

**OUR CHILDREN, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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## Independent Auditor's Report

To the Board of Directors  
Hour Children, Inc.

I have audited the accompanying financial statements of Hour Children, Inc. (a nonprofit organization) 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.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hour Children, Inc. 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.

#### **Report on Supplementary information**

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 18 and 19 is presented for purposes of additional analysis and is 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "John A. [unclear] CPA", is written in a cursive style.

New York, New York  
January 16, 2017

**HOURL CHILDREN, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND 2015**

A S S E T S

	<u>2016</u>	<u>2015</u>
<u>Current Assets</u>		
Cash	\$ 1,799,569	\$ 1,584,047
Accounts receivable	403,749	346,363
Due from NYS Department of Correctional Services	151,560	92,667
Inventory	97,927	97,927
Due from Hour Apartment L.P.	81,583	43,357
Due from Hour Apartment III	106,750	18,353
Prepaid expense	<u>182,717</u>	<u>147,275</u>
 Total Current Assets	 2,823,855	 2,329,989
 Fixed assets at cost - net of accumulated depreciation of \$1,013,388 in 2016 and \$876,330 in 2015	     3,319,718	     3,321,976
<u>Other Assets</u>		
Due from Hour Apartment III	169,977	169,977
Investment in Hour Apartment III	548,789	548,789
Loan receivable - Hour Apartment III	500,000	500,000
Developer's fee receivable	270,000	270,000
Security deposits	31,955	30,785
Equipment deposit	-	150,800
Investments	<u>3,270,691</u>	<u>3,208,364</u>
 Total Other Assets	 <u>4,791,412</u>	 <u>4,878,715</u>
 TOTAL ASSETS	 <u>\$10,934,985</u>	 <u>\$10,530,680</u>

See accompanying notes to financial statements.

**HOOR CHILDREN, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND 2015**

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
<u>Current Liabilities</u>		
Accounts payable and accrued expense	\$ 216,385	\$ 214,765
Other payable	40,093	40,397
Tenants' security deposits payable	<u>2,900</u>	<u>2,800</u>
Total Current Liabilities	259,378	257,962
 <u>Net Assets</u>		
Unrestricted	9,399,330	8,872,750
Temporarily restricted	<u>1,276,277</u>	<u>1,399,968</u>
Total Net Assets	<u>10,675,607</u>	<u>10,272,718</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$10,934,985</u>	 <u>\$10,530,680</u>

See accompanying notes to financial statements.

**HOUR CHILDREN, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<u>Change in Unrestricted Net Assets:</u>		
Support and Revenue		
Public contributions	\$ 909,079	\$ 919,089
Government grants	1,106,133	1,024,357
Foundation contributions	1,179,805	1,146,600
Donated Services	301,162	191,900
Fundraising events	461,415	48,091
Child care program	220,197	222,045
Rental income	257,786	228,865
Thrift shop sales	483,144	418,538
Investment income	55,361	636
Other income	<u>120,514</u>	<u>74,315</u>
Total Support and Revenue	<u>5,094,596</u>	<u>4,274,436</u>
Expenses		
Program services	3,928,804	3,392,427
Management and general	228,390	256,257
Fundraising	<u>410,822</u>	<u>220,569</u>
Total Expenses	<u>4,568,016</u>	<u>3,869,253</u>
Increase in unrestricted net assets	526,580	405,183
<u>Temporarily Restricted Net Assets:</u>		
Net assets released from transactions	(286,965)	(145,435)
Contributions	<u>163,274</u>	<u>1,363,878</u>
(Decrease) Increase in temporarily restricted net assets	<u>(123,691)</u>	<u>1,218,443</u>
Increase in Net Assets	402,889	1,623,626
Net Assets - Beginning of Year	10,272,718	8,600,132
Prior period adjustment	<u>-</u>	<u>48,960</u>
Net Assets - End of Year	<u>\$10,675,607</u>	<u>\$10,272,718</u>

See accompanying notes to financial statements.

**HOUR CHILDREN, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	\$ 402,889	\$1,623,626
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	137,058	135,316
Unrealized(gain) loss on investment	(11,483)	34,935
Realized loss on investment	48,208	4,680
Donated investments	(13,022)	(2,711)
(Increase) Decrease in:		
Accounts receivable	(57,386)	(43,067)
Due from NYS Dept. of Correction	(58,893)	14,497
Due from affiliates	(126,623)	2,198
Prepaid expense	(35,442)	(61,951)
Increase (Decrease) in:		
Accounts payable and accrued expenses	1,620	5,863
Due to affiliates	-	30,607
Tenants' security deposits payable	100	-
Other payable	(304)	27,983
Total adjustments	<u>(116,167)</u>	<u>148,350</u>
Net cash provided by operating activities	286,722	1,771,976
<u>Cash flows from investing activities:</u>		
Purchase of fixed assets	(134,800)	(103,756)
Repayment of due from Hour Apartment III	-	1,902
Payments for security deposits	(1,170)	(2,000)
Payments for equipment deposit	150,800	-
Short-term investment	544,137	(374,646)
Proceeds from sale of investments	698,850	1,124,880
Purchases of investments	<u>(1,329,017)</u>	<u>(1,892,725)</u>
Net cash used in investing activities	<u>(71,200)</u>	<u>(1,246,345)</u>
Net increase in cash	215,522	525,631
Cash at beginning of year	<u>1,584,047</u>	<u>1,058,416</u>
CASH AT END OF YEAR	<u>\$1,799,569</u>	<u>\$1,584,047</u>

See accompanying notes to financial statements.

**HOOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

NOTE 1 - Organization

Hour Children, Inc. ("the Corporation") was incorporated in 1995 in the state of New York. The Corporation is a 501(c)(3) non-profit corporation committed to the compassionate and loving care of children of incarcerated women. Its outreach includes support and empowerment for mothers upon reunification with their families. All persons are encouraged to live and interact with dignity and respect.

Hour Children provides transitional housing and services at five locations and permanent housing for formerly incarcerated mothers and their children. The Corporation offers intense care management to residents including counseling and job readiness, relapse prevention services and child care and an after-school program and mentoring programs for children whose parents are incarcerated and for women upon reentry.

Hour Children's three thrift shops and furniture outlet offer employment training to residents while providing organizational revenue and needed resources. Services to the local community include the Thrift Stores and Community Food Pantry and teen program.

In addition, Hour Children runs the Family Service Program in Bedford Hills and Taconic Correctional Facilities that includes a Nursery Program, Children's Center, Advocacy, Parenting and Domestic Violence Programs. An Advocacy program is also run in Rose M. Singer at Rikers Island. Outreach services are provided for women on work release at Edgecombe Correctional Facility.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Corporation are prepared on the accrual basis. Accordingly, revenues are recognized when earned, rather than when received, and expenses are recognized when incurred, rather than when paid.

Financial Statement Presentation

The Corporation has adopted Accounting Standards Codification Topic No. 958, (ASC 958)(Formerly SFAS No.117). In accordance with ASC 958, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Corporation is required to present a statement of cash flows.

**HOOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

NOTE 2 - Summary of Significant Accounting Policies (continued)

Contributions

The Corporation has adopted Accounting Standards Codification Topic No. 958 (ASC 958). In Accordance with ASC 958, *Accounting Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporary restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions 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 statement of activities as net assets released from restrictions.

Income Taxes

The Corporation has been determined by the Internal Revenue Service to be exempt from Federal income taxes under section 501 (c)(3) of the Internal Revenue Code.

Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in United States of America, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fixed Assets

Fixed assets are recorded at cost. Expenditures for maintenance and repairs are charged to operations as incurred; major betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of depreciable assets are:

Building and Improvements	15-40 Years	Straight-Line
Furniture	7 Years	Straight-Line
Equipment	5-10 Years	Straight-Line

**HOOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

NOTE 2 - Summary of Significant Accounting Policies (continued)

Donated Assets

In general, assets donated to the Corporation, such as stock, property and equipment are recorded as contributions at their estimated fair values at the date of donation.

Investments

Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments held by Not-for-Profit Organizations*, requires that investments be reported at fair value.

Inventory

Inventory consist of merchandise that is contributed by individuals to the Corporation's thrift shops and is recorded at fair value. The increase in inventory is reflected as additional public contribution.

Advertising Costs

Advertising costs are charged to operations when incurred.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement and Disclosure*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Under the standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

**OUR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

NOTE 2 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

The three levels of the fair value hierarchy under FASB ASB 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets and liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 3 - Fixed Assets

Fixed assets consist of the following:

	<u>2016</u>	<u>2015</u>
Buildings	\$3,063,588	\$3,063,588
Building improvement	929,860	804,060
Vehicles and transportation	171,286	162,286
Software	18,807	18,807
Equipment	<u>149,565</u>	<u>149,565</u>
	4,333,106	4,198,306
Accumulated depreciation	<u>(1,013,388)</u>	<u>(876,330)</u>
Net Fixed Assets	<u>\$3,319,718</u>	<u>\$3,321,976</u>

NOTE 4 - Functional Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services in a reasonable ratio determined by management.

**OUR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

NOTE 5 - Investments

The costs and market values of the Corporation's investments at June 30, 2016 are as follows:

	<u>Cost</u>	<u>Market</u>
Cash - Money Market	\$ 221,385	\$ 221,385
Certificates of Deposit	512,946	514,789
Equity Securities	1,016,792	1,112,334
Mutual Funds	<u>1,459,897</u>	<u>1,422,183</u>
TOTAL	<u>\$ 3,211,020</u>	<u>\$ 3,270,691</u>

The costs and market values of the Corporation's investments at June 30, 2015 are as follows:

	<u>Cost</u>	<u>Market</u>
Cash and Money Market	\$ 765,522	\$ 765,522
Certificates of Deposit	245,000	245,189
Equity Securities	609,417	626,632
Mutual Funds	<u>1,540,374</u>	<u>1,571,021</u>
TOTAL	<u>\$ 3,160,313</u>	<u>\$ 3,208,364</u>

NOTE 6 - Fair Value Measurement

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Level 1 Inputs		
Certificates of deposits	\$ 514,789	\$ 245,189
Mutual funds	1,422,183	1,571,021
Level 2 Inputs		
Corporate securities	1,112,334	626,632
Level 3 Inputs		
Investment in Hour Apartment III	<u>548,789</u>	<u>548,789</u>
	3,598,095	2,991,631
Cash alternative-money market	<u>221,385</u>	<u>765,522</u>
	<u>\$ 3,819,480</u>	<u>\$ 3,757,153</u>

**OUR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

NOTE 7 - Government Grants

Hour Children entered into a contract with New York State office of Temporary and Disability Assistance (OTDA) from January 1, 2013 to December 31, 2016 to provide the formal job training program. Hour Children renewed the contract to December 31, 2020. For the years ended June 30, 2016 and 2015, Hour Children, earned \$122,609 and \$82,846 respectively.

Hour Children entered into a contract with NYS Department of Correctional Services to provide family services programs at Bedford Correctional Facility and Taconic Correctional Facility for the contract period from December 1, 2012 to November 30, 2016. Hour Children extended the contract to November 30, 2017. For the years ended June 30, 2016 and 2015, the Corporation earned \$523,877 and \$480,366 respectively.

Hour Children also entered into a contract with NYS Department of Correctional Services to run a visiting center (Hospitality center) at Bedford correctional facility. The current contract is for the contract period from May 15, 2012 to May 14, 2017. For the years ended June 30, 2016 and 2015, Hour Children earned \$14,598 and \$14,601 respectively.

Hour Children entered into a contract with New York City Department of Health and Mental Hygiene (DOHMH) for the contract period September 1, 2013 to June 30, 2016 to provide supportive housing and social services to the tenants of Hour Apartment House III. Hour Children renewed another 3 year contract providing the same services with DOHMH to June 30, 2019. For the years ended June 30, 2016 and 2015, Hour Children earned \$399,785 and \$397,712 respectively.

NOTE 8 - Donated Services

Donated services represent the estimated fair value of services provided to the corporation. Donated services are recognized if the services received create or enhance non-financial assets or if the services received require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such contributed services are \$301,162 in 2016 and \$191,900 in 2015 respectively.

NOTE 9 - Due from Hour Apartment, L.P.

Hour Children owns Hour Apartment GP Inc. which is the general partner of Hour Apartments, L.P. (Hour Apartment). Hour Apartment

**OUR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

NOTE 9 - Due from Hour Apartment, L.P.

rehabilitated an eight unit apartment building which was occupied in June 2005 by tenants receiving social services from Hour Children. Hour Children receives property management and social service fees from Hour Apartment. Total fees received in 2016 and 2015 were \$44,588 and \$46,028 respectively and recorded as other income. Hour Children also charges Hour Apartment for various costs that were incurred on behalf of Hour Apartment. Total costs charged in 2016 and 2015 were \$48,638 and \$46,766 respectively. As of June 2016 and 2015 a receivable in the amount of \$81,583 and \$43,357 is due from Hour Apartments, L.P. for unreimbursed costs.

NOTE 10 - Concentration of Risk

The Corporation maintains cash balances and cash equivalents in financial institutions with balances that at times may exceed federally insured limits. Cash exceeding this limit totaled \$1,536,534 at June 30, 2016 and \$1,838,175 at June 30, 2015 respectively.

NOTE 11 - Lease Commitments

The Corporation entered into various lease agreements for office facilities and residential facilities. The rental expense is recognized using the straight-line method under which the contractual rent increases are recognized equally over the lease term. The rental expense recorded on the straight-line method in excess of the rent billed are recognized as accrued rent. Total \$28,203 in 2016 and \$41,306 in 2015 represent accrued rent and are included in accrued expenses in the accompanying financial statements.

The total minimum rental payments required under these leases are as follows:

Year ended <u>June 30,</u>	<u>Amounts</u>
2017	\$ 273,048
2018	121,144
2019	11,389
2020	11,616
2021	11,849
Thereafter	<u>823,336</u>
Total	<u>\$1,252,382</u>

**HOOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

NOTE 11 - Lease Commitments (continued)

The Corporation also has leases on a monthly basis. The total monthly basis rent were \$30,000 for the years ended June 30, 2016 and 2015.

NOTE 12 - Hour Apartment III L.P.

In January 2009, the Corporation acquired the property that houses its general and administrative office as well as a residence for eight families and part of its thrift shop operations. The total cost of the property was \$610,000. The Corporation re-zoned the property in connection with the construction of a supportive housing apartment building containing 18 residential units which are for low income families. This building also houses the Corporation's administrative office.

In October 2011, a new entity Hour Apartment House III, L.P. was formed to own the supportive housing apartment building. The Partnership has been granted an allocation of low income tax credits from the New York State Division of Housing & Community Renewal(DHCR). An affiliate of the Corporation is a general partner in the partnership and in October 2011, the Corporation contributed the land and building that it had acquired as part of their capital contribution. The contribution was recorded at the appraisal value of \$1,100,000, which resulted in a gain of \$531,709. The limited partner is Enterprise - UIG Affordable Housing Fund LLC., which is affiliated with Enterprise Community Investment Inc. Prior to construction of the building the existing structure was removed in October 2011. The partnership obtained construction and permanent financing loans from the New York State Homeless Housing and Assistance Corporation (HHAC) and from the New York City Department of Housing Preservation and Development for the total amount of \$5,365,767. The total cost of the project was \$9,407,471.

In connection with the development of Hour Apartment III, the Corporation earned a developer's fee of \$270,000. As of June 30, 2016, the total developer's fee was earned, which was shown as a developer's fee receivable on the accompanying financial statement. The Corporation also provided assistance to furnish the apartments of Hour Apartment House III L.P. and various consulting charges of the project. The total assistance provided were \$184,980 in 2014.

**OUR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

NOTE 12 - Hour Apartment III L.P. (continued)

In accordance with the partnership agreement, Hour Children through the affiliated general partner was required to make a capital contribution of \$548,789, which is reported as Investment in Hour Apartment III on the accompanying financial statements. This amount was contributed as of June 30, 2014. Additionally the Corporation was required to lend an additional \$500,000 to the partnership for development costs. The amounts loaned as of June 30, 2016 and 2015 were \$500,000 and \$500,000 respectively, which is reported as Loan receivable - Hour Apartment III on the accompanying financial statements. The loan bears an interest rate of one percent(1%) compounded annually. The loan and accrued interest is due in October 2062. Furthermore as of June 30, 2016 and 2015, the Corporation incurred unreimbursed expenditures of \$169,977 and \$169,977 respectively to complete the project, which is reported as Due from Hour Apartment III on the accompanying financial statements. This unreimbursed expenditures will be paid to the extent of cash flow from the Partnership.

Hour Children receives property management fees from Hour Apartment III. Total fees received in 2016 and 2015 were \$14,246 and \$22,665 respectively, which were recorded as other income. Hour Children charged Hour Apartment III for services provided for renting up the apartments in the amount of \$57,600 in 2016, which was recorded as other income. Hour Children also charges Hour Apartment III for various operating costs that were incurred on behalf of Hour Apartment III. Total costs charged in 2016 and 2015 were \$64,607 and \$94,242 respectively. Hour Children provides a rent subsidy assistance to Hour Apartment III in accordance with the contract with New York City DOHMH. As of June 20, 2016 and 2015, the rent subsidy assistance was \$84,629 and \$81,531 respectively, which was included in client assistance. As of June 30, 2016 and 2015, due from Hour Apartment III was \$106,750 and \$18,353 respectively.

NOTE 13 - Residential Facility - Corona, New York

In June 2009, the Corporation purchased a residential facility in Corona, New York. The total purchase price was approximately \$808,000. The property was planned as a residence for 16 client women and their children. The Corporation incurred refurbishing costs in the amount of \$1,237,000, which has been capitalized and included in fixed assets in the accompanying financial statements.

**HOURL CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

NOTE 14 - Temporarily Restricted Net Assets

The Corporation received grants in connection with programs to be performed in the following year which receipts were included in temporarily restricted net assets in the accompanying financial statements. Temporarily restricted assets as of June 30, 2016 and 2015 consist of the receipts of:

	<u>2016</u>	<u>2015</u>
Sills Family Foundation	\$ 12,500	\$ 25,000
The Tow Foundation	25,000	20,833
Opus Foundation	1,000,000	1,000,000
Tiger Foundation	93,750	93,750
Porticus North America Foundation	36,090	36,090
Various For Hour Children Suffolk	-	52,820
NYC Economic Development Corporation	13,975	13,975
Booth Ferris Foundation	24,000	75,000
William T Grant Foundation	16,438	25,000
Eillen Fischer	12,500	37,500
Other	<u>42,024</u>	<u>20,000</u>
Total	<u>\$1,276,277</u>	<u>\$1,399,968</u>

Included in above is an award, the Corporation received in December 2014 from the Opus Foundation in the amount of \$1,000,000. The purpose of this award is to expand housing opportunities for formerly incarcerated mothers and their children. As of June 30, 2016, no expenditures of this award have been incurred.

NOTE 15 - Sponsorship Agreement

The Corporation entered into a sponsorship agreement with New Hour for Women and Children-LI, Inc.(Recipient). The Recipient is working to develop programs inside of the Nassau and Suffolk County Jails with the goal of opening and operating a home for mothers released from jail in order to facilitate reentry. The Corporation received and administered the payment of program funds awarded by donors for the purposes of implementing the program. The sponsorship ended as of May 2016.

NOTE 16 - Retirement Plan

Effective October 1, 2015 the corporation adopted a 401(k) retirement plan, which permits eligible employees to make salary deduction contributions.

**HOOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

NOTE 17 - Restatement of Prior Year Financial Statements

The 2015 financial statements have been restated to reflect a reduction in the rent subsidy provided to Hour Apartment III in the amount of \$73,440. This adjustment increased the net asset by \$73,440.

There was also a similar adjustment for the year ended June 30, 2014 in the amount of \$48,960, which is reflected as a prior period adjustment in the 2015 financial statements.

NOTE 18 - Subsequent Events

Management has evaluated subsequent events or transactions occurring through January 16, 2017, the date the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

**SUPPLEMENTARY INFORMATION**

**HOOR CHILDREN, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Supportive Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Salaries	\$1,701,985	\$ 18,778	\$133,826	\$1,854,589
Payroll taxes	171,570	7,776	11,205	190,551
Employee benefits	73,060	2,137	6,721	81,918
Stipends-sisters	223,744	1,371	2,742	227,857
Rent	267,658	2,639	1,800	272,097
Insurance	172,690	14,466	-	187,156
Utilities	84,390	611	611	85,612
Telephone	22,474	7,987	1,092	31,553
Repairs and maintenance	77,958	-	-	77,958
Equipment rental	10,134	2,642	-	12,776
Office expense and supplies	113,858	11,100	16,584	141,542
Payroll processing fees	-	10,161	-	10,161
Professional fees	122,793	65,581	20,487	208,861
Donated services	-	58,500	-	58,500
Donated legal services	242,662	-	-	242,662
Client assistance	142,527	-	-	142,527
Parties and outings	21,172	-	-	21,172
Client food	95,136	3,048	119	98,303
Advertising	1,862	80	143	2,085
Fundraising event	-	-	201,745	201,745
Dues and subscriptions	9,716	5,055	4,822	19,593
Postage	5,985	871	5,474	12,330
Auto and van expense	31,404	1,143	1,580	34,127
Professional development	7,169	368	1,325	8,862
Travel and transportation	41,725	827	546	43,098
Taxes, licenses and fees	2,911	775	-	3,686
Interest and bank charges	4,501	2,950	-	7,451
Investment fees	-	9,524	-	9,524
Miscellaneous	2,662	-	-	2,662
Project Costs	25,000	-	-	25,000
Regrant	115,000	-	-	115,000
Depreciation	137,058	-	-	137,058
<b>Total Expenses</b>	<b><u>\$3,928,804</u></b>	<b><u>\$228,390</u></b>	<b><u>\$410,822</u></b>	<b><u>\$4,568,016</u></b>

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**HOOR CHILDREN, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Supportive Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Salaries	\$1,542,403	\$114,660	\$130,725	\$1,787,788
Payroll taxes	161,279	16,921	11,165	189,365
Employee benefits	76,376	4,727	5,803	86,906
Stipends-sisters	221,814	914	9,140	231,868
Rent	283,434	2,467	1,855	287,756
Insurance	95,613	13,583	1,993	111,189
Utilities	92,213	647	1,088	93,948
Telephone	22,827	9,293	1,053	33,173
Repairs and maintenance	114,737	898	55	115,690
Equipment rental	8,016	2,559	2,596	13,171
Office expense and supplies	91,494	9,238	14,819	115,551
Payroll processing fees	-	4,287	-	4,287
Professional fees	115,337	2,735	20,686	138,758
Donated services	-	60,500	-	60,500
Donated legal services	131,400	-	-	131,400
Client assistance	132,776	-	-	132,776
Parties and outings	18,310	-	-	18,310
Client food	67,813	844	48	68,705
Advertising	1,068	-	331	1,399
Fundraising event	-	-	10,066	10,066
Dues and subscriptions	330	1,707	3,686	5,723
Postage	3,169	886	3,940	7,995
Auto and van expense	29,558	127	367	30,052
Professional development	5,709	1,082	95	6,886
Travel and transportation	34,172	1,206	1,058	36,436
Taxes, licenses and fees	1,503	275	-	1,778
Interest and bank charges	4,308	1,150	-	5,458
Investment fee	-	5,536	-	5,536
Miscellaneous	1,452	15	-	1,467
Depreciation	135,316	-	-	135,316
<b>Total Expenses</b>	<b><u>\$3,392,427</u></b>	<b><u>\$256,257</u></b>	<b><u>\$220,569</u></b>	<b><u>\$3,869,253</u></b>

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