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OSSINING CHILDREN'S CENTER, INC.

Financial Statements

Year Ended June 30, 2016

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Financial Statements

June 30, 2016

Table of Contents

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Independent Auditors' Report

To the Board of Directors of
Ossining Children's Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Ossining Children's Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 audits 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ossining Children's Center, Inc. as of June 30, 2016, 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.

Report on Summarized Comparative Information

We have previously audited Ossining Children's Center, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 8, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

NE Kelly + Associates LLC

NE Kelly & Associates, LLC
New York, New York
December 2, 2016

OSSINING CHILDREN'S CENTER, INC.

Statement of Financial Position

As of June 30, 2016

(with comparative balance as of June 30, 2015)

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	$ 434,578	$ 517,043
Investments	2,028,355	2,134,009
Accounts receivable	268,313	128,959
Fixed assets, net	788,039	807,467
Other assets	52,422	19,241
Total assets	$ 3,571,707	$ 3,606,719
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 49,865	$ 65,800
Total liabilities	49,865	65,800
Net assets:		
Unrestricted	1,956,063	1,975,140
Permanently restricted	1,565,779	1,565,779
Total net assets	3,521,842	3,540,919
Total liabilities and net assets	$ 3,571,707	$ 3,606,719

OSSINING CHILDREN'S CENTER, INC.

Statement of Activities

For the Year Ended June 30, 2016

(with summarized comparative balance as of June 30, 2015)

	Unrestricted	Permanently Restricted	2016 Total	2015 Total
Support and revenue:				
Tuition - parent fees	$ 426,837	$ -	$ 426,837	$ 508,670
Government grant programs	1,034,044	-	1,034,044	881,941
Scholarships	-	-	-	200
Contributions / memberships	329,210	-	329,210	436,739
Special event revenue, net	333,532	-	333,532	304,452
Investment income / (losses), net	8,213	-	8,213	(5,899)
Other income - insurance reimbursement	1,259	-	1,259	13,530
Total support and revenue	2,133,095	-	2,133,095	2,139,633
Expenses:				
Program services	1,751,337	-	1,751,337	1,494,856
General and administration	376,417	-	376,417	533,653
Total expenses	2,127,754	-	2,127,754	2,028,509
Changes in net assets	5,341	-	5,341	111,124
Net assets, beginning	1,975,140	1,565,779	3,540,919	3,429,795
Prior period adjustments	(24,418)	-	(24,418)	-
Net assets, beginning of year, as restated	1,950,722	1,565,779	3,516,501	3,429,795
Net assets, ending	$ 1,956,063	$ 1,565,779	$ 3,521,842	$ 3,540,919

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

OSSINING CHILDREN'S CENTER, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2016

(with summarized comparative balance as of June 30, 2015)

	Program Services	General and Administration	2016 Total	2015 Total
Salaries	$ 1,167,755	$ 210,342	$ 1,378,097	$ 1,224,622
Payroll taxes	114,906	30,572	145,478	195,727
Fringe benefits	80,743	11,178	91,921	79,187
Food	94,379	-	94,379	90,077
Classroom supplies and related	35,047	-	35,047	27,368
Repairs and maintenance	50,114	16,705	66,818	120,763
Rent	27,415	-	27,415	27,100
Insurance	26,805	8,935	35,740	39,669
Utilities and telephone	28,301	9,434	37,734	43,377
Advertising	13,581	4,527	18,108	11,130
Professional fees	35,702	11,901	47,602	48,518
Office supplies	-	18,135	18,135	12,887
Licenses	-	7,203	7,203	-
Bank and credit card charges	-	3,596	3,596	-
Staff training and devlopment	-	11,608	11,608	-
Travel and mileage	-	6,282	6,282	-
Direct program expenses	30,091	-	30,091	33,529
Investment expense	-	10,500	10,500	12,555
Depreciation	46,500	15,500	62,000	62,000
Total expenses	$ 1,751,337	$ 376,417	$ 2,127,754	$ 2,028,509

OSSINING CHILDREN'S CENTER, INC.

Statement of Cash Flows

For the Year Ended June 30, 2016

(with summarized comparative balance as of June 30, 2015)

		2016		***2015***
Cash flows from operating activities:				
Change in net assets	$	5,341	$	111,124
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Depreciation and amortization expenses		62,000		62,000
Unrealized losses on investments		53,787		74,329
Realized losses (gains) on investments		916		(38,274)
Prior period adjustment		(24,418)		-
Change in:				
Accounts receivable		(139,354)		(35,953)
Other assets		(33,181)		10,422
Accounts payable and accrued expenses		(15,935)		56,772
Net cash used in operating activities		(90,844)		240,420
Cash flows from investing activities:				
Purchases of fixed assets		(42,572)		(1,108)
Changes in investments		50,951		(29,835)
Net cash provided by investing activities		8,379		(30,943)
Net change in cash and cash equivalents		(82,465)		209,477
Cash and cash equivalents, beginning		517,043		307,566
Cash and cash equivalents, ending	$	434,578	$	517,043

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

Note 1 - Organization and Background

Ossining Children's Center, Inc. (the "Organization") is one of the oldest and largest day care centers in Westchester County, NY. The Organization operates a quality day care facility, which offers a combination of nursery school education and day care service for children in working families. The Organization has an enrollment of approximately 150 children between the ages of eight weeks and eleven years. In 1997 the Organization opened an infant and toddler program, which is located adjacent to the existing facility. The program has the capacity to care for 40 children. The Organization is a licensed day care facility in the State of New York.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements are presented on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The financial statements presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, Financial Statements of Not-for-Profit Organizations. The Organization 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.

***Unrestricted Net Assets* -** consists of assets, public support, program revenues and investment earnings which are available and used for charitable activities, operations and programs. Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

***Temporarily Restricted Net Assets* -** includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and are satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests and investment income earned on restricted funds. The Organization did not have any temporarily restricted net assets at June 30, 2016 and 2015.

***Permanently Restricted Net Assets* -** includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits The Organization to expend part or all of the income derived from the donated assets. The Organization has permanently restricted net assets of $1,565,779 at June 30, 2016 and 2015.

Cash and Cash Equivalents

The Organization considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase. Excluded from this definition of cash equivalents are such amounts that represent funds that have been designated by the Board for investment. Money market deposits maintained in checking and saving accounts which are available

Note 2 - Summary of Significant Accounting Policies (Continued)

for current operations. For the purposes of the statements of cash flows, the Organization considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Contributions

The Organization follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Accounting for Contributions Received and Contributions Made.* This financial accounting standard requires that contributions be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, stock or other securities, collection items, or promises to give.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until restriction conditions are satisfied, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed Goods and Services

The Organization records various types of in-kind support including contributed facilities and professional services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as "in-kind revenue" are offset by amounts included in expenses or fixed assets.

Additionally, the Organization may receive amounts of skilled, contributed time, which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted support. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Note 2 - Summary of Significant Accounting Policies (Continued)

The Organization reports gifts of land, building, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Contract and Grant Revenue

The Organization derives revenues through contracts and grants received through Federal and State grantor agencies. Accordingly, the Organization is subject to the regulations and reporting requirements of the applicable governmental and grantor agencies. Contract and grant revenue is recorded in accordance with the provisions of the applicable award amounts, including the recognition of any purpose or time restriction on the use of the proceeds. Financial awards from federal, state and local governmental entities in the form of grants are subject to special audits. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Interpretation of Relevant Law

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation the Organization classified as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the Organization
2. The purpose of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Fund Deficiencies/ Underwater Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the USA, deficiencies of this nature are reported in unrestricted net assets. Such a deficiency could result from unfavorable market fluctuations that occurred shortly after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Note 2 - Summary of Significant Accounting Policies (Continued)

Return Objectives, Strategies Employed and Spending Policy

The investment objective for the Organization's permanent endowment is to ensure a total real return (current income plus capital appreciation (or loss) adjusted for inflation) sufficient to preserve and enhance, in real dollar terms, the principal funds endowed to support the activities of the Organization.

The investments of the endowment shall be appropriately diversified so as to maximize expected returns while controlling risk. Endowment funds should be invested so that, over the long term (measured by rolling five-year periods), real total return on the endowment, net of investment management fees, should exceed the standard benchmarks for the mix of assets in which the endowment is invested.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization's 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 and assumptions.

Allowance for Doubtful Accounts

When necessary, the Organization provides an allowance for doubtful accounts equal to estimated bad debt losses. The estimated losses are based on historical collection experience together with a review of the current status of the existing receivables.

Fixed Assets

Purchased fixed assets are carried at costs. Property, equipment, furnishing, and improvement are capitalized at cost, if purchased, or if donated, at fair market value at the date of receipt. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred, while betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in revenues. The Organization's policy is to capitalize any item over $1,500.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an Organization that is not a private foundation under Section 509(a)(1). The Organization is also exempt from New York state taxes. However, the Organization remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption.

Note 2 - Summary of Significant Accounting Policies (Continued)

The Organization adopted ASC Topic 740, *Income Taxes*, that prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. Management believes that no such uncertain tax position exists for the Organization at June 30, 2016.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses are allocated among program and supporting services directly or on the basis of time records and utilization estimates made by the Organization's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Expenses that can be identified with a specific program and/or support service are allocated directly according to their natural expenditure classification.

Accounts Receivable

Accounts receivable are presented net of the allowance for doubtful accounts. The Organization's periodic evaluation of the adequacy of the allowance is based on its past loss experience.

Note 3 - Fixed Assets

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

	2016	*2015*
Buildings and improvements	$ 1,722,574	$ 1,680,002
Furniture and fixtures	44,441	44,441
Office equipment	130,458	130,458
	1,897,473	1,854,901
Accumulated depreciation	(1,109,434)	(1,047,434)
Fixed assets, net	$ 788,039	$ 807,467

Depreciation expense was $62,000 for the years ended June 30, 2016 and 2015.

Note 4 – Fair Value Measurements

Financial Accounting Standards Board Statement ASC 820, Fair Value Measurements, 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

Note 4 – Fair Value Measurements (Continued)

inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement ASC 820 are described below:

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

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value of investments appearing on the statement of financial position has the following valuation approaches as defined by FASB ASC 820 hierarchy:

- Assets utilizing Level 1 inputs include money market, equities, fixed income securities, and mutual funds, which amounted to $2,028,355 as of June 30, 2016 and $2,134,009 for June 2015.. There are no liabilities utilizing Level 1 inputs.
- There are no assets and liabilities utilizing Level 2 inputs.
- There are no assets and liabilities utilizing Level 3 inputs.

Note 5 – Investments

All the investments were reported at their fair values as of June 30, 2016 and the current unrealized gain or loss has been presented in the statements of activities. Investments reflect the balances invested in money market, equities, and fixed income securities managed by Vanguard Asset Management Services.

Investments and related income as of and for the year ended June 30, 2016 is as follows:

	Fair Value	Cost	Unrealized Gains/(Loss)
Vanguard Asset Management Services	$ 2,028,355	$ 1,708,626	$ 319,729
	$ 2,028,355	$ 1,708,626	$ 319,729

The assets of the Organization's investments are allocated as of June 30, 2016 as follows:

Equities	49.82%
Fixed income securities	50.18%

Summarized investment for the year ended June 30, 2016, are is as follows:

Interest and dividend income	$ 62,155
Unrealized gains on investment	(53,787)
Realized gains on investment	(916)
Investment expenses	(10,500)
	$ (3,048)

Note 6 - Current vulnerability due to certain concentrations

Concentrations of Credit Risk

The Organization received approximately 68% and 69% of its annual revenue from government funded contracts during the years ended June 30, 2016 and 2015, respectively. Outstanding accounts receivable from those contracts were approximately 63% and 95% of total accounts receivable at June 30, 2016 and 2015, respectively.
The Organization maintains its cash balances in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalents.

Note 7 - Government Grants and Contracts

The Organization has contracts with government agencies for fee assistance and support. The government grants consist of the following:

Westchester County DSS Title XX – Parent subsidized tuition fee sent directly to the Organization.

Ossining Universal Free School District – Universal Pre-K

CACFP Food Program – The Organization receives reimbursement for meals served to eligible children. The Organization receives funding based on monthly claims submitted for meals served.

If such contracts are not renewed, or if government agencies reduce funding for these programs, the Organization will face financial challenges that will negatively impact its operations.

Note 8 - Permanently restricted net assets

In 2001 the Organization started an endowment fundraising campaign to build long term organizational equity. As of the year ended June 30, 2016 and 2015, the balance of that fund was $1,565,779, consisting of cumulative contributions. These funds are restricted for scholarships, teaching enhancement programs, as well as, other specific educational programs.

Note 9 - Contingency

The expenses reflected in the accompanying financial statements relating to state and federal contracts are subject to audit by the funding sources. The possibility of disallowance of any items recorded as contract costs cannot be determined at this time. Accordingly, no provision for any liability that may result has been made in the financial statements.

Note 10 - Summarized Comparative Information

The financial statements include certain prior- year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived. Comparative information may have been modified to conform to the current financial statements.

Note 11 - Subsequent Event

The Organization has evaluated subsequent events through December 2, 2016, the date which the financial statements were available to be issued. ASC 855-10, "Subsequent events" defines further disclosure requirements for events that occur after the statement of financial position date but before financial statements are issued. In accordance with ASC 855-10, the Organization management has evaluated events subsequent to June 30, 2016 to December 2, 2016 which is the date the financial statements were available to be issued. There were no material events noted during this period that would impact the results reflected in this report.

Note 12 - New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU, which becomes effective for the June 30, 2019 year, with early implementation permitted, focuses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. The Organization has not yet evaluated the impact this will have on future statements.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2021, requires all leases to be reflected as assets and liabilities on the statement of financial position.

Note 13 - Prior Period Adjustment

Prior period adjustment to the beginning of 2016 net assets were to record the net effect of prior year revenues and expenses which were related to the prior year's activities.

Beginning net assets as originally reported	$	3,540,919
To record the net effect of prior year revenues and expenses which were related to the prior year's activities		(24,418)
Beginning net assets as restated	$	3,516,501