

**HOUR CHILDREN, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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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, 2017 and 2016, the related statements of activities, 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, the reasonableness of significant accounting estimates made by management, and 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, 2017 and 2016, 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 Supplemental Information**

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses on pages 20 and 21 are 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 "Henry Chen CPA". The signature is fluid and cursive, with the letters "H", "C", and "P" being particularly prominent.

New York, New York  
December 22, 2017

**HR CHILDREN, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

A S S E T S

	<u>2017</u>	<u>2016</u>
<u>Current Assets</u>		
Cash	\$ 2,190,151	\$ 1,799,569
Accounts receivable	255,132	403,749
Due from NYS Department of Correctional Services	49,193	151,560
Inventory	74,606	97,927
Due from Hour Apartment L.P.	62,931	81,583
Due from Hour Apartment III	57,751	106,750
Prepaid expense	<u>264,281</u>	<u>182,717</u>
 Total Current Assets	 2,954,045	 2,823,855
 Fixed assets at cost - net of accumulated depreciation of \$1,152,249 in 2017 and \$1,013,388 in 2016	    3,211,279	    3,319,718
<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	31,955
Pre-development costs	31,950	-
Investments	<u>3,707,391</u>	<u>3,270,691</u>
 Total Other Assets	 <u>5,260,062</u>	 <u>4,791,412</u>
 TOTAL ASSETS	 <u>\$11,425,386</u>	 <u>\$10,934,985</u>

See accompanying notes to financial statements.

**HOOR CHILDREN, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable and accrued expense	\$ 239,196	\$ 216,385
Other payable	12,414	40,093
Tenants' security deposits payable	<u>2,900</u>	<u>2,900</u>
Total Current Liabilities	254,510	259,378
 <u>Net Assets</u>		
Unrestricted	9,811,387	9,399,330
Temporarily restricted	<u>1,359,489</u>	<u>1,276,277</u>
Total Net Assets	<u>11,170,876</u>	<u>10,675,607</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$11,425,386</u>	 <u>\$10,934,985</u>

See accompanying notes to financial statements.

**HOOR CHILDREN, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<u>Change in Unrestricted Net Assets:</u>		
Support and Revenue		
Public contributions	\$ 821,329	\$ 909,079
Government grants	1,183,734	1,106,133
Foundation contributions	1,026,702	1,179,805
Donated services	420,878	301,162
Fundraising events	357,098	461,415
Child care program	246,496	220,197
Rental income	271,241	257,786
Thrift shop sales	512,347	483,144
Investment income	421,803	55,361
Other income	<u>64,948</u>	<u>120,514</u>
Total Support and Revenue	<u>5,326,576</u>	<u>5,094,596</u>
Expenses		
Program services	4,262,435	3,928,804
Management and general	219,667	228,390
Fundraising	<u>432,417</u>	<u>410,822</u>
Total Expenses	<u>4,914,519</u>	<u>4,568,016</u>
Increase in unrestricted net assets	412,057	526,580
<u>Temporarily Restricted Net Assets:</u>		
Net assets released from transactions	(211,212)	(286,965)
Contributions	<u>294,424</u>	<u>163,274</u>
Increase (Decrease) in temporarily restricted net assets	<u>83,212</u>	<u>(123,691)</u>
Increase in Net Assets	495,269	402,889
Net Assets - Beginning of Year	<u>10,675,607</u>	<u>10,272,718</u>
Net Assets - End of Year	<u>\$11,170,876</u>	<u>\$10,675,607</u>

See accompanying notes to financial statements.

**HOOR CHILDREN, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<u>Cash flows from operating activities:</u>		
Increase in net assets	\$ 495,269	\$ 402,889
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	138,861	137,058
Unrealized gain on investment	(283,417)	(11,483)
Realized (gain) loss on investment	(49,500)	48,208
Donated investments	(26,920)	(13,022)
(Increase) Decrease in:		
Accounts receivable	148,617	(57,386)
Due from NYS Dept. of Correction	102,367	(58,893)
Due from affiliates	67,651	(126,623)
Inventory	23,321	-
Prepaid expense	(81,564)	(35,442)
Increase (Decrease) in:		
Accounts payable and accrued expenses	22,811	1,620
Tenants' security deposits payable	-	100
Other payable	(27,679)	(304)
Total adjustments	<u>34,548</u>	<u>(116,167)</u>
Net cash provided by operating activities	529,817	286,722
<u>Cash flows from investing activities:</u>		
Purchase of fixed assets	(30,422)	(134,800)
Payments for pre-development costs	(31,950)	-
Payments for security deposits	-	(1,170)
Payments for equipment deposit	-	150,800
Short-term investment	202,425	544,137
Proceeds from sale of investments	883,146	698,850
Purchases of investments	(1,162,434)	(1,329,017)
Net cash used in investing activities	<u>(139,235)</u>	<u>(71,200)</u>
Net increase in cash	390,582	215,522
Cash at Beginning of Year	<u>1,799,569</u>	<u>1,584,047</u>
Cash at End of Year	<u>\$2,190,151</u>	<u>\$1,799,569</u>

See accompanying notes to financial statements.



**HOURL CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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, child care, an after-school program, and mentoring programs for children whose parents are incarcerated and for women upon reentry.

Hour Children's two 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 which 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 of accounting and in accordance with accounting principles generally accepted in the United States of America.

**OUR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

NOTE 2 - Summary of Significant Accounting Policies (Continued)

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.

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, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions expiring. That is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are 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, 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.

**HR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Fixed Assets

Fixed assets are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated service lives of the assets for depreciation purposes may be different from their actual economic useful lives.

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

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 consists of merchandise that is contributed by individuals to the Corporation's thrift shops and is recorded at fair value.

Advertising Costs

Advertising costs are charged to operations when incurred.

**OUR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

NOTE 2 - Summary of Significant Accounting Policies (Continued)

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 were used 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.

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.

**OUR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

NOTE 3 - Fixed Assets

Fixed assets consist of the following:

	<u>2017</u>	<u>2016</u>
Buildings	\$3,063,588	\$3,063,588
Building improvement	929,860	929,860
Vehicles and transportation	201,708	171,286
Software	18,807	18,807
Equipment	<u>149,565</u>	<u>149,565</u>
	4,363,528	4,333,106
Accumulated depreciation	<u>(1,152,249)</u>	<u>(1,013,388)</u>
Net Fixed Assets	<u>\$3,211,279</u>	<u>\$3,319,718</u>

NOTE 4 - Investments

The costs and market values of the Corporation's investments at June 30, 2017 are as follows:

	<u>Cost</u>	<u>Market</u>
Cash - Money Market	\$ 18,958	\$ 18,958
Certificates of Deposit	199,531	200,045
Equity Securities	1,138,773	1,423,841
Mutual Funds	<u>1,999,721</u>	<u>2,064,547</u>
TOTAL	<u>\$ 3,356,983</u>	<u>\$ 3,707,391</u>

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>

**HR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

NOTE 5 - 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, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Level 1 Inputs		
Certificates of deposits	\$ 200,045	\$ 514,789
Mutual funds	2,064,547	1,422,183
Level 2 Inputs		
Corporate securities	1,423,841	1,112,334
Level 3 Inputs		
Investment in		
Hour Apartment III	<u>548,789</u>	<u>548,789</u>
	4,237,222	3,598,095
Cash alternative -		
money market	<u>18,958</u>	<u>221,385</u>
	<u>\$ 4,256,180</u>	<u>\$ 3,819,480</u>

NOTE 6 - Government Grants

Hour Children entered into a contract with New York State Office of Temporary and Disability Assistance (OTDA) from January 1, 2016 to December 31, 2020 to provide the formal job training program. For the years ended June 30, 2017 and 2016, Hour Children earned \$184,077 and \$122,609 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, 2018. For the years ended June 30, 2017 and 2016, the Corporation earned \$534,566 and \$523,877 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 contract was for the contract period from

**OUR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

NOTE 6 - Government Grants (Continued)

May 15, 2012 to June 30, 2017. Hour Children extended the contract to June 30, 2018. For the years ended June 30, 2017 and 2016, Hour Children earned \$16,419 and \$14,598 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, 2017 and 2016, Hour Children earned \$399,786 and \$399,786 respectively.

For the years ended June 30, 2017 and 2016, the government grants received were as follows:

	<u>2017</u>	<u>2016</u>
New York State Office of Temporary and Disability Assistance	\$ 184,077	\$ 122,609
New York State Department of Correctional Services	550,985	538,475
New York City Department of Health and Mental Hygiene	399,786	399,786
Federal Emergency Food and Shelter Program	10,895	22,235
Child and Adult Care Food Program	28,010	23,028
New York State Office of Children & Family Services	<u>9,981</u>	<u>-</u>
	<u>\$1,183,734</u>	<u>\$1,106,133</u>

NOTE 7 - 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

**HOOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

NOTE 7 - Donated Services (Continued)

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 \$420,878 in 2017 and \$301,162 in 2016 respectively.

NOTE 8 - 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 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 2017 and 2016 were \$43,646 and \$44,588 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 2017 and 2016 were \$49,867 and \$48,638 respectively. As of June 30, 2017 and 2016, a receivable in the amount of \$62,931 and \$81,583 is due from Hour Apartments, L.P. for unreimbursed costs.

NOTE 9 - Concentration of Risk

The Corporation maintains cash balances and cash equivalents in financial institutions with balances that, at times, may exceed federally insured limit of \$250,000. Cash exceeding this limit totaled \$1,921,308 at June 30, 2017 and \$1,536,534 at June 30, 2016 respectively.

NOTE 10 - 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. Totals of \$12,704 in 2017 and \$28,203 in 2016 represent accrued rent and are included in accrued expenses in the accompanying financial statements.



**HR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

NOTE 10 - Lease Commitments (Continued)

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

Year ended June 30,	Amounts
2018	\$ 221,759
2019	115,004
2020	66,798
2021	49,367
2022	12,086
Thereafter	811,250
Total	\$1,276,264

The Corporation also has leases on a monthly basis. The total monthly basis rents were \$30,000 for the years ended June 30, 2017 and 2016.

NOTE 11 - 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

**OUR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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NOTE 11 - Hour Apartment III L.P. (Continued)

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, 2017, 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 was \$184,980 in 2014.

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. Hour Children receives property management fees from Hour Apartment III. Total fees received in 2017 and 2016 were \$14,246 and \$14,246 respectively, which were recorded as other income.

Hour Children charged Hour Apartment III for service 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 2017 and 2016 were \$87,965 and \$64,607 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 30, 2017 and 2016, the rent subsidy assistance was \$84,560 and \$84,629 respectively, which was included in client assistance. As of June 30, 2017 and 2016, due from Hour Apartment III was \$57,751 and \$106,750 respectively.

**OUR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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NOTE 12 - 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.

NOTE 13 - Temporarily Restricted Net Assets

The Corporation received grants in connection with programs to be performed in the following year of which receipts were included in temporarily restricted net assets in the accompanying financial statements.

Temporarily restricted assets as of June 30, 2017 and 2016 consist of the receipts of:

	<u>2017</u>	<u>2016</u>
Sills Family Foundation	\$ 49,674	\$ 12,500
The Tow Foundation	25,000	25,000
Opus Foundation	1,000,000	1,000,000
Tiger Foundation	93,750	93,750
Porticus North America Foundation	36,090	36,090
Anonymous	31,000	-
NYC Economic Development Corporation	13,975	13,975
Booth Ferris Foundation	-	24,000
William T Grant Foundation	-	16,438
Eileen Fischer	-	12,500
Van Ameringen Foundation	50,000	-
Wilson Sheehan Foundation	20,000	-
Other	40,000	42,024
Total	<u>\$ 1,359,489</u>	<u>\$ 1,276,277</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.

**HOOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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NOTE 14 - 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. The 2016 statement of activities reflects contributions and expenses of \$254,036 relating to the recipient.

NOTE 15 - 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.

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. During the years ended June 30, 2017 and 2016, the Corporation made the contributions for \$15,297 and \$0 for the eligible employees.

NOTE 17 - Pre-Development Costs

In July 2017, the Corporation acquired a building in Long Island City for \$5,000,000, which will be used for social programs. In connection with the acquisition, the Corporation issued a seller note for \$4,000,000 to complete the acquisition. The note bears an interest rate of 3% per annum and will require monthly interest payments. The entire principal is due on July 18, 2020 (Maturity date).

In connection with this building acquisition, the Corporation incurred pre-development costs in the amount of \$31,950 during the year ended June 30, 2017.

**HOOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

NOTE 18 - Subsequent Events

Management has evaluated subsequent events or transactions occurring through December 22, 2017, the date the financial statements were available to be issued, and concluded that no subsequent events, except as noted in Note 17 above, have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

**SUPPLEMENTAL INFORMATION**

**HOURLY CHILDREN, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Supportive Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Salaries	\$1,818,518	\$ 18,212	\$165,735	\$2,002,465
Payroll taxes	171,971	1,059	14,794	187,824
Employee benefits	91,261	8,203	6,098	105,562
Stipends-sisters	260,214	500	5,174	265,888
Rent	364,716	1,014	300	366,030
Insurance	78,626	60,872	-	139,498
Utilities	106,508	-	-	106,508
Telephone	17,626	6,740	1,211	25,577
Repairs and maintenance	103,094	3,472	-	106,566
Equipment rental	9,853	2,793	2,601	15,247
Office expense and supplies	103,958	7,638	11,932	123,528
Payroll processing fees	8,603	86	784	9,473
Professional fees	173,126	53,100	150,000	376,226
Donated services	-	28,000	-	28,000
Donated legal services	392,878	-	-	392,878
Client assistance	138,186	-	-	138,186
Parties and outings	19,582	-	-	19,582
Client food	156,117	1,902	19	158,038
Advertising	2,634	90	90	2,814
Fundraising event	-	-	64,851	64,851
Dues and subscriptions	11,643	11,743	3,519	26,905
Postage	2,875	675	4,035	7,585
Auto and van expense	26,826	1,508	-	28,334
Professional development	6,130	600	488	7,218
Travel and transportation	36,014	250	786	37,050
Taxes, licenses and fees	1,992	775	-	2,767
Interest and bank charges	5,622	60	-	5,682
Investment fees	-	10,375	-	10,375
Miscellaneous	2,575	-	-	2,575
Storage	12,426	-	-	12,426
Project Costs	-	-	-	-
Regrant	-	-	-	-
Depreciation	138,861	-	-	138,861
<b>Total Expenses</b>	<b><u>\$4,262,435</u></b>	<b><u>\$219,667</u></b>	<b><u>\$432,417</u></b>	<b><u>\$4,914,519</u></b>

See independent auditor's report

**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
	<u>\$3,928,804</u>	<u>\$228,390</u>	<u>\$410,822</u>	<u>\$4,568,016</u>
Total Expenses	<u>\$3,928,804</u>	<u>\$228,390</u>	<u>\$410,822</u>	<u>\$4,568,016</u>

See independent auditor's report