

Independent Auditors' Reports as Required by Title 2 *U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and Related Information

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

June 30, 2017 and 2016

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

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Brooklyn Bureau of Community Service D/B/A Brooklyn Community Services:

Report on the financial statements

We have audited the accompanying financial statements of Brooklyn Bureau of Community Service D/B/A Brooklyn Community Services (“BCS” or “entity”), which comprise the statements of financial position as of June 30, 2017, 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.

Auditor’s responsibility

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

An audit involves performing procedures to obtain 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 BCS’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 BCS’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 Brooklyn Community Service as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other matters

The financial statements of Brooklyn Community Service, as of and for the year ended June 30, 2016, were audited by other auditors. Those auditors expressed an unmodified opinion on those 2016 financial statements in their report dated December 1, 2016.

Supplementary schedules

Our audit was conducted for the purpose of forming an opinion on the financial statements of Brooklyn Community Service as of and for the year ended June 30, 2017 as a whole. The accompanying schedules of government fees and contracts on page 27 and the schedules of functional expenses on pages 28-29 are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary 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. These additional procedures include 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.

Supplementary information

Our audit were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards for the year ended June 30, 2017, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary 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. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 21, 2017, on our consideration of BCS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BCS's internal control over financial reporting and compliance.

Grant Thornton LLP

New York, New York
December 21, 2017

**BROOKLYN BUREAU OF COMMUNITY SERVICE
D/B/A BROOKLYN COMMUNITY SERVICES**
Statements of Financial Position
As of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents (Notes 2 and 14)	\$ 301,835	\$ 399,179
Accounts receivable, net (Note 2)	7,813,193	6,330,497
Contributions and grants receivable, net (Notes 2 and 3)	589,193	306,624
Other receivables (Notes 2 and 6)	13,355,144	238,853
Investments (Notes 2, 4 and 13)	10,708,592	10,175,075
Prepaid expenses, deferred charges and other	382,190	385,298
Property and equipment, net (Notes 2 and 6)	1,524,422	2,147,300
Assets held by insurance trusts (Note 5)	<u>67,009</u>	<u>52,302</u>
Total assets	<u>\$ 34,741,578</u>	<u>\$ 20,035,128</u>
LIABILITIES		
Accounts and accrued expenses payable	\$ 937,252	\$ 1,438,803
Accrued payroll and related liabilities	999,291	967,483
Deferred rent (Note 2)	61,501	82,334
Deferred revenue/refundable advances (Notes 6 and 7)	230,026	1,775,107
Lines of credit (Note 8)	5,312,804	5,954,552
Loan and mortgage payable, net (Note 9)	2,435,030	2,310,113
Defined benefit pension plan payable (Note 10)	2,309,162	2,490,103
Supplemental retirement benefit plan payable (Note 10)	<u>185,565</u>	<u>301,328</u>
Total liabilities	<u>12,470,631</u>	<u>15,319,823</u>
Commitments and contingencies (Note 11)		
NET ASSETS (Note 2)		
Unrestricted		
Operating	11,748,633	3,225,759
Invested in property and equipment, net	9,641,773	1,188,208
Defined benefit pension plan-		
Pension related changes (Note 10)	(2,309,162)	(2,425,007)
Accrued pension expense	-	(65,096)
Supplemental retirement benefit plan	<u>(185,565)</u>	<u>(301,328)</u>
Total unrestricted	18,895,679	1,622,536
Temporarily restricted (Note 12)	2,399,424	2,116,925
Permanently restricted (Note 13)	<u>975,844</u>	<u>975,844</u>
Total net assets	<u>22,270,947</u>	<u>4,715,305</u>
Total liabilities and net assets	<u>\$ 34,741,578</u>	<u>\$ 20,035,128</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 Activities
For the years ended June 30, 2017 and 2016

	For the Year Ended June 30, 2017				For the Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
OPERATING REVENUES								
Public support:								
Special events revenue (net of direct expenses of \$111,942 and \$172,497, respectively) (Note 2)	\$ 341,904	\$ -	\$ -	\$ 341,904	\$ 194,461	\$ -	\$ -	\$ 194,461
Contributions								
Individual and corporations	57,294	612,644	-	669,938	534,373	443,287	-	977,660
Foundations and trusts	630,541	464,771	-	1,095,312	411,645	230,264	-	641,909
New York Times Neediest Cases	593,239	-	-	593,239	589,910	-	-	589,910
In-kind contribution - equipment (Note 2)	31,146	-	-	31,146	37,412	-	-	37,412
Investment return used for current operations (Notes 4 and 13)	175,000	62,229	-	237,229	214,952	(39,952)	-	175,000
Net assets released from restrictions (Note 12)	857,145	(857,145)	-	-	652,560	(652,560)	-	-
Total public support	2,686,269	282,499	-	2,968,768	2,635,313	(18,961)	-	2,616,352
Governmental support:								
Government fees and contracts (Note 2)	24,141,431	-	-	24,141,431	22,690,517	-	-	22,690,517
Government subcontractor	730,326	-	-	730,326	214,415	-	-	214,415
Total Governmental support	24,871,757	-	-	24,871,757	22,904,932	-	-	22,904,932
Other revenue:								
Day care fees	461,700	-	-	461,700	466,203	-	-	466,203
Sales-contract and other	202,184	-	-	202,184	257,680	-	-	257,680
Other	343,248	-	-	343,248	284,977	-	-	284,977
Total other revenue	1,007,132	-	-	1,007,132	1,008,860	-	-	1,008,860
Total operating revenues	28,565,158	282,499	-	28,847,657	26,549,105	(18,961)	-	26,530,144
OPERATING EXPENSES								
Childhood & Family Services	8,425,003	-	-	8,425,003	8,609,584	-	-	8,609,584
After-School Education	2,945,721	-	-	2,945,721	2,444,550	-	-	2,444,550
Youth Development	3,415,428	-	-	3,415,428	1,565,829	-	-	1,565,829
Health and Housing	3,721,120	-	-	3,721,120	4,485,617	-	-	4,485,617
Workforce Development	2,333,163	-	-	2,333,163	2,292,473	-	-	2,292,473
Community Supports - Developmental Disabilities	2,971,795	-	-	2,971,795	2,826,311	-	-	2,826,311
Total program services expenses	23,812,230	-	-	23,812,230	22,224,364	-	-	22,224,364
Management and administration	3,471,831	-	-	3,471,831	3,773,137	-	-	3,773,137
Fund raising	478,615	-	-	478,615	691,134	-	-	691,134
Marketing and volunteer	488,870	-	-	488,870	359,153	-	-	359,153
Total supporting services expenses	4,439,316	-	-	4,439,316	4,823,424	-	-	4,823,424
Total operating expenses	28,251,546	-	-	28,251,546	27,047,788	-	-	27,047,788
Gain (loss) from operations before pension adjustment	313,612	282,499	-	596,111	(498,683)	(18,961)	-	(517,644)
Medicaid disallowances	(1,179,560)	-	-	(1,179,560)	-	-	-	-
Pension changes other than net periodic cost (Note 10)	(621,670)	-	-	(621,670)	(18,590)	-	-	(18,590)
Operating (loss) gain after pension adjustment	(1,487,618)	282,499	-	(1,205,119)	(517,273)	(18,961)	-	(536,234)
NONOPERATING ACTIVITIES								
Other income (Note 6)	-	-	-	-	1,523,076	-	-	1,523,076
Pension changes other than net periodic costs (Note 10)	(1,576,696)	-	-	(1,576,696)	-	-	-	-
Redevelopment revenues	19,919,644	-	-	19,919,644	-	-	-	-
Investment gain in excess of amounts used in operations (Note 4)	417,813	-	-	417,813	27,922	21,798	-	49,720
Total nonoperating activities	18,760,761	-	-	18,760,761	1,550,998	21,798	-	1,572,796
Change in net assets	17,273,143	282,499	-	17,555,642	1,033,725	2,837	-	1,036,562
Net assets - beginning of year	1,622,536	2,116,925	975,844	4,715,305	588,811	2,114,088	975,844	3,678,743
Net assets - end of year	\$ 18,895,679	\$ 2,399,424	\$ 975,844	\$ 22,270,947	\$ 1,622,536	\$ 2,116,925	\$ 975,844	\$ 4,715,305

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
For the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 17,555,642	\$ 1,036,562
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	209,282	211,164
Disposal of property and equipment	556,540	-
Gain on investments	(547,178)	(19,652)
Bad debt	1,484,694	25,000
Amortization of deferred financing costs	-	3,657
Other income - property and equipment	-	(1,523,076)
Subtotal	<u>19,258,980</u>	<u>(266,345)</u>
Changes in operating assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(2,967,390)	(367,617)
Contributions and grants receivable	(282,569)	212,324
Other receivables	(13,116,291)	(141,726)
Prepaid expenses, deferred charges and other	3,108	(374,589)
Assets held by insurance trusts	(14,707)	168,817
(Decrease) increase in liabilities		
Accounts and accrued expenses payable	(501,551)	(169,881)
Accrued payroll and related liabilities	31,808	(69,946)
Deferred rent	(20,833)	(22,178)
Deferred revenue/refundable advances	(1,545,081)	119,628
Defined benefits pension plan payable	(180,941)	(188,185)
Supplemental retirement benefit payable	(115,763)	(232,513)
Net cash provided by (used in) operating activities	<u>548,770</u>	<u>(1,332,211)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(142,944)	(141,929)
Purchases of investments	(7,900,676)	(5,955,530)
Proceeds from sale of investments	7,914,337	5,443,729
Nonrefundable payments - property and equipment	-	1,800,000
Net cash (used in) provided by investing activities	<u>(129,283)</u>	<u>1,146,270</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	1,915,076	9,317,634
Repayments of line of credit	(2,556,824)	(8,887,086)
Proceeds from loan and mortgage payable	200,000	2,300,000
Principal repayments of loan and mortgage	(75,083)	(2,415,653)
Net cash (used in) provided by financing activities	<u>(516,831)</u>	<u>314,895</u>
Net (decrease) increase in cash and cash equivalents	(97,344)	128,954
Cash and cash equivalents - beginning of year	<u>399,179</u>	<u>270,225</u>
Cash and cash equivalents - end of year	<u>\$ 301,835</u>	<u>\$ 399,179</u>
Supplementary disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 206,365</u>	<u>\$ 233,767</u>

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

BROOKLYN BUREAU OF COMMUNITY SERVICE
D/B/A Brooklyn Community Services
Notes to Financial Statements
June 30, 2017 and 2016

1. ORGANIZATION AND NATURE OF ACTIVITIES

Brooklyn Bureau of Community Service (d/b/a Brooklyn Community Services) (“BCS”), founded in 1866, is one of Brooklyn’s oldest and largest nonprofit, non-sectarian human service providers. Its mission is to empower children, youth and families, and adults with mental illness or developmental disabilities to overcome the obstacles they face, and to strive to ensure opportunity for all to learn, grow and contribute to ONE Brooklyn Community. BCS focuses on the impact of poverty in Brooklyn and seeks to empower families and individuals to attain self-sufficiency. BCS serves over 18,000 people each year, through programs that include: counseling families at risk of separation; supporting and stabilizing people with psychiatric illnesses; helping adults with physical and developmental disabilities participate fully in the community; and offering guidance, educational services and support to children. BCS is supported primarily by government fees and contracts and contributions from individuals, corporations and foundations.

2. FINANCIAL STATEMENT PRESENTATION

Basis of Accounting

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

Net Asset Classification

The classification of BCS’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets (permanently restricted, temporarily restricted and unrestricted) be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

The classes of net assets are defined as follows:

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations and/or net assets which the Board of Directors (the “Board”) has designated for specified purposes in carrying on the operations of BCS. Unrestricted net assets include amounts designated by the Board for specific purposes and net assets for operations.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by BCS is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of BCS pursuant to those stipulations. In addition, earnings on endowment assets are classified as temporarily restricted until appropriated for expenditure by the Board. When a stipulated time restriction ends or purpose restriction is accomplished or endowment earnings are appropriated for expenditure, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

BROOKLYN BUREAU OF COMMUNITY SERVICE
D/B/A Brooklyn Community Services
Notes to Financial Statements
June 30, 2017 and 2016

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by BCS is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of BCS. This represents net assets subject to donor-imposed restrictions on the corpus of the gifts specifying they be maintained in perpetuity.

Cash Equivalents

BCS classifies deposits in banks, money market accounts, and debt instruments with original maturities of three months or less from the date of purchase as cash equivalents, excluding cash and cash equivalents available for long-term investment, which are included within investments on the accompanying statements of financial position.

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.

Impairment of Long-Lived Assets to be Disposed of

Accounting Standards Codification (“ASC”) 360-10, “Accounting for the Impairment or Disposal of Long-Lived Assets,” provides a single accounting model for long-lived assets to be disposed of. ASC 360-10 also changes the criteria for classifying an asset as held for sale, and broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations.

In accordance with ASC 360-10, *long-lived assets*, such as property, plant and equipment, and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the statements of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statement of financial position. There were no impairment charges for the years ended June 30, 2017 and 2016.

BROOKLYN BUREAU OF COMMUNITY SERVICE
D/B/A Brooklyn Community Services
Notes to Financial Statements
June 30, 2017 and 2016

Investments and Fair Value Measurements

Investments are stated at their fair values. Investment gains and losses are included in the changes in unrestricted net assets for the gains and losses that are unrestricted, and in the changes in temporarily restricted net assets for the gains and losses that are restricted for the support of certain BCS programs as specified by donors.

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.

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, 2017 and 2016, is approximately \$16,500 and (\$590,400), respectively, from prior years.

Allowance for Uncollectible Receivables

BCS determines whether an allowance for uncollectible accounts receivable should be provided. An allowance is recorded 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, 2017 and 2016, BCS determined that an allowance of approximately \$13,500 for each year, for the accounts receivable was necessary. BCS evaluates the need for an allowance for doubtful grants and contributions on its historical loss experience and considering the age of the receivable. During the year ended June 30, 2017, BCS evaluated its Medicaid related receivables and determined that amounts totaling approximately \$1,179,600 should be written-off, as they were deemed to be uncollectible. BCS has determined that an allowance of approximately \$64,900 and \$22,600 was necessary as of June 30, 2017 and 2016, respectively, for contributions receivables.

Contribution Receivable

Contributions received, including 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.

BROOKLYN BUREAU OF COMMUNITY SERVICE
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Notes to Financial Statements
June 30, 2017 and 2016

Government Fees and Contracts

Government fees and contracts are for services rendered and are reported at the estimated net realizable amounts from government sources, program participants and others.

Direct Costs of Special Events

The direct costs of special events are reported net of 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.

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 approximately \$31,100 and \$37,400 for the years ended June 30, 2017 and 2016, respectively.

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, 2017 and 2016 amounted to approximately \$61,500 and \$82,000, respectively. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying statements of financial position.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements, and revenue and expenses recognized during the period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing various programs and other activities of BCS have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time and effort.

Income Taxes

BCS follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

BROOKLYN BUREAU OF COMMUNITY SERVICE
D/B/A Brooklyn Community Services
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June 30, 2017 and 2016

BCS is exempt from federal income tax under IRC section 501(c)(3) and has been classified as an organization that is not a private foundation under IRC Section 509(a), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. BCS has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. BCS has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. In addition, BCS has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities.

New Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 by one year. The guidance is effective for the interim and annual periods on or after December 15, 2017 (early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period). The guidance permits the use of either a retrospective or cumulative effect transition method. BCS is currently evaluating the new guidance and has not determined the impact this standard may have on the financial statements nor decided upon the method of adoption.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for BCS for fiscal year 2020. Early adoption is permitted. BCS is in the process of evaluating the impact this standard will have on the financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit’s liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. BCS is in the process of evaluating the impact this standard will have on the financial statements.

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Reclassifications

Certain line items in the June 30, 2016 financial statements have been reclassified to conform to the June 30, 2017 presentation. These changes did not impact total assets, liabilities, net assets or the changes in net assets reported in the prior year.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

Contributions and grants receivable are scheduled to be received as of June 30, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Amounts due in less than one year	\$ 654,090	\$ 329,198
Less: allowance for bad debt	<u>(64,897)</u>	<u>(22,574)</u>
	<u>\$ 589,193</u>	<u>\$ 306,624</u>

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. During fiscal 2017, BCS was notified of a certain intentions to give. This conditional gifts, if received, would be used principally in support program related expenses. Consistent with US GAAP, this has not been included in contributions receivable due to their conditional nature.

4. INVESTMENTS

Investments consisted of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Cash and Money market funds	\$ 2,908,045	\$ 2,787,321
U.S. Government bonds	-	205,480
U.S. Treasury notes	361,506	374,630
Corporate obligations	1,356,718	1,760,342
Foreign notes and bonds	571,658	168,412
Common stocks	<u>5,510,665</u>	<u>4,878,890</u>
	<u>\$ 10,708,592</u>	<u>\$ 10,175,075</u>

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

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Investment activity consisted of the following for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 197,205	\$ 259,212
Realized and unrealized gains	547,178	19,652
Investment fees	<u>(89,341)</u>	<u>(54,144)</u>
	<u>\$ 655,042</u>	<u>\$ 224,720</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.

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.

In accordance with FASB ASC Subtopic 820-10, investments measured at fair value using net asset value (“NAV”) per share as a practical expedient have not been categorized in the fair value hierarchy, as permitted by ASU 2015-07.

The following methods and assumptions were used in estimating the fair values of significant financial instruments at June 30, 2017 and 2016.

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.

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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 years ended June 30, 2017 and 2016, no such transfers occurred.

Financial assets carried at fair value at June 30, 2017, were classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
ASSETS CARRIED AT FAIR VALUE			
Cash and money market funds	\$ 2,908,045	\$ -	\$ 2,908,045
U.S. Treasury notes	361,506	-	361,506
Foreign notes and bonds	571,658	-	571,658
U.S. Corporate obligations	-	1,356,718	1,356,718
U.S. and International Equities			
Consumer discretionary	617,369	-	617,369
Energy	300,280	-	300,280
Financial	983,182	-	983,182
Healthcare	680,828	-	680,828
Industrial goods	915,144	-	915,144
Real Estate	204,320	-	204,320
Materials	153,169	-	153,169
Consumer staples	444,573	-	444,573
Information technology	897,164	-	897,164
Telecommunication services	169,754	-	169,754
Utilities	126,166	-	126,166
Other	18,716	-	18,716
	<u>\$ 9,351,874</u>	<u>\$ 1,356,718</u>	<u>\$ 10,708,592</u>
Total assets, at fair value			

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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 and 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	5,580	54,490	60,070
	<u>\$ 8,360,243</u>	<u>\$ 1,814,832</u>	<u>\$ 10,175,075</u>
Total assets, at fair value			

5. INSURANCE TRUSTS

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, 2017 and 2016 amounted to approximately \$227,400 and \$307,300, respectively.

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, 2017 and 2016 amounted to approximately \$90,200 and \$108,800, respectively.

As of June 30, 2017 and 2016, approximately \$67,000 and \$52,300, respectively, were available for future claims and administrative costs.

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6. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Lives</u>
Land	\$ 26,520	\$ 26,520	
Building	1,057,348	1,332,572	27.5 Years
Building improvements	1,077,799	4,013,659	10-29 Years
Furniture and equipment	537,531	802,406	3-10 Years
Automobiles	<u>144,338</u>	<u>155,259</u>	5 Years
Total cost	2,843,536	6,330,416	
Less: accumulated depreciation	<u>(1,319,114)</u>	<u>(4,183,116)</u>	
Net book value	<u>\$ 1,524,422</u>	<u>\$ 2,147,300</u>	

Depreciation expense amounted to \$209,282 and \$211,164, for the years ended June 30, 2017 and 2016, 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, New York (“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. Pursuant to the initial transaction agreements, BCS initially had 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. Pursuant to amendments entered into during fiscal year 2016, BCS had a contractual right to receive another 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. The amendments also extended the time for the partner entity to attain substantial completion of the redevelopment and construction pursuant to the transaction agreements from February 28, 2017 to March 31, 2018. During the years ended June 30, 2017 and 2016, BCS has received payments totaling \$9,300,000, from the development partner entity. The condominium declaration was recorded on June 1, 2017. During the year ended June 30, 2017, BCS owned both condominium units. Upon the timely completion of the redevelopment and construction pursuant to the transaction agreements, BCS would retain the 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. Prior to fiscal 2017, BCS recognized approximately \$2,284,000 relating to this transaction. During the year ended June 30, 2017, BCS determined that the transaction met the criteria for the full accrual method for revenue recognition. Accordingly, during the year ended June 30, 2017,

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BCS recognized total revenue of approximately \$18,800,000 relating to the transaction. Also included in other revenue is approximately \$5,100,000 related to the final payment to be received in March 2018 as well as \$8,100,000 of building costs, representing the fair value of the construction to be provided by the Developer to BCS.

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 were fully recouped by OMIG. The balance outstanding amounted to approximately \$0 and \$427,000, as of June 30, 2017 and 2016, respectively.

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, 2017) are payable on demand. This note is collateralized by BCS’s investment account.

As of June 30, 2017 and 2016, the outstanding balance amounted to \$5,312,804 and \$5,954,552, 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, 2017 and 2016, BCS complied with the covenant.

9. LOAN AND MORTGAGE PAYABLE, NET

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

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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, 2017 and 2016 was \$2,173,739 and \$2,226,126, 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, 2017 and 2016, 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, 2017, are as follows:

2018	\$ 54,964
2019	57,670
2020	<u>2,061,105</u>
	<u>\$ 2,173,739</u>

During fiscal year 2016, BCS obtained a loan for the purchase of two automobiles. The outstanding balance as of June 30, 2017 and 2016 was \$61,291 and 83,987, respectively, and payable in equal installments through 2021.

In February 2017, the Fund for the City of New York approved an interest-free loan of \$200,000 for BCS. This amount is outstanding at June 30, 2017 and due on demand.

Interest expense for the years ended June 30, 2017 and 2016, on all borrowings, amounted to approximately \$346,400 and \$234,000 respectively.

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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The funded status reported on the statements of financial position as of June 30, 2017 and 2016, 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Benefit obligation at beginning of year	\$ 9,215,706	\$ 10,112,816
Interest cost	505,379	496,747
Effect of settlement	(1,083,202)	(921,270)
Assumption changes	2,197,779	(605,645)
Actuarial loss	230,115	432,467
Benefits paid	<u>(336,551)</u>	<u>(299,409)</u>
Projected benefit obligation at end of year	10,729,226	9,215,706
Fair value of plan assets at June 30	<u>8,420,064</u>	<u>6,725,603</u>
Funded status/accrued benefit reported in statements of financial position, end of year	<u>\$ (2,309,162)</u>	<u>\$ (2,490,103)</u>

The components of net periodic cost for the years ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Interest cost	\$ 505,379	\$ 496,747
Expected return on plan assets	(516,612)	(529,005)
Amortization of accumulated loss	215,756	219,056
ASC 715 Settlement expense	<u>417,147</u>	<u>255,492</u>
Net periodic cost	<u>\$ 621,670</u>	<u>\$ 442,290</u>

The amounts recognized in unrestricted net assets for the Plan as of June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Pension related changes other than net periodic pension costs	<u>\$ 4,131,895</u>	<u>\$ 2,555,199</u>

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Components of other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Net actuarial loss	\$ 1,576,696	\$ (237,646)
Amortization of loss	<u>-</u>	<u>219,056</u>
Pension related changes other than net periodic pension costs	<u>\$ 1,576,696</u>	<u>\$ (18,590)</u>

The estimated net loss and prior service cost 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 \$354,458 and \$0, respectively.

The weighted average assumptions used to determine the benefit obligation as of June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Discount rate	4.20 %	5.50 %
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, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Discount rate	5.50%	5.50%
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 \$349,203 to the Plan in the fiscal year ending June 30, 2018.

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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:

2018	\$ 531,873
2019	541,484
2020	577,949
2021	622,818
2022	649,544
5 years thereafter	3,338,904

The fair value hierarchy defines three levels, as further described in Note 4. Pension assets carried at fair value at June 30, 2017 are classified as follows:

	<u>Level 2</u>	<u>NAV</u>	<u>Total</u>
General Investment Account	\$ -	\$ 1,288,977	\$ 1,288,977
Separate Investment Accounts			
Growth (Franklin)	1,195,956	-	1,195,956
Prem Short-Duration Bond (Babson)	306,619	-	306,619
Atlanta Cap SMID-Cap (Eaton Vance)	283,961	-	283,961
Select Strategic Bond (Western)	1,179,532	-	1,179,532
Real Estate (OFI)	229,371	-	229,371
Mid Cap Value (Goldman Sachs)	269,218	-	269,218
Comstock (Invesco)	1,004,673	-	1,004,673
High Yield (PIMCO)	100,597	-	100,597
Long Duration Bond (Babson)	788,383	-	788,383
EuroPacific Growth (American)	895,113	-	895,113
New World (American)	242,984	-	242,984
Growth (Baron)	322,270	-	322,270
Small Company Opportunity (Victory)	312,410	-	312,410
	<u>\$ 7,131,087</u>	<u>\$ 1,288,977</u>	<u>\$ 8,420,064</u>

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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 as follows:

	<u>Level 2</u>	<u>NAV</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>

	<u>Fair Value as of June 30,</u>		<u>Redemption</u>	<u>Redemption</u>
	<u>2017</u>	<u>2016</u>	<u>Frequency</u>	<u>Notice Period</u>
General Investment Account	\$ 1,288,977	\$ 3,529	Daily	Daily

The MassMutual General Interest Account (“GIA”) is a stable value investment with a guaranteed rate of return and a guaranteed principle balance. The beneficial interest of each investor is represented by units which are issued and redeemed daily at the GIA’s constant NAV of \$1 per unit. It is the GIA’s policy to use its best efforts to maintain a stable NAV of \$1 per unit although there is no guarantee that the GIA will be able to maintain this value.

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. Payments made for the years ended June 30, 2017 and 2016 amounted to \$115,763 and \$232,512,

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respectively. Supplemental retirement benefits payable as of June 30, 2017 and 2016 amounted to \$185,565 and \$301,328, respectively.

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

	<u>2017</u>	<u>2016</u>
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. 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, 2017 and 2016, BCS contributed approximately \$34,100 and \$47,000, respectively.

11. COMMITMENTS AND CONTINGENCIES

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.

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, 2017:

	<u>Program Offices</u>	<u>Equipment</u>	<u>Total</u>
2018	\$ 374,446	\$ 32,398	\$ 406,844
2019	349,564	31,080	380,644
2020	285,059	31,080	316,139
2021	220,680	18,281	238,961
2022	220,680	18,281	238,961
Thereafter	<u>783,264</u>	<u>-</u>	<u>783,264</u>
	<u>\$ 2,233,693</u>	<u>\$ 131,120</u>	<u>\$ 2,364,813</u>

Rent expense amounted to approximately \$1,619,692 and \$1,568,000 for the years ended June 30, 2017 and 2016, respectively.

BROOKLYN BUREAU OF COMMUNITY SERVICE
D/B/A Brooklyn Community Services
Notes to Financial Statements
June 30, 2017 and 2016

12. NET ASSETS

Temporarily restricted net assets were available for the following purposes or periods as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Education and child care		
Klinsky After School	\$ 63,137	\$ 69,022
The Father Giuseppe Fransioli Legacy Room	500,000	-
Summer Interns		
Capital improvements	1,836,287	1,836,093
Time restricted	<u>-</u>	<u>211,810</u>
	<u>\$ 2,399,424</u>	<u>\$ 2,116,925</u>

Temporarily restricted net assets of \$857,145 and \$652,260 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, 2017 and 2016, respectively.

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% 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 US 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, 2017 and 2016.

BROOKLYN BUREAU OF COMMUNITY SERVICE
D/B/A Brooklyn Community Services
Notes to Financial Statements
June 30, 2017 and 2016

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, 2017, were as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Investment</u>
Endowment net assets, beginning of year	\$ -	\$ 975,844	\$ 975,844
Investment activity			
Interest and dividends	17,965	-	17,965
Realized and unrealized gains	49,848	-	49,848
Investment expense	<u>(8,139)</u>	<u>-</u>	<u>(8,139)</u>
Total investment activity	59,674	-	59,674
Amount appropriated for expenditure	<u>(59,674)</u>	<u>-</u>	<u>(59,674)</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, 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>

Endowment net assets of \$975,844 were included with investments in the accompanying statements of financial position as of June 30, 2017 and 2016.

BROOKLYN BUREAU OF COMMUNITY SERVICE
D/B/A Brooklyn Community Services
Notes to Financial Statements
June 30, 2017 and 2016

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, 2017 and 2016, there was approximately \$6,200 and \$112,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

15. SUBSEQUENT EVENTS

Management has evaluated, for potential accrual or disclosure, events subsequent to the date of the statements of financial position through December 31, 2017, the date the financial statements were issued, noting one event as included below.

On December 15, 2017, BCS entered into a strategic alliance with another Brooklyn-based multi-service organization, Turning Point Brooklyn, Inc. (TPBK) Pursuant to this alliance, TPBK amended and restated its By-Laws to convert its legal structure to that of a membership corporation, with BCS as its sole member. As sole member, BCS appoints the members of the Board of Directors of TPBK. Pursuant to a management agreement, BCS also performs certain administrative and programmatic supervision services on behalf of TPBK. Management is in the process of evaluating the impact, if any, to the future financial statements of BCS.

SUPPLEMENTAL SCHEDULES

**BROOKLYN BUREAU OF COMMUNITY SERVICE
D/B/A BROOKLYN COMMUNITY SERVICES
Schedule of Government Fees and Contracts
For the years ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
New York City Administration for Children Services:		
Early Learn	\$ 3,467,254	\$ 2,882,604
Preventive Services	3,265,352	3,265,352
Discretionary Fund	-	299,998
New York City Human Resources Administration:		
Brooklyn High School for Leadership	54,779	50,820
New York City Department of Youth and Community Development:		
Klinsky After School Program	2,328,094	2,056,593
Schools Out New York City	534,125	498,973
Neighborhood Development Area Initiative	87,373	76,811
In-School Youth	113,782	-
Cornerstone Youth Programs	2,047,351	-
New York State Office of Vocational Educational Services:		
Case Services	-	67,921
Specialized Vocational Training	-	36,318
Supported Employment	217,846	184,505
VESID Services	-	(140,837)
New York State Office of People with Developmental Disabilities:		
Pathways to Employment	198,198	86,316
Day Habilitation	1,904,326	1,687,843
Community Habilitation	213,469	205,418
Family Support Service	29,630	65,630
Individual Support Service	167,673	98,064
Case Management	624,074	647,001
Supported Employment	348,636	356,802
Pre-Vocational Service	1,191,275	1,340,729
IRA Residential Program	682,218	732,753
BIP Transformation	-	337,777
New York City Department of Health and Mental Hygiene:		
East New York Club House	568,135	578,126
Transitional Living Community	1,189,177	644,117
Adolescent Employment and Education	447,644	395,647
Senior Program	49,000	49,000
New York State Office of Mental Health:		
Personalized Recovery Oriented Services (PROS)	1,662,120	2,637,676
Ticket to Work	293,845	304,874
Health Information Technology	-	45,000
United States Department of Agriculture:		
Child and Adult Care Food Program	804,971	872,376
United States Department of Housing and Urban Development:		
Transitional Living Community	-	543,770
New York City Department of Homeless Services:		
Transitional Living Community	308,937	175,063
New York City Department of Education:		
UPK Program	28,501	130,117
Brooklyn High School for Leadership	797,938	749,914
New York State Office of Children and Family Services:		
Superstorm Sandy Block Grant	515,708	725,449
New York City Department for the Aging		
Senior Program	-	1,997
	<u> </u>	<u> </u>
Total government agencies	<u>\$ 24,141,431</u>	<u>\$ 22,690,517</u>

BROOKLYN BUREAU OF COMMUNITY SERVICE
D/B/A BROOKLYN COMMUNITY SERVICES
Schedule of Functional Expenses
For the years ended June 30, 2017 and 2016

	For the Year Ended June 30, 2017												
	Program Services						Supporting Services						
	Childhood & Family Services	After-School Education	Youth & Community	Health & Housing	Workforce Development	Community Supports - Development Disabilities	Total Program Services	Management and Administration	Fundraising	Marketing and Volunteer	Total Supporting Services	Total 2017	Total 2016
Salaries	\$ 3,092,649	\$ 2,147,643	\$ 2,149,929	\$ 1,912,475	\$ 1,312,195	\$ 1,346,136	\$ 11,961,027	\$ 1,680,296	\$ 284,731	\$ 296,206	\$ 2,261,233	\$ 14,222,260	\$ 14,185,237
Payroll taxes and benefits	849,820	339,210	489,611	565,223	322,085	414,911	2,980,860	549,951	87,294	88,025	725,270	3,706,130	4,224,839
Total salaries and related costs	3,942,469	2,486,853	2,639,540	2,477,698	1,634,280	1,761,047	14,941,887	2,230,247	372,025	384,231	2,986,503	17,928,390	18,410,076
Professional service fees	181,807	152,647	137,077	86,968	26,001	25,048	609,548	338,651	2,370	4,483	345,504	955,052	529,023
Contracted services	102,985	3,056	51,295	107,630	21,656	21,932	308,554	161,423	2,932	3,153	167,508	476,062	166,090
Stipends & incentive	2,053,982	50	58,372	5,819	160,371	1,620	2,280,214	16,554	-	-	16,554	2,296,768	2,107,838
Supplies	48,324	7,253	53,072	11,668	10,783	7,594	138,694	34,792	25,670	25,670	86,132	224,826	238,551
Occupancy expenses - office	753,198	31,360	9,254	437,795	48,593	400,306	1,680,506	34,893	4,028	6,332	45,253	1,725,759	1,568,070
Utilities - office	291,690	15,681	67,617	78,354	96,874	51,493	601,709	73,621	11,830	12,246	97,697	699,406	598,584
Transportation	21,789	47,246	15,598	76,373	13,998	490,686	665,690	3,223	422	2,894	6,539	672,229	547,931
Equipment	40,549	4,154	45,673	54,449	28,819	14,771	188,415	32,993	4,147	4,261	41,401	229,816	197,780
Facility repairs & maintenance	52,705	134	43,102	48,630	21,549	18,968	185,088	26,862	2,529	3,363	32,754	217,842	263,941
Program expense	859,163	148,359	212,700	145,035	95,945	127,478	1,588,680	22,633	30,622	26,349	79,604	1,668,284	1,579,963
Staff expense	9,737	7,574	8,012	13,412	3,008	4,889	46,632	44,485	8,633	9,633	62,751	109,383	174,104
Depreciation and amortization	-	-	-	34,950	37,098	11,311	83,359	125,923	-	-	125,923	209,282	214,831
Insurance	57,194	28,326	71,742	38,913	31,844	34,361	262,380	48,051	2,974	4,980	56,005	318,385	265,385
Reserves & finance fees	7,060	12,525	-	97,132	101,309	-	218,026	267,814	9,506	0	277,320	495,346	92,821
Miscellaneous	2,351	503	2,374	6,294	1,035	291	12,848	9,666	927	1,275	11,868	24,716	92,800
Total expenses	\$ 8,425,003	\$ 2,945,721	\$ 3,415,428	\$ 3,721,120	\$ 2,333,163	\$ 2,971,795	\$ 23,812,230	\$ 3,471,831	\$ 478,615	\$ 488,870	\$ 4,439,316	\$ 28,251,546	\$ 27,047,788

BROOKLYN BUREAU OF COMMUNITY SERVICE
D/B/A BROOKLYN COMMUNITY SERVICES
Schedule of Functional Expenses
For the years ended June 30, 2017 and 2016

	For the Year Ended June 30, 2016											
	Program Services						Supporting Services					Total
	Childhood & Family Services	After-School Education	Youth & Community	Health & Housing	Workforce Development	Community Supports - Development Disabilities	Total Program Services	Management and Administration	Fundraising	Marketing and Volunteer	Total Supporting Services	
Salaries	\$ 3,326,235	\$ 1,817,610	\$ 947,004	\$ 2,559,945	\$ 1,290,939	\$ 1,457,440	\$ 11,399,173	\$ 1,986,761	\$ 276,280	\$ 281,347	\$ 2,544,388	\$ 13,920,397
Payroll taxes and benefits	1,078,046	259,567	370,032	886,307	388,825	431,713	3,414,490	907,949	119,980	24,096	1,052,025	4,489,679
Total salaries and related costs	4,404,281	2,077,177	1,317,036	3,446,252	1,679,764	1,889,153	14,813,663	2,894,710	396,260	305,443	3,596,413	18,410,076
Professional service fees	87,798	117,000	2,530	71,006	16,522	2,738	297,594	217,429	14,000	-	231,429	529,023
Contracted services	43,552	6,250	7,797	18,289	10,629	11,348	97,865	63,079	2,146	3,000	68,225	166,090
Stipends & incentive	1,925,682	-	19,441	9,330	151,465	1,920	2,107,838	-	-	-	-	2,107,838
Supplies	26,659	7,308	6,813	131,780	7,401	9,267	189,228	21,789	6,991	20,543	49,323	238,551
Occupancy expenses - office	731,249	31,854	53,086	358,636	-	392,785	1,567,610	460	-	-	460	1,568,070
Utilities - office	312,479	10,234	29,628	70,777	93,950	39,978	557,046	35,906	4,100	1,532	41,538	598,584
Transportation	30,807	31,010	22,210	133,362	22,507	297,147	537,043	10,066	214	608	10,888	547,931
Equipment	37,873	26,012	5,100	34,260	23,724	12,262	139,231	50,301	5,581	2,667	58,549	197,780
Facility repairs & maintenance	75,336	848	5,542	51,946	63,983	17,560	215,215	37,161	10,590	975	48,726	263,941
Program expense	842,428	116,455	79,592	62,466	160,479	94,977	1,356,397	10,766	207,478	5,322	223,566	1,579,963
Staff expense	22,574	461	617	51,515	28,999	15,893	120,059	25,705	14,283	14,057	54,045	174,104
Depreciation and amortization	-	-	-	-	-	-	-	214,831	-	-	214,831	214,831
Insurance	62,810	19,267	15,829	41,528	31,553	40,628	211,615	44,455	4,378	4,937	53,770	265,385
Reserves & finance fees	-	-	-	-	-	-	-	67,821	25,000	-	92,821	92,821
Miscellaneous	6,056	674	608	4,470	1,497	655	13,960	78,658	113	69	78,840	92,800
Total expenses	\$ 8,609,584	\$ 2,444,550	\$ 1,565,829	\$ 4,485,617	\$ 2,292,473	\$ 2,826,311	\$ 22,224,364	\$ 3,773,137	\$ 691,134	\$ 359,153	\$ 4,823,424	\$ 27,047,788

**BROOKLYN BUREAU OF COMMUNITY SERVICE D/B/A BROOKLYN
COMMUNITY SERVICES**
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Direct Award or Pass-Through Entity's Identifying No.	Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Agriculture				
Passed through New York State ("NYS") Department of Health				
Child and Adult Care Food Program	10.558	CACFP3213	\$ 139,592	\$ -
Child and Adult Care Food Program	10.558	CACFP3214	665,379	-
Total U.S. Department of Agriculture			<u>804,971</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
Passed through New York City ("NYC") Department of Health and Mental Hygiene				
Emergency Solutions Grants Program	14.231	816-1416-0230.A01	118,850	-
Supportive Housing Program	14.235	816-1416-0230.A01	247,998	-
Total U.S. Department of Housing and Urban Development			<u>366,848</u>	<u>-</u>
U.S. Department of Health and Human Services				
Head Start	93.600	Direct	156,117	-
Passed through New York City ("NYC") Department of Youth & Community Development				
Community Services Block Grant	93.569	820209	28,209	-
Community Services Block Grant	93.569	820205	43,604	-
Community Services Block Grant	93.569	820210	15,595	-
			<u>87,408</u>	<u>-</u>
Passed through Public Health Solutions/DOHMH				
HIV Emergency Relief Project Grants	93.914	16-DDV-225	239,208	-
Passed through New York City ("NYC") Department of Health and Mental Hygiene				
Block Grants for Community Mental Health Services	93.958	816-1416-0230.03	8,848	-
Total U.S. Department of Health and Human Services			<u>491,581</u>	<u>-</u>
Hurricane Sandy Relief Cluster				
Passed through New York State ("NYS") Office of Children & Family Services				
HHS Programs for Disaster Relief Appropriations Act - Non Construction	93.095	C027102	515,708	-
Total Hurricane Sandy Relief Cluster			<u>515,708</u>	<u>-</u>
WIA Cluster				
Passed through US Department of Labor				
WIA/WIOA Youth Activities	17.259	20171404759	137,833	-
Total WIA Cluster			<u>137,833</u>	<u>-</u>
Corporation for National and Community Service				
Passed through Local Initiatives Support Corporation				
AmeriCorps	94.006	6738	22,907	-
Total Corporation for National and Community Service			<u>22,907</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 2,339,848</u>	<u>\$ -</u>

The accompanying notes to the schedule of expenditures of federal awards should be read in conjunction with this schedule.

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

Notes to the Schedule of Expenditures of Federal Awards For the year ended June 30, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant expenditures of Brooklyn Bureau of Community Service D/B/A Brooklyn Community Services (“BCS”) under programs of the federal government for the year ended June 30, 2017 and is prepared on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of BCS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of BCS.

2. INDIRECT COST RATE

BCS has elected not to use the 10-percent de minimis indirect cost rate as provided by §200.414 Indirect (F&A) Costs of the Uniform Guidance.



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Brooklyn Bureau of Community Service D/B/A Brooklyn Community Services:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brooklyn Bureau of Community Service D/B/A Brooklyn Community Services (“BCS”), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2017.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered BCS’s internal control over financial reporting (“internal control”) to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of BCS’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of BCS’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Organization’s internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether BCS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BCS's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering BCS's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

New York, New York

December 21, 2017

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of

Brooklyn Bureau of Community Service D/B/A Brooklyn Community Services:

Report on compliance for each major program

We have audited the compliance of Brooklyn Bureau of Community Service D/B/A Brooklyn Community Services (“BCS”) with the types of compliance requirements described in the U.S. Office of Management and Budget’s *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2017. BCS’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to BCS’s federal programs.

Auditor’s responsibility

Our responsibility is to express an opinion on compliance for each of BCS’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about BCS’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of BCS’s compliance.

Opinion on each major federal program

In our opinion, BCS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on internal control over compliance

Management of BCS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered BCS's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of BCS's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in BCS's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



New York, New York
March 29, 2018

**BROOKLYN BUREAU OF COMMUNITY SERVICE D/B/A BROOKLYN
COMMUNITY SERVICES**
Schedule of Findings and Questioned Costs
For the year ended June 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? __ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? __ yes X none reported
- Noncompliance material to financial statements noted? __ yes X no

Federal awards:

Internal control over the major program:

- Material weakness(es) identified? __ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? __ yes X none reported

Type of auditors' report issued on compliance for the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance? __ yes X no

Identification of the major program:

Federal Grantor/Program or Cluster Title	Federal CFDA Number
Hurricane Sandy Relief Cluster	93.095
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<u>X</u> yes __ no

**BROOKLYN BUREAU OF COMMUNITY SERVICE D/B/A BROOKLYN
COMMUNITY SERVICES**
Schedule of Findings and Questioned Costs
For the year ended June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

None identified.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None identified