

HOURLY CHILDREN, INC.
FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

**HOOR CHILDREN, INC.
FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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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, 2018 and 2017, 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.

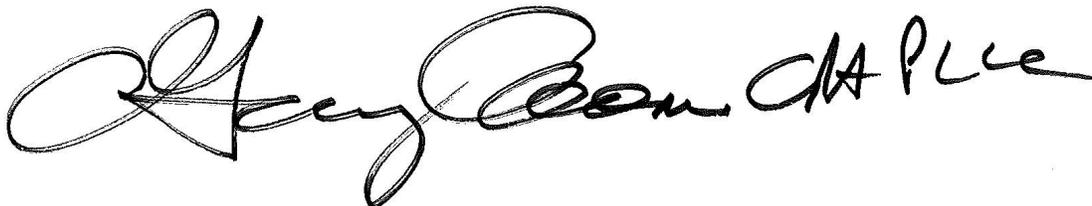
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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, 2018 and 2017, 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 21 and 22 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 "Jeffrey Ben CPA PLLC". The signature is written in a cursive, flowing style.

New York, New York
December 11, 2018

HOOR CHILDREN, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

A S S E T S

	<u>2018</u>	<u>2017</u>
<u>Current Assets</u>		
Cash	\$ 1,705,128	\$ 2,190,151
Accounts receivable	231,591	255,132
Due from NYS Department of Correctional Services	135,362	49,193
Inventory	83,160	74,606
Due from Hour Apartment L.P.	67,060	62,931
Due from Hour Apartment III	713	57,751
Prepaid expenses	<u>123,646</u>	<u>264,281</u>
 Total Current Assets	 2,346,660	 2,954,045
 Fixed assets at cost - net of accumulated depreciation of \$1,362,869 in 2018 and \$1,152,249 in 2017	 8,250,101	 3,211,279
<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	61,955	31,955
Pre-development costs	-	31,950
Investments	<u>3,974,016</u>	<u>3,707,391</u>
 Total Other Assets	 <u>5,524,737</u>	 <u>5,260,062</u>
 TOTAL ASSETS	 <u><u>\$16,121,498</u></u>	 <u><u>\$11,425,386</u></u>

See accompanying notes to financial statements.

HOUR CHILDREN, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable and accrued expense	\$ 268,941	\$ 239,196
Other payable	12,414	12,414
Accrued interest	10,000	-
Tenants' security deposits payable	2,900	2,900
Deferred revenue	<u>22,500</u>	<u>-</u>
Total Current Liabilities	316,755	254,510
<u>Long Term Debt</u>		
Note payable	<u>4,000,000</u>	<u>-</u>
Total long term debt	<u>4,000,000</u>	<u>-</u>
TOTAL LIABILITIES	4,316,755	254,510
<u>Net Assets</u>		
Unrestricted	10,451,211	9,811,387
Temporarily restricted	<u>1,353,532</u>	<u>1,359,489</u>
Total Net Assets	<u>11,804,743</u>	<u>11,170,876</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$16,121,498</u>	<u>\$11,425,386</u>

See accompanying notes to financial statements.

HOUR CHILDREN, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
<u>Change in Unrestricted Net Assets:</u>		
Support and Revenue		
Public contributions	\$ 1,049,819	\$ 821,329
Government grants	1,058,303	1,183,734
Contract income	302,500	-
Foundation contributions	1,230,189	1,026,702
Donated services	177,462	420,878
Fundraising events	1,078,398	357,098
Child care program	208,033	246,496
Rental income	280,032	271,241
Thrift shop sales	366,626	512,347
Investment income	243,947	421,803
Other income	44,130	64,948
	<u>6,039,439</u>	<u>5,326,576</u>
Total Support and Revenue		
Expenses		
Program Services		
Program services	4,247,594	4,262,435
	<u>4,247,594</u>	<u>4,262,435</u>
Total program services		
Support Services		
Management and general	363,123	219,667
Fundraising	788,898	432,417
	<u>1,152,021</u>	<u>652,084</u>
Total support services		
Total Expenses	<u>5,399,615</u>	<u>4,914,519</u>
Increase in unrestricted net assets	639,824	412,057
<u>Temporarily Restricted Net Assets:</u>		
Net assets released from transactions	(262,624)	(211,212)
Contributions	256,667	294,424
	<u>(5,957)</u>	<u>83,212</u>
(Decrease) Increase in temporarily restricted net assets		
Increase in Net Assets	633,867	495,269
Net Assets - Beginning of Year	<u>11,170,876</u>	<u>10,675,607</u>
Net Assets - End of Year	<u>\$11,804,743</u>	<u>\$11,170,876</u>

See accompanying notes to financial statements.

HOOR CHILDREN, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
<u>Cash flows from operating activities:</u>		
Increase in net assets	\$ 633,867	\$ 495,269
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	210,620	138,861
Unrealized gain on investment	(61,483)	(283,417)
Realized gain on investment	(71,705)	(49,500)
Donated investments	(36,935)	(26,920)
(Increase) Decrease in operating assets:		
Accounts receivable	23,541	148,617
Due from NYS Department of Correctional services	(86,169)	102,367
Due from Hour Apartment L.P.	(4,129)	18,652
Due from Hour Apartment III	57,038	48,999
Inventory	(8,554)	23,321
Prepaid expenses	140,635	(81,564)
Security deposits	(30,000)	-
Increase (Decrease) in operating liabilities:		
Accounts payable and accrued expenses	29,745	22,811
Accrued interest	10,000	-
Other payable	-	(27,679)
Deferred revenue	22,500	-
Total adjustments	195,104	34,548
Net cash provided by operating activities	828,971	529,817
<u>Cash flows from investing activities:</u>		
Purchase of fixed assets	(5,249,442)	(30,422)
Decrease (Increase) in pre-development costs	31,950	(31,950)
(Increase) Decrease in investments	(34,625)	202,425
Proceeds from sale of investments	1,457,426	883,146
Purchases of investments	(1,519,303)	(1,162,434)
Net cash used in investing activities	(5,313,994)	(139,235)

See accompanying notes to financial statements.

HOUR CHILDREN, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
<u>Cash flows from financing activities:</u>		
Loan proceeds	4,000,000	-
Net cash provided by financing activities	4,000,000	-
Net(decrease)increase in cash	(485,023)	390,582
Cash - Beginning of Year	2,190,151	1,799,569
Cash - End of Year	\$ 1,705,128	\$ 2,190,151

Supplemental disclosure of cash flow information:

Cash paid during the years for interest	\$ 104,516	\$ -
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See accompanying notes to financial statements.

HOURL CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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.

HOOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

The Corporation is required to report information regarding financial position and activities according to the following three classes of net assets:

- a. Unrestricted net assets - Net assets that are not subject to grantor or donor imposed stipulations.
- b. Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Corporation and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- c. Permanently restricted net assets - Net assets subject to grantor or donor imposed stipulations that they are maintained permanently by the Corporation to use all or part of the assets for general or specific purposes.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, 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.

HOOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in United States of America 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. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of the straight-line method for financial reporting purposes. 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:

	<u>Estimated useful lives</u>	<u>Method</u>
Buildings and Improvements	15-40 Years	Straight-Line
Vehicles and Transportation	5 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.

Advertising Costs

Advertising costs are charged to operations when incurred.

HOOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 - Summary of Significant Accounting Policies (Continued)

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.

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.

OUR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (continued)

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>2018</u>	<u>2017</u>
Buildings	\$ 8,229,279	\$ 3,063,588
Building improvement	929,860	929,860
Vehicles and transportation	285,459	201,708
Furniture	48,788	48,788
Equipment	<u>119,584</u>	<u>119,584</u>
	9,612,970	4,363,528
Accumulated depreciation	<u>(1,362,869)</u>	<u>(1,152,249)</u>
Net Fixed Assets	<u>\$ 8,250,101</u>	<u>\$ 3,211,279</u>

NOTE 4 - Investments

The costs and market values of the Corporation's investments at June 30, 2018 are as follows:

	<u>Cost</u>	<u>Market</u>
Cash - Money Market	\$ 53,583	\$ 53,583
Equity Securities	993,110	1,344,153
Mutual Funds	<u>2,507,395</u>	<u>2,576,280</u>
TOTAL	<u>\$ 3,554,088</u>	<u>\$ 3,974,016</u>

HOOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 - Investments (Continued)

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>

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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Level 1 Inputs		
Certificates of deposits	\$ -	\$ 200,045
Mutual funds	2,576,280	2,064,547
Level 2 Inputs		
Corporate securities	1,344,153	1,423,841
Level 3 Inputs		
Investment in Hour Apartment III	<u>548,789</u>	<u>548,789</u>
	4,469,222	4,237,222
Cash alternative - money market	<u>53,583</u>	<u>18,958</u>
	<u>\$ 4,522,805</u>	<u>\$ 4,256,180</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, 2018 and 2017, Hour Children earned \$162,819 and \$184,077 respectively.

HOURL CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 6 - Government Grants (Continued)

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 January 31, 2024. For the years ended June 30, 2018 and 2017, the Corporation earned \$511,763 and \$534,566 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 May 15, 2012 to June 30, 2018. Hour Children extended the contract to June 30, 2019. For the years ended June 30, 2018 and 2017, Hour Children earned \$15,521 and \$16,419 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, 2018 and 2017, Hour Children earned \$324,404 and \$399,786 respectively.

For the years ended June 30, 2018 and 2017, the government grants received were as follows:

	<u>2018</u>	<u>2017</u>
OTDA	\$ 162,819	\$ 184,077
NYS Department		
of Correctional Services	527,284	550,985
DOHMH	324,404	399,786
Federal Emergency Food and		
Shelter Program	10,895	10,895
Child and Adult Care		
Food Program	22,904	28,010
NYS Office of Children &		
Family Services	<u>9,997</u>	<u>9,981</u>
	<u>\$ 1,058,303</u>	<u>\$ 1,183,734</u>

HOOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 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 \$177,462 in 2018 and \$420,878 in 2017 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 2018 and 2017 were \$40,553 and \$43,646 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 2018 and 2017 were \$32,807 and \$49,867 respectively. As of June 30, 2018 and 2017, a receivable in the amount of \$67,060 and \$62,931 is due from Hour Apartment, 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 \$1,341,378 at June 30, 2018 and \$1,921,308 at June 30, 2017 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

HOOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 10 - Lease Commitments (Continued)

are recognized as accrued rent. Totals of \$29,652 in 2018 and \$12,704 in 2017 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:

<u>Year ended</u> <u>June 30,</u>	<u>Amounts</u>
2019	\$ 236,204
2020	191,634
2021	177,946
2022	144,522
2023	102,363
Thereafter	<u>798,927</u>
Total	<u>\$1,651,596</u>

The Corporation also has leases on a monthly basis. The total monthly basis rents were \$30,000 for the years ended June 30, 2018 and 2017.

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.(the Partnership) 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

HOOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 11 - Hour Apartment III L.P. (Continued)

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, 2015, 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 2018 and 2017 were \$3,432 and \$17,550 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 2018 and 2017 were \$85,090 and \$87,965 respectively. Hour Children provides a rent subsidy assistance to Hour Apartment III in accordance with the contract with New York City DOHMH. As

OUR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 11 - Hour Apartment III L.P. (Continued)

of June 30, 2018 and 2017, the rent subsidy assistance was \$84,560, which was included in client assistance. As of June 30, 2018 and 2017, due from Hour Apartment III was \$713 and \$57,751 respectively.

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, 2018 and 2017 consist of the receipts of:

	2018	2017
Sills Family Foundation	\$ 25,000	\$ 49,674
The Tow Foundation	25,000	25,000
Opus Foundation	1,000,000	1,000,000
Tiger Foundation	75,000	93,750
Porticus North America Foundation	36,090	36,090
Anonymous	5,000	31,000
NYC Economic Development Corporation	13,975	13,975
Raskob Foundation	40,000	-
Thursday Club	41,667	-
Van Ameringen Foundation	56,800	50,000
Wilson Sheehan Foundation	20,000	20,000
Other	15,000	40,000
Total	\$ 1,353,532	\$ 1,359,489

HOOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 13 - Temporarily Restricted Net Assets (Continued)

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.

NOTE 14 - Functional Expenses

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

NOTE 15 - 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, 2018 and 2017, the Corporation made the contributions for \$0 and \$15,297 for the eligible employees.

NOTE 16 - Note Payable

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 starting July 17, 2017 requires monthly interest payments of \$10,000. The interest expense for the year ended June 30, 2018 was \$114,516. As of June 30, 2018, the balance of the note payable is \$4,000,000. The entire principal is due on July 18, 2020 (maturity date).

NOTE 17 - Pre-Development Cost

In connection with the building acquisition described in note 16, the Corporation incurred pre-development costs in the amount of \$31,950 during the year ended June 30, 2017.

OUR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 18 - Contract Income

Hour Children entered into a subcontract agreement with Osbourne Treatment Service, Inc., who has a contract with the City of New York acting through its Mayor's office of Criminal Justice, for the contract period from July 1, 2017 to June 30, 2019. Hour Children agreed to support diversion for women facing detention or incarceration by providing transitional housing services. For the year ended June 30, 2018, Hour Children earned \$302,500.

NOTE 19 - Subsequent Events

Management has evaluated subsequent events or transactions occurring through December 11, 2018, 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, 2018

	<u>SUPPORTING SERVICES</u>				
	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and general</u>	<u>Fund</u> <u>Raising</u>	<u>Total</u> <u>Supporting</u>	<u>Total</u> <u>Expenses</u>
Salaries	\$ 1,978,247	\$ 76,978	\$ 168,767	\$ 245,745	\$ 2,223,992
Payroll taxes	170,530	10,085	14,004	24,089	194,619
Employee benefits	96,478	1,604	8,074	9,678	106,156
Stipends	277,025	480	-	480	277,505
Rent	348,258	1,049	-	1,049	349,307
Insurance	88,655	78,582	-	78,582	167,237
Utilities	109,020	-	-	-	109,020
Telephone	16,809	2,661	813	3,474	20,283
Repairs and maintenance	59,640	302	-	302	59,942
Equipment rental	9,098	2,614	-	2,614	11,712
Office expense and supplies	80,450	6,978	18,703	25,681	106,131
Payroll processing fees	6,069	236	518	754	6,823
Professional fees	164,878	126,850	15,000	141,850	306,728
Donated services	-	13,000	-	13,000	13,000
Donated legal services	164,462	-	-	-	164,462
Client assistance	107,285	-	1,500	1,500	108,785
Parties and outings	22,284	1,261	-	1,261	23,545
Client food	138,657	2,665	-	2,665	141,322
Advertising	2,720	501	275	776	3,496
Fundraising event	-	-	551,366	551,366	551,366
Dues and subscriptions	5,255	16,940	4,467	21,407	26,662
Postage	3,238	1,891	5,310	7,201	10,439
Auto and van expense	16,195	1,533	-	1,533	17,728
Professional development	11,854	240	-	240	12,094
Travel and transportation	28,188	3,418	101	3,519	31,707
Taxes, licenses and fees	8,571	1,115	-	1,115	9,686
Bank charges	3,792	552	-	552	4,344
Interest	114,516	-	-	-	114,516
Investment fees	-	11,588	-	11,588	11,588
Miscellaneous	3,384	-	-	-	3,384
Storage	1,416	-	-	-	1,416
Depreciation	210,620	-	-	-	210,620
	<u>\$ 4,247,594</u>	<u>\$ 363,123</u>	<u>\$ 788,898</u>	<u>\$ 1,152,021</u>	<u>\$ 5,399,615</u>

See independent auditor's report

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

SUPPORTING SERVICES

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and general</u>	<u>Fund</u> <u>Raising</u>	<u>Total</u> <u>Supporting</u>	<u>Total</u> <u>Expenses</u>
Salaries	\$ 1,818,518	\$ 18,212	\$ 165,735	\$ 183,947	\$ 2,002,465
Payroll taxes	171,971	1,059	14,794	15,853	187,824
Employee benefits	91,261	8,203	6,098	14,301	105,562
Stipends	260,214	500	5,174	5,674	265,888
Rent	364,716	1,014	300	1,314	366,030
Insurance	78,626	60,872	-	60,872	139,498
Utilities	106,508	-	-	-	106,508
Telephone	17,626	6,740	1,211	7,951	25,577
Repairs and maintenance	103,094	3,472	-	3,472	106,566
Equipment rental	9,853	2,793	2,601	5,394	15,247
Office expense and supplies	103,958	7,638	11,932	19,570	123,528
Payroll processing fees	8,603	86	784	870	9,473
Professional fees	173,126	53,100	-	53,100	226,226
Donated services	-	28,000	-	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	1,921	158,038
Advertising	2,634	90	90	180	2,814
Fundraising event	-	-	214,851	214,851	214,851
Dues and subscriptions	11,643	11,743	3,519	15,262	26,905
Postage	2,875	675	4,035	4,710	7,585
Auto and van expense	26,826	1,508	-	1,508	28,334
Professional development	6,130	600	488	1,088	7,218
Travel and transportation	36,014	250	786	1,036	37,050
Taxes, licenses and fees	1,992	775	-	775	2,767
Bank charges	5,622	60	-	60	5,682
Interest	-	-	-	-	-
Investment fees	-	10,375	-	10,375	10,375
Miscellaneous	2,575	-	-	-	2,575
Storage	12,426	-	-	-	12,426
Depreciation	138,861	-	-	-	138,861
	<u>\$ 4,262,435</u>	<u>\$ 219,667</u>	<u>\$ 432,417</u>	<u>\$ 652,084</u>	<u>\$ 4,914,519</u>

See independent auditor's report