,500 for each of such years, for the accounts receivable. 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 approximately \$22,600 and \$9,800 was necessary as of June 30, 2016 and 2015, respectively, 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 \$37,412 and \$49,223 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015 amounted to approximately \$82,000 and \$105,000, 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, 2015 financial statements have been reclassified to conform to the June 30, 2016 presentation.

**BROOKLYN BUREAU OF COMMUNITY SERVICE
D/B/A BROOKLYN COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 3 – CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

Contributions and grants receivable are scheduled to be received as of June 30, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Amounts due in less than one year	\$ 329,337	\$ 553,657
Amounts due in one to five years	<u>-</u>	<u>200</u>
	329,337	553,857
Less: allowance for bad debt	(22,574)	(9,770)
Less: discount (at 3.25% to 5.00%)	<u>-</u>	<u>(10)</u>
	<u>\$ 306,763</u>	<u>\$ 544,077</u>

NOTE 4 – INVESTMENTS

Investments consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Money market funds	\$ 2,787,321	\$ 2,384,245
U.S. Government bonds	205,480	592,689
U.S. Treasury notes	374,630	377,383
Corporate obligations	1,760,342	1,558,674
Mutual funds	-	164,007
Foreign notes & bonds	168,412	-
Common stocks	<u>4,878,890</u>	<u>4,566,624</u>
	<u>\$ 10,175,075</u>	<u>\$ 9,643,622</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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 259,212	\$ 266,289
Gain (loss) on investment	19,652	(105,238)
Investment fees	<u>(54,144)</u>	<u>(79,741)</u>
	<u>\$ 224,720</u>	<u>\$ 81,310</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.

**BROOKLYN BUREAU OF COMMUNITY SERVICE
D/B/A BROOKLYN COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

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, 2016 and 2015.

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 bond, treasury notes and money market funds – Valued at the closing price reported on 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 at the daily closing price as reported by the fund. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by BCS are deemed to be actively traded. 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, 2016 and 2015, no such transfers occurred.

Financial assets carried at fair value at June 30, 2016, were classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
ASSETS CARRIED AT FAIR VALUE			
Money market funds	\$ 2,787,321	\$ -	\$ 2,787,321
U.S. Government bonds	205,480	-	205,480
U.S. Treasury notes	374,630	-	374,630
Foreign notes & bonds	168,412	-	168,412
U.S. Corporate obligations	-	1,760,342	1,760,342
U.S. and International Equities:		-	
Consumer Discretionary	636,678	-	636,678
Energy	306,429	-	306,429
Financial	684,971	-	684,971
Healthcare	821,111	-	821,111
Industrial goods	829,515	-	829,515
Materials	114,610	-	114,610
Consumer Staples	419,429	-	419,429
Information Technology	708,472	-	708,472
Telecommunication Services	174,369	-	174,369
Utilities	123,236	-	123,236
Other	<u>5,580</u>	<u>54,490</u>	<u>60,070</u>
Total Assets at Fair Value	<u>\$ 8,360,246</u>	<u>\$ 1,814,832</u>	<u>\$ 10,175,075</u>

**BROOKLYN BUREAU OF COMMUNITY SERVICE
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NOTE 4 – INVESTMENTS (Continued)

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>
ASSETS CARRIED AT FAIR VALUE			
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
U.S. Corporate obligations:	-	1,558,674	1,558,674
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>

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, 2016 and 2015 amounted to \$307,334 and \$162,072, 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, 2016 and 2015 amounted to \$108,821 and \$129,216, respectively.

As of June 30, 2016 and 2015, \$52,302 and \$221,119, respectively, were available for future claims and administrative costs.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	<u>Estimated 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	802,406	764,994	3-10 Years
Automobiles	<u>155,259</u>	<u>50,742</u>	5 Years
Total cost	5,371,324	5,229,395	
Less: accumulated depreciation	<u>(4,183,116)</u>	<u>(3,971,952)</u>	
Net book value	<u>\$ 1,188,208</u>	<u>\$ 1,257,443</u>	

Depreciation expense amounted to \$211,164 and \$403,421, for the years ended June 30, 2016 and 2015, respectively.

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NOTE 6 – PROPERTY AND EQUIPMENT (Continued)

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. Pursuant to the initial transaction agreements, 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. Pursuant to amendments entered into during fiscal year 2016, BCS has a contractual right to receive a non-refundable payment in the amount of \$6 million from the partner entity during the redevelopment and construction phase and a final payment on or before March 31, 2018. During the years ended June 30, 2016 and 2015, BCS has received a payment of \$1,800,000 and \$1,500,000, respectively, from the development partner entity. During the years ended June 30, 2016 and 2015, BCS has recorded approximately \$1,523,000 and \$761,000, respectively, of the payments received as other income and the balance of \$1,016,000 and \$739,000, respectively, is included in deferred revenue in the accompanying statements of financial position.

On July 1, 2013, the net book value of the 285 Schermerhorn building amounted to approximately \$908,000 and was 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. During the year ended June 30, 2016, there were no such disposals.

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 \$427,000 and \$499,000, as of June 30, 2016 and 2015, respectively, and is included in deferred revenue / refundable advances in the accompanying statements of financial position.

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. On May 6, 2016, the promissory note was paid in full.

On May 6, 2016, BCS entered into a demand promissory note with UBS Bank USA with a maximum withdrawal of \$6,800,000. Principal and interest (2.465% as of June 30, 2016) are payable on demand. This note is collateralized by BCS's investment account.

As of June 30, 2016 and 2015, the outstanding balance amounted to \$5,954,552 and \$5,524,004, 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, 2016 and 2015, BCS complied with the covenant.

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NOTE 9 – LOAN AND MORTGAGE PAYABLE

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, 2016 and 2015 was \$2,226,126 and \$2,275,766, respectively. 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, 2016 and 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, 2016, are as follows:

2017	\$	52,384
2018		54,964
2019		57,670
2020		<u>2,061,108</u>
	\$	<u>2,226,126</u>

During Fiscal year 2016 BCS obtained a loan for the purchase of two automobiles. The outstanding balance as of June 30, 2016 was 83,987 and payable in equal installments through 2021.

Interest expense for the years ended June 30, 2016 and 2015, on all borrowings, amounted to approximately \$234,000 and \$210,000 respectively.

In January 2013, The Fund for the City of New York approved an interest-free loan of \$150,000 for BCS. The loan was fully repaid in July 2015.

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.

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NOTE 10 – PENSION AND SUPPLEMENTAL RETIREMENT BENEFITS (Continued)

The funded status reported on the statements of financial position as of June 30, 2016 and 2015, 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Benefit obligation at beginning of year	\$ 10,112,816	\$ 10,442,109
Interest cost	496,747	501,948
Effect of settlement	(921,270)	(624,703)
Assumption changes	(605,645)	-
Actuarial loss	432,467	24,926
Benefits paid	<u>(299,409)</u>	<u>(231,464)</u>
Projected benefit obligation at end of year	9,215,706	10,112,816
Fair value of plan assets at June 30	<u>6,725,603</u>	<u>7,434,528</u>
Funded status	<u>\$ (2,490,103)</u>	<u>\$ (2,678,288)</u>

Amounts recognized in the statements of financial position:

Defined benefit pension plan payable	<u>\$ (2,490,103)</u>	<u>\$ (2,678,288)</u>
Employer contributions	<u>\$ 649,065</u>	<u>\$ 484,000</u>

The components of net periodic cost for the years ended June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Interest cost	\$ 496,747	\$ 501,948
Expected return on plan assets	(529,005)	(562,626)
Amortization of accumulated loss	219,056	139,090
ASC 715 Settlement expense	<u>255,492</u>	<u>156,754</u>
Net periodic cost	<u>\$ 442,290</u>	<u>\$ 235,166</u>

The amounts recognized in unrestricted net assets for the Plan as of June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Pension related changes other than net periodic pension costs	<u>\$ 2,555,199</u>	<u>\$ 2,536,609</u>

Components of other changes in Plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Net actuarial loss	\$ (237,646)	\$ (413,240)
Amortization of loss	<u>219,056</u>	<u>139,090</u>
Pension related changes other than net periodic pension costs	<u>\$ (18,590)</u>	<u>\$ (274,150)</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 \$186,914.

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NOTE 10 – PENSION AND SUPPLEMENTAL RETIREMENT BENEFITS (Continued)

The weighted average assumptions used to determine the benefit obligation as of June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Discount rate	5.50%	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, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Discount rate	5.50%	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 \$1,072,707 to the plan in the fiscal year ending June 30, 2017.

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:

2017	\$ 541,435
2018	571,782
2019	590,195
2020	610,319
2021	667,705
5 years thereafter	3,427,133

The fair value hierarchy defines three levels, as further described in Note 4. Pension assets carried at fair value at June 30, 2016 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	\$ -	\$ 3,529	\$ 3,529
Separate Investment Accounts:			
Growth (Franklin)	1,006,195	-	1,006,195
Prem Short-Duration Bond (Babson)	270,542	-	270,542
Atlanta Cap SMID-Cap (Eaton Vance)	242,097	-	242,097
Select Strategic Bond (Western)	1,290,254	-	1,290,254
Real Estate (OFI)	219,103	-	219,103
Mid Cap Value (Goldman Sachs)	246,318	-	246,318
Comstock (Invesco)	888,725	-	888,725
High Yield (PIMCO)	343,677	-	343,677
Long Duration Bond (Babson)	709,191	-	709,191
EuroPacific Growth (American)	738,997	-	738,997
New World (American)	208,692	-	208,692
Growth (Baron)	277,520	-	277,520
Small Company Opportunity (Victory)	280,763	-	280,763
	<u>\$ 6,722,074</u>	<u>\$ 3,529</u>	<u>\$ 6,725,603</u>

**BROOKLYN BUREAU OF COMMUNITY SERVICE
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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)	<u>213,825</u>	<u>-</u>	<u>213,825</u>
	<u>\$ 7,366,802</u>	<u>\$ 67,726</u>	<u>\$ 7,434,528</u>

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. In December 2014, the Board determined to cease all benefit accruals and credits under the plan effective as of December 31, 2014. The expense for the years ended June 30, 2016 and 2015 amounted to \$232,512 and \$166,086, respectively. Supplemental retirement benefits payable as of June 30, 2016 and 2015 amounted to \$301,328 and \$533,841, respectively.

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

	<u>2016</u>	<u>2015</u>
Discount rate	5.00%	4.50%
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. In 2011, the Board took action to make the amount of the employer match discretionary. For calendar year 2015, the employer match was the lesser of 1% of the eligible compensation or 25% of the participants' annual election, and 0.5% the eligible compensation or 12.5% of the participant's annual election, respectively. BCS at its own discretion may make a non-safe-harbor non-elective contribution based upon a participant group allocation formula. Participants in each group, as defined by the number of years of service, will receive a specific percentage of their compensation, as defined. For the years ended June 30, 2016 and 2015, BCS contributed approximately \$47,000 and \$39,000, 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.

**BROOKLYN BUREAU OF COMMUNITY SERVICE
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NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

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, 2016:

	<u>Program Offices</u>	<u>Equipment</u>	<u>Total</u>
2017	\$ 716,748	\$ 46,893	\$ 763,641
2018	268,446	32,398	300,844
2019	243,564	31,080	274,644
2020	176,232	31,080	207,312
2021	106,200	18,281	124,481
Thereafter	<u>318,600</u>	<u>-</u>	<u>318,600</u>
	<u>\$ 1,829,790</u>	<u>\$ 159,732</u>	<u>\$ 1,989,522</u>

Rent expense amounted to approximately \$1,568,000 and \$1,446,000 for the years ended June 30, 2016 and 2015, respectively.

C. BCS believes it had no uncertain tax positions as of June 30, 2016 and 2015 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.

NOTE 12 – NET ASSETS

Temporarily restricted net assets were available for the following purposes or periods as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Education and child care:		
Klinsky After School	\$ 69,022	\$ 167,566
Brooklyn High School Leadership	-	15,275
Duffield Day Care	-	20,000
Summer Interns	-	3,500
Senior Program	-	2,500
Capital improvements	1,836,093	1,836,093
Time restricted	211,810	51,000
Unappropriated endowment earnings	<u>-</u>	<u>18,154</u>
	<u>\$ 2,116,925</u>	<u>\$ 2,114,088</u>

Temporarily restricted net assets of \$652,260 and \$532,128 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, 2016 and 2015, respectively.

NOTE 13 – ENDOWMENT NET ASSETS

BCS recognizes that New York State adopted 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.

**BROOKLYN BUREAU OF COMMUNITY SERVICE
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 13 – ENDOWMENT NET ASSETS (Continued)

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, 2016 and 2015.

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's 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).

Changes in endowment net assets for the year ended June 30, 2016, were as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Investment</u>
Endowment net assets, beginning of year	\$ 18,154	\$ 975,844	\$ 993,998
Investment activity			
Interest and dividends	25,144	-	25,144
Gain on investments	1,906	-	1,906
Investment expense	<u>(5,252)</u>	<u>-</u>	<u>(5,252)</u>
Total investment activity	21,798	-	21,798
Amount appropriated for expenditure	<u>(39,952)</u>	<u>-</u>	<u>(39,952)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 975,844</u>	<u>\$ 975,844</u>

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

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Investment</u>
Endowment net assets, beginning of year	\$ 78,332	\$ 975,844	\$ 1,054,176
Investment activity			
Interest and dividends	26,629	-	26,629
Loss on investments	(10,524)	-	(10,524)
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>

Endowment net assets of \$975,844 and \$993,998 were included with investments in the accompanying statements of financial position as of June 30, 2016 and 2015, respectively.

**BROOKLYN BUREAU OF COMMUNITY SERVICE
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

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, 2016 and 2015, there was approximately \$112,000 and \$121,000, 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 December 1, 2016, the date the financial statements were available to be issued.

**BROOKLYN BUREAU OF COMMUNITY SERVICE
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SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(With Comparative Totals for June 30, 2015)**

	<u>2016</u>	<u>2015</u>
New York City Administration for Children Services:		
Early Learn	\$ 2,882,604	\$ 2,220,322
Preventive Services	3,265,352	3,210,436
Discretionary Fund	299,998	300,000
New York City Human Resources Administration:		
Brooklyn High School for Leadership	50,820	81,901
New York City Department of Youth and Community Development:		
Klinsky After School Program	2,056,593	2,194,352
Schools Out New York City	498,973	-
Neighborhood Development Area Initiative	76,811	-
New York State Office of Vocational Educational Services:		
Case Services	67,921	95,172
Specialized Vocational Training	36,318	97,200
Supported Employment	184,505	182,043
VESID Services	(140,837)	-
New York State Office of People with Developmental Disabilities:		
Pathways to Employment	86,316	-
Day Habilitation	1,641,577	2,014,657
Community Habilitation	205,418	213,090
Family Support Service	65,630	80,890
Individual Support Service	98,064	110,910
Residential Habilitation	46,266	-
Case Management	647,001	616,585
Supported Employment	356,802	432,808
Pre-Vocational Service	1,340,729	1,374,021
IRA Residential Program	732,753	692,923
BIP Transformation	337,777	51,692
New York City Department of Health and Mental Hygiene:		
East New York Club House	568,126	573,491
Transitional Living Community	644,117	642,713
Adolescent Employment and Education	395,647	395,647
Senior Program	49,000	49,000
BC PROS	-	1,302
New York State Office of Mental Health:		
METRO PROS	2,622,676	967,899
BC PROS	-	1,785,849
Ticket to Work	304,874	45,078
Health Information Technology	45,000	-
Home and Community Services	25,000	-
Health Homes	214,415	76,663
United States Department of Agriculture:		
Child and Adult Care Food Program	872,376	785,438
United States Department of Housing and Urban Development:		
Transitional Living Community	543,770	738,852
New York City Department of Homeless Services:		
Transitional Living Community	175,063	-
New York City Department of Education:		
UPK Program	130,117	538,483
Brooklyn High School for Leadership	749,914	735,942
The After School Corporation (TASC)		80,000
New York State Office of Children and Family Services:		
Disaster Relief	725,449	1,079,956
United States Department of Education:		
Senior Program	1,997	4,822
Federal Emergency Management Agency		
Disaster Relief	-	254,526
Office of the Brooklyn Borough President	-	300,000
City Council Office - The Honorable Stephen Levin	-	100,000
TOTAL GOVERNMENT AGENCIES	<u>\$ 22,904,932</u>	<u>\$ 23,124,663</u>

**BROOKLYN BUREAU OF COMMUNITY SERVICE
D/B/A BROOKLYN COMMUNITY SERVICES
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(With Comparative Totals for June 30, 2015)**

	For the Year Ended June 30, 2016												
	Program Services							Supporting Services					
	Education & Child Care	Family Counseling	Development Disabilities	Mental Health	Job Training & Employment	Special Programs	Total Program Services	Management & Administration	Fundraising	Marketing and Volunteer	Total Supporting Services	Total 2016	Total 2015
Salaries	\$ 3,620,263	\$ 1,702,330	\$ 1,457,440	\$ 2,872,923	\$ 1,211,468	\$ 511,585	\$ 11,376,009	\$ 1,986,761	\$ 276,280	\$ 281,347	\$ 2,544,388	\$ 13,920,397	\$ 14,218,108
Payroll taxes and benefits	844,948	624,474	431,713	975,868	364,011	196,640	3,437,654	907,949	119,980	24,096	1,052,025	4,489,679	4,041,902
Total Salaries and Related Costs	4,465,211	2,326,804	1,889,153	3,848,791	1,575,479	708,225	14,813,663	2,894,710	396,260	305,443	3,596,413	18,410,076	18,260,010
Professional fees	163,099	88,295	13,909	92,797	26,589	6,254	390,943	272,448	15,637	1,500	289,585	680,528	856,183
Direct assistance and supplies	198,412	6,312	57,085	14,535	7,091	2,921	286,356	-	-	9,234	9,234	295,590	350,719
Food	777,911	727	31,570	50,858	152,678	7,256	1,021,000	8,039	41	404	8,484	1,029,484	1,000,812
Stipend	9,923	-	1,920	19,321	173,777	71,888	276,829	-	-	-	-	276,829	279,215
Day care providers	1,816,681	-	-	-	-	-	1,816,681	-	-	-	-	1,816,681	1,492,624
Supplies	16,693	10,132	8,837	132,481	6,071	3,118	177,332	14,134	1,306	4,470	19,910	197,242	255,293
Printing and publications	5,010	1,166	168	1,279	425	333	8,381	2,570	15,611	457	18,638	27,019	53,292
Telephone	66,623	88,093	26,401	40,944	82,363	33,903	338,327	3,879	1,372	33,253	38,504	376,831	318,136
Postage and shipping	497	181	262	1,094	905	627	3,566	3,116	461	7,198	10,775	14,341	10,951
Occupancy	470,576	377,837	406,363	458,328	11,587	61,639	1,786,330	221	160	3,113	3,494	1,789,824	1,811,388
Transportation	52,463	24,870	297,147	136,682	22,507	3,373	537,042	608	214	10,066	10,888	547,930	457,138
Conference and meetings	1,616	273	182	944	239	10	3,264	-	890	4,642	5,532	8,796	16,588
Staff development	7,969	1,631	1,489	691	5,686	-	17,466	-	-	4,219	4,219	21,685	73,894
Equipment and supplies	104,400	40,693	26,477	54,181	26,366	9,822	261,939	15,286	2,652	61,448	79,386	341,325	401,879
General insurance	46,293	37,234	40,628	46,519	31,553	9,388	211,615	2,425	4,937	44,455	51,817	263,432	245,068
Dues and subscriptions	1,463	8,489	14,223	49,880	23,075	2,200	99,330	14,283	13,167	16,844	44,294	143,624	85,899
Recruitment	2,243	1,356	177	624	118	-	4,518	509	1,500	8,061	10,070	14,588	16,760
Repairs and maintenance	10,837	5,157	9,262	44,568	61,551	6,035	137,410	900	975	26,675	28,550	165,960	258,520
Bad debt expense	-	-	-	-	-	-	-	-	25,000	-	25,000	25,000	34,933
Interest	-	-	-	-	-	-	-	233,767	-	-	233,767	233,767	210,079
Depreciation	-	-	235	501	2,762	-	3,498	207,543	59	64	207,666	211,164	403,421
Miscellaneous	19,386	1,340	1,056	5,036	1,997	59	28,874	98,699	28,163	336	127,198	156,072	110,926
TOTAL EXPENSES	\$ 8,237,306	\$ 3,020,590	\$ 2,826,544	\$ 5,000,054	\$ 2,212,819	\$ 927,051	\$ 22,224,364	\$ 3,773,137	\$ 508,405	\$ 541,882	\$ 4,823,424	\$ 27,047,788	\$ 27,003,728

**BROOKLYN BUREAU OF COMMUNITY SERVICE
D/B/A BROOKLYN COMMUNITY SERVICES
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(With Comparative Totals for June 30, 2015)**

	Program Services						Supporting Services					Total
	Education & Child Care	Family Counseling	Development Disabilities	Mental Health	Job Training & Employment	Special Programs	Total Program Services	Management & Administration	Fundraising	Marketing and Volunteer	Total Supporting Services	
Salaries	\$ 3,301,321	\$ 1,768,126	\$ 1,288,164	\$ 2,857,369	\$ 1,548,658	\$ 847,799	\$ 11,611,437	\$ 1,945,890	\$ 353,076	\$ 307,705	\$ 2,606,671	\$ 14,218,108
Payroll taxes and benefits	740,863	500,080	324,429	881,125	468,090	268,157	3,182,744	720,662	74,056	64,440	859,158	4,041,902
Total Salaries and Related Costs	4,042,184	2,268,206	1,612,593	3,738,494	2,016,748	1,115,956	14,794,181	2,666,552	427,132	372,145	3,465,829	18,260,010
Professional fees	302,132	88,497	11,214	81,452	16,382	31,047	530,724	323,946	789	724	325,459	856,183
Direct assistance and supplies	200,659	17,486	49,226	19,469	20,421	35,204	342,465	84	8,170	-	8,254	350,719
Food	770,743	2,539	19,735	41,814	156,683	9,133	1,000,647	52	-	113	165	1,000,812
Stipend	22	-	1,920	17,418	200,645	59,210	279,215	-	-	-	-	279,215
Day care providers	1,492,624	-	-	-	-	-	1,492,624	-	-	-	-	1,492,624
Supplies	14,330	21,519	7,462	180,027	7,497	4,289	235,124	16,371	1,975	1,823	20,169	255,293
Printing and publications	7,371	-	170	1,654	416	1,862	11,473	417	21,526	19,876	41,819	53,292
Telephone	50,810	61,815	19,753	56,167	51,233	38,461	278,239	35,928	2,064	1,905	39,897	318,136
Postage and shipping	698	154	112	747	827	322	2,860	2,464	5,527	100	8,091	10,951
Occupancy	511,946	348,620	393,096	377,412	67,884	77,431	1,776,389	32,050	1,552	1,397	34,999	1,811,388
Transportation	6,503	21,992	269,066	127,768	23,206	3,323	451,858	4,132	613	535	5,280	457,138
Conference and meetings	1,709	65	-	4,210	739	222	6,945	6,370	896	2,377	9,643	16,588
Staff development	10,964	1,175	2,194	13,862	3,798	1,706	33,699	39,839	306	50	40,195	73,894
Equipment and supplies	141,548	48,358	27,671	62,855	35,461	18,286	334,179	47,914	10,288	9,498	67,700	401,879
General insurance	50,941	32,226	30,476	43,411	35,405	15,802	208,261	32,294	2,347	2,166	36,807	245,068
Dues and subscriptions	2,982	10,296	1,307	26,166	3,499	575	44,825	19,042	9,495	12,537	41,074	85,899
Recruitment	2,491	4,422	1,846	497	-	-	9,256	7,340	164	-	7,504	16,760
Repairs and maintenance	13,340	11,948	3,707	59,437	72,565	42,758	203,755	50,076	3,386	1,303	54,765	258,520
Bad debt expense	-	-	-	-	-	-	-	34,933	-	-	34,933	34,933
Interest	-	-	-	-	-	-	-	210,079	-	-	210,079	210,079
Depreciation	89,622	58,764	44,935	81,891	75,370	12,276	362,858	32,475	4,108	3,980	40,563	403,421
Miscellaneous	13,762	2,139	2,369	8,520	5,966	140	32,896	63,674	13,318	1,038	78,030	110,926
TOTAL EXPENSES	\$ 7,727,381	\$ 3,000,221	\$ 2,498,852	\$ 4,943,271	\$ 2,794,745	\$ 1,468,003	\$ 22,432,473	\$ 3,626,032	\$ 513,656	\$ 431,567	\$ 4,571,255	\$ 27,003,728