

HOUR CHILDREN, INC.
FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

HOOR CHILDREN, INC.
FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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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, 2019 and 2018, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

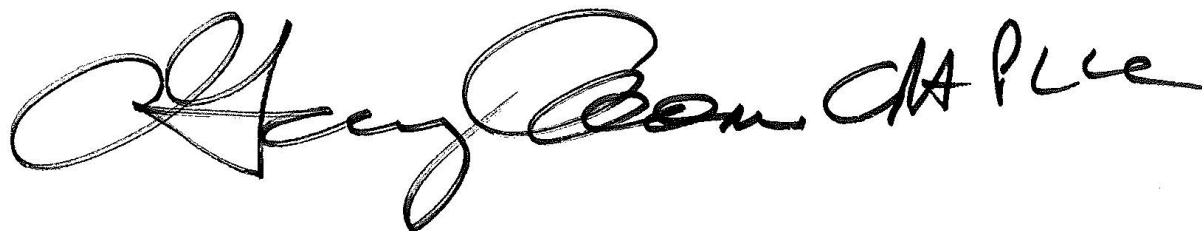
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2019 and 2018, 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.

A handwritten signature in black ink, appearing to read "Henry Bon APUe". The signature is written in a cursive, flowing style with large loops and is positioned above the typed name and date.

New York, New York
November 21, 2019

HOUR CHILDREN, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

A S S E T S

	<u>2019</u>	<u>2018</u>
<u>Current Assets</u>		
Cash	\$ 389,360	\$ 1,705,128
Accounts receivable	457,845	231,591
Due from NYS Department of Correctional Services	163,021	135,362
Inventory	88,304	83,160
Due from Hour Apartment L.P.	20,985	67,060
Due from Hour Apartment III	-	713
Prepaid expenses	<u>153,454</u>	<u>123,646</u>
 Total Current Assets	 1,272,969	 2,346,660
 Fixed assets at cost - net of accumulated depreciation of \$1,651,186 in 2019 and \$1,362,869 in 2018	 9,123,316	 8,250,101
<u>Other Assets</u>		
Due from Hour Apartment III	-	169,977
Investment in Hour Apartment III	822,373	548,789
Loan receivable - Hour Apartment III	500,000	500,000
Developer's fee receivable	270,000	270,000
Security deposits	48,285	61,955
Investments	<u>4,396,239</u>	<u>3,974,016</u>
 Total Other Assets	 <u>6,036,897</u>	 <u>5,524,737</u>
 TOTAL ASSETS	 <u>\$16,433,182</u>	 <u>\$16,121,498</u>

See accompanying notes to financial statements.

**HOUR CHILDREN, INC.
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2019 AND 2018**

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable and accrued expense \$	333,404	\$ 268,941
Other payable	12,414	12,414
Accrued interest	10,000	10,000
Tenants' security deposits payable	2,900	2,900
Due to Hour Apartment III	33,231	-
Deferred revenue	-	22,500
	<u>391,949</u>	<u>316,755</u>
Total Current Liabilities	391,949	316,755
<u>Long Term Debt</u>		
Note payable	<u>4,000,000</u>	<u>4,000,000</u>
Total long term debt	<u>4,000,000</u>	<u>4,000,000</u>
TOTAL LIABILITIES	4,391,949	4,316,755
<u>Net Assets</u>		
Net Assets without Donor Restrictions	11,816,507	10,451,211
Net Assets with Donor Restrictions	<u>224,726</u>	<u>1,353,532</u>
Total Net Assets	<u>12,041,233</u>	<u>11,804,743</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$16,433,182</u>	<u>\$16,121,498</u>

See accompanying notes to financial statements.

HOUR CHILDREN, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>Net Assets Without Donor Restrictions:</u>		
Support and Revenue		
Public contributions	\$ 1,075,005	\$ 1,049,819
Government grants	1,251,656	1,058,303
Contract income	330,000	302,500
Foundation contributions	2,640,749	1,230,189
Donated services	574,998	177,462
Fundraising events	47,347	1,078,398
Child care program	167,013	208,033
Rental income	284,150	280,032
Thrift shop sales	537,752	366,626
Investment income	233,778	243,947
Other income	<u>9,894</u>	<u>44,130</u>
Total Support and Revenue	<u>7,152,342</u>	<u>6,039,439</u>
Expenses		
Program Services		
Program services	<u>4,901,665</u>	<u>4,123,235</u>
Total program services	4,901,665	4,123,235
Support Services		
Management and general	485,157	487,482
Fundraising	<u>400,224</u>	<u>788,898</u>
Total support services	<u>885,381</u>	<u>1,276,380</u>
Total Expenses	<u>5,787,046</u>	<u>5,399,615</u>
Increase in net assets without donor restrictions	1,365,296	639,824
<u>Net Assets With Donor Restrictions:</u>		
Net assets released from restrictions	(1,297,806)	(262,624)
Contributions	<u>169,000</u>	<u>256,667</u>
Decrease in net assets with donor restrictions	<u>(1,128,806)</u>	<u>(5,957)</u>
Increase in Net Assets	236,490	633,867
Net Assets - Beginning of Year	<u>11,804,743</u>	<u>11,170,876</u>
Net Assets - End of Year	<u>\$12,041,233</u>	<u>\$11,804,743</u>

See accompanying notes to financial statements.

HOOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	Support Services			Total Expenses
		Management and general	Fund Raising	Total Supporting	
Salaries	\$ 2,071,906	\$ 188,199	\$ 129,219	\$ 317,418	\$ 2,389,324
Payroll taxes	183,746	20,636	10,025	30,661	214,407
Employee benefits	134,653	22,161	10,295	32,456	167,109
Stipends	202,461	61,265	28,380	89,645	292,106
Rent	392,052	1,070	-	1,070	393,122
Insurance	113,839	69,648	851	70,499	184,338
Utilities	113,234	-	-	-	113,234
Telephone	15,211	1,234	821	2,055	17,266
Repairs and maintenance	109,711	1,515	-	1,515	111,226
Equipment rental	9,276	3,026	-	3,026	12,302
Office expense and supplies	93,237	12,805	18,717	31,522	124,759
Payroll processing fees	8,589	548	522	1,070	9,659
Professional fees	129,550	37,943	106,900	144,843	274,393
Donated services	-	12,000	-	12,000	12,000
Donated legal services	562,998	-	-	-	562,998
Client assistance	104,430	-	-	-	104,430
Parties and outings	19,470	9,158	300	9,458	28,928
Client food	124,363	2,150	-	2,150	126,513
Advertising	1,142	90	45	135	1,277
Fundraising event	-	-	82,217	82,217	82,217
Dues and subscriptions	4,314	19,081	6,144	25,225	29,539
Postage	4,252	2,315	5,428	7,743	11,995
Auto and van expense	27,923	619	-	619	28,542
Professional development	10,720	1,615	252	1,867	12,587
Travel and transportation	41,094	3,390	108	3,498	44,592
Taxes, licenses and fees	4,505	2,129	-	2,129	6,634
Bank charges	9,280	387	-	387	9,667
Interest	120,000	-	-	-	120,000
Investment fees	-	12,173	-	12,173	12,173
Miscellaneous	1,392	-	-	-	1,392
Storage	-	-	-	-	-
Depreciation	288,317	-	-	-	288,317
	<u>\$ 4,901,665</u>	<u>\$ 485,157</u>	<u>\$ 400,224</u>	<u>\$ 885,381</u>	<u>\$ 5,787,046</u>

See independent auditor's report

HOOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Support Services			Total Expenses
		Management and general	Fund Raising	Total Supporting	
Salaries	\$ 1,912,568	\$ 142,657	\$ 168,767	\$ 311,424	\$ 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	218,345	59,160	-	59,160	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>\$ 4,123,235</u>	<u>\$ 487,482</u>	<u>\$ 788,898</u>	<u>\$ 1,276,380</u>	<u>\$ 5,399,615</u>

See independent auditor's report

HOUR CHILDREN, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>Cash flows from operating activities:</u>		
Increase in net assets	\$ 236,490	\$ 633,867
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	288,317	210,620
Unrealized gain on investment	(64,066)	(61,483)
Realized gain on investment	(33,796)	(71,705)
Donated investments	(3,039)	(36,935)
(Increase) Decrease in operating assets:		
Accounts receivable	(226,254)	23,541
Due from NYS Department of Correctional services	(27,659)	(86,169)
Due from Hour Apartment L.P.	46,075	(4,129)
Due from Hour Apartment III	170,690	57,038
Inventory	(5,144)	(8,554)
Prepaid expenses	(29,808)	140,635
Security deposits	13,670	(30,000)
Increase (Decrease) in operating liabilities:		
Accounts payable and accrued expenses	64,463	29,745
Accrued interest	-	10,000
Due to Hour Apartment III	33,231	-
Deferred revenue	(22,500)	22,500
Total adjustments	<u>204,180</u>	<u>195,104</u>
Net cash provided by operating activities	440,670	828,971
<u>Cash flows from investing activities:</u>		
Purchase of fixed assets	(1,161,532)	(5,249,442)
Increase in pre-development costs	-	31,950
Increase in Investment in Hour Apartment III	(273,584)	-
Decrease (Increase) in investments	14,656	(34,625)
Proceeds from sale of investments	1,467,206	1,457,426
Purchases of investments	<u>(1,803,184)</u>	<u>(1,519,303)</u>
Net cash used in investing activities	(1,756,438)	(5,313,994)

See accompanying notes to financial statements.

HOUR CHILDREN, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
(CONTINUED)

	<u>2019</u>	<u>2018</u>
<u>Cash flows from financing activities:</u>		
Loan proceeds	<u>-</u>	<u>4,000,000</u>
Net cash provided by financing activities	<u>-</u>	<u>4,000,000</u>
Net (decrease) increase in cash	(1,315,768)	(485,023)
Cash - Beginning of Year	<u>1,705,128</u>	<u>2,190,151</u>
Cash - End of Year	<u>\$ 389,360</u>	<u>\$ 1,705,128</u>

Supplemental disclosure of cash flow information:

Cash paid during the years for interest	<u>\$ 120,000</u>	<u>\$ 104,516</u>
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See accompanying notes to financial statements.

HOURL CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 at three locations 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 three thrift shops 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 a 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 FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

Net assets of the Corporation are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions - Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions - Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Corporation. Certain restrictions may be needed to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

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 restricted supports that increase net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Fixed Assets

Fixed assets are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Fixed Assets (Continued)

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

Impairment

The Corporation reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. For assets held and used, if management's estimate of the aggregate future cash flows to be generated by the property, undiscounted and without interest charges, by the rental property including any estimated proceeds from the eventual disposition of the real estate are less than their carrying amounts, an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. The determination of undiscounted cash flows requires significant estimates by management. Subsequent changes in estimated undiscounted cash flows could impact the determination of whether impairment exists. No impairment loss has been recognized during the years ended June 30, 2019 and 2018.

Advertising Costs

Advertising costs are charged to operations when incurred.

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Donated Assets

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

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.

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.

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.

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

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.

Inventory

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

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.

OUR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Adoption of Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two, net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Corporation, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Corporation's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The Corporation adopted the ASU effective July 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

NOTE 3 - Fixed Assets

Fixed assets consist of the following:

	<u>2019</u>	<u>2018</u>
Buildings	\$ 9,390,811	\$ 8,229,279
Building improvements	929,860	929,860
Vehicles and transportation	285,459	285,459
Furniture	48,788	48,788
Equipment	<u>119,584</u>	<u>119,584</u>
	10,774,502	9,612,970
Accumulated depreciation	<u>(1,651,186)</u>	<u>(1,362,869)</u>
Net Fixed Assets	<u>\$ 9,123,316</u>	<u>\$ 8,250,101</u>

OUR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4 - Investments

The costs and market values of the Corporation's investments at June 30, 2019 are as follows:

	<u>Cost</u>	<u>Market</u>
Cash - Money Market	\$ 38,929	\$ 38,929
Equity Securities	1,187,882	1,587,293
Fixed Income Securities	399,422	401,764
Mutual Funds	<u>2,276,179</u>	<u>2,368,253</u>
TOTAL	<u>\$ 3,902,412</u>	<u>\$ 4,396,239</u>

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>

The investments are maintained in an account with a brokerage firm. The account contains cash and securities. Balances are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Security Investor Protection Corporation. The brokerage firm maintains additional insurance to cover any significant credit risk on all cash, cash equivalents and securities held by the broker. This insurance does not cover any loss on market value of all cash, cash equivalents and securities held but losses due to the actions of the brokerage firm. The Corporation has not experienced any losses in such account and believes it is not exposed to any significant credit risk on cash, cash equivalents and securities.

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, 2019 and 2018 are as follows:

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 - Fair Value Measurement (Continued)

	<u>2019</u>	<u>2018</u>
Level 1 Inputs		
Government Securities	\$ 401,764	\$ -
Mutual funds	2,368,253	2,576,280
Level 2 Inputs		
Corporate Securities	1,535,113	1,291,433
Corporate Bonds	52,180	52,720
Level 3 Inputs		
Investment in Hour Apartment III	<u>822,373</u>	<u>548,789</u>
	5,179,683	4,469,222
Cash alternative - money market	<u>38,929</u>	<u>53,583</u>
	<u>\$ 5,218,612</u>	<u>\$ 4,522,805</u>

As of June 30, 2019 and 2018, the contractual maturities of all debt securities classified as government securities or corporate bonds are as follows:

	<u>2019</u>	<u>2018</u>
Maturing within one year	\$ 401,764	\$ -
Maturing in 2-5 years	<u>52,180</u>	<u>52,720</u>
	<u>\$ 453,944</u>	<u>\$ 52,720</u>

NOTE 6 - Accounts Receivable

As of June 30, 2019 and 2018, accounts receivable consisted of as follow:

	<u>2019</u>	<u>2018</u>
Government grants receivable	\$ 336,764	\$ 158,797
Contract receivable	82,500	-
Rent receivable	9,424	7,839
Child care receivable	12,239	13,856
Contribution receivable	16,227	47,399
Other receivable	<u>691</u>	<u>3,700</u>
	<u>\$ 457,845</u>	<u>\$ 231,591</u>

HOOR CHILDREN, INC.
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JUNE 30, 2019 AND 2018

NOTE 7 - Government Grants

The Corporation 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, 2019 and 2018, the Corporation earned \$162,771 and \$162,819 respectively. As of June 30, 2019 and 2018, the Corporation had receivable of \$47,696 and \$46,303 from OTDA respectively.

The Corporation 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. The Corporation extended the contract to January 31, 2024. For the years ended June 30, 2019 and 2018, the Corporation earned \$546,377 and \$511,763 respectively, of which \$157,040 and \$132,073 was receivable as of June 30, 2019 and 2018.

The Corporation 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. The Corporation extended the contract to June 30, 2021. For the years ended June 30, 2019 and 2018, the Corporation earned \$16,575 and \$15,521 respectively, of which \$5,981 and \$3,289 was receivable as of June 30, 2019 and 2018.

Effective September 1, 2013, the Corporation entered into a contract with New York City Department of Health and Mental Hygiene (DOHMH) to provide supportive housing and social services to the tenants of Hour Apartment House III. The Corporation renewed the contract providing the same services with DOHMH to June 30, 2022. For the years ended June 30, 2019 and 2018, the Corporation earned \$399,786 and \$324,404 respectively. As of June 30, 2019 and 2018, the Corporation had receivable of \$255,593 and \$110,734 from DOHMH respectively.

Effective July 1, 2016, the Corporation entered into a contract with New York City Department of Youth and Community Development for support of the community food

HOURL CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 7 - Government Grants (Continued)

pantry program. For the year ended June 30, 2019, the Corporation earned \$85,448, of which \$31,899 was receivable as of June 30, 2019.

For the years ended June 30, 2019 and 2018, the government grants earned were as follows:

	2019	2018
OTDA	\$ 162,771	\$ 162,819
NYS Department of Correctional Services	562,952	527,284
DOHMH	399,786	324,404
Federal Emergency Food and Shelter Program	19,882	10,895
Child and Adult Care Food Program	20,817	22,904
NYC DYCD	85,448	-
NYS Office of Children & Family Services	-	9,997
	\$ 1,251,656	\$ 1,058,303

NOTE 8 - Donated Services

Donated services represent the estimated fair value of services provided to the Corporation. Donated services are recognized if the services received create or enhance non-financial assets or if the services received require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such contributed services are \$574,998 in 2019 and \$177,462 in 2018 respectively.

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

The Corporation 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 the Corporation. The Corporation provided property management and social service to Hour Apartment. Total fees received in 2019

HR CHILDREN, INC.
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NOTE 9 - Due from Hour Apartment, L.P. (Continued)

and 2018 were \$9,000 and \$40,553 respectively and recorded as other income. The Corporation also charges Hour Apartment for various costs that were incurred on behalf of Hour Apartment. Total costs charged in 2019 and 2018 were \$40,832 and \$32,807 respectively. As of June 30, 2019 and 2018, the amount due from Hour Apartment was \$20,985 and \$67,060 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 is recognized as accrued rent. Totals of \$32,017 in 2019 and \$29,652 in 2018 represent accrued rent and are included in accounts payable and accrued expenses in the accompanying financial statements.

The Corporation also has leases on a monthly basis. The total monthly basis rents were \$30,000 for the years ended June 30, 2019 and 2018.

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

<u>June 30,</u>	<u>Year ended</u> <u>Amounts</u>
2020	\$ 335,084
2021	306,250
2022	158,314
2023	102,367
2024	12,574
Thereafter	<u>786,349</u>
Total	<u>\$ 1,700,938</u>

NOTE 11 - Hour Apartment III L.P.

In January 2009, the Corporation acquired the property that houses its general and administrative office as well

HR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

as a residence for eight families and part of its thrift shop operations. The total purchase price 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. 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 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, the Corporation 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

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

the accompanying financial statements. The \$548,789 was contributed as of June 30, 2014. During the year ended June 30, 2019, the balance of investment in Hour Apartment III was increased to reflect additional construction cost overruns that the Corporation had to fund. As of June 30, 2019 and 2018, the balance of investment in Hour Apartment III was \$822,373 and \$548,789 respectively. Additionally the Corporation was required to lend an additional \$500,000.

The Corporation provides property management to Hour Apartment III. Total fees received in 2019 and 2018 were \$0 and \$3,432 respectively, which were recorded as other income. The Corporation also charges Hour Apartment III for various operating costs that were incurred on behalf of Hour Apartment III. Total costs charged in 2019 and 2018 were \$107,765 and \$85,090 respectively. The Corporation provides a rent subsidy assistance to Hour Apartment III in accordance with the contract with DOHMH. For the years ended June 30, 2019 and 2018, the rent subsidy assistance was \$84,560, which was included in client assistance.

As of June 30, 2019, due to Hour Apartment III was \$33,231. As of June 30, 2018, due from Hour Apartment III was \$713.

NOTE 12 - Concentration of Risk

The Corporation maintains cash balances in financial institutions with balances that, at times, may exceed federally insured limit of \$250,000. Cash exceeding this limit totaled \$0 and \$1,341,378 at June 30, 2019 and June 30, 2018 respectively.

NOTE 13 - Residential Facility - Corona, New York

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

HOOR CHILDREN, INC.
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JUNE 30, 2019 AND 2018

NOTE 14 - Net Assets With Donor Restrictions

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

Net assets with donor restrictions as of June 30, 2019 and 2018 consist of the receipts of:

	<u>2019</u>	<u>2018</u>
Sills Family Foundation	\$ 25,000	\$ 25,000
The Tow Foundation	25,000	25,000
Opus Foundation	-	1,000,000
Tiger Foundation	39,000	75,000
Porticus North America Foundation	36,090	36,090
Van Ameringen Foundation	-	56,800
Wilson Sheehan Foundation	24,636	20,000
NYC Economic Development Corp.	-	13,975
Raskob Foundation	-	40,000
Helen Wolk Foundation	10,000	-
Thursday Club	-	41,667
Dunn Development Corp.	50,000	-
Other	<u>15,000</u>	<u>20,000</u>
Total	<u>\$ 224,726</u>	<u>\$ 1,353,532</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. In January of 2019, the Corporation used the award to purchase a residential home for the purpose of providing housing to formerly incarcerated mothers and their children.

NOTE 15 - 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.

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
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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. Effective November 1, 2018, the Corporation amended the retirement plan and began discretionary employer match contributions. The employer match contribution was up to 2% of the salary of participating employees. During the years ended June 30, 2019 and 2018, the Corporation made matching contributions of \$17,164 and \$0 for the eligible employees.

NOTE 17 - 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 only monthly interest payments of \$10,000. The interest expense for the years ended June 30, 2019 and 2018 was \$120,000 and \$114,516 respectively. As of June 30, 2019 and 2018, the balance of the note payable is \$4,000,000. The entire principal is due on July 18, 2020 (maturity date).

NOTE 18 - Contract Income

The Corporation entered into a subcontract agreement with Osbourne Treatment Service, Inc. (Osbourne), 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. The Corporation agreed to support diversion for women facing detention or incarceration by providing traditional housing services. For the years ended June 30, 2019 and 2018, the Corporation earned \$330,000 and \$302,500 respectively. As of June 30, 2019, the Corporation had a receivable of \$82,500 from Osbourne. As of June 30, 2018, receipts from Osbourne was greater than the expenditures that Corporation incurred by \$22,500, which was recorded as deferred revenue in the accompanying 2018 financial statements.

HOOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 19 - Liquidity

At June 30, 2019, the Corporation has \$1,098,530 of liquid assets, consisting of cash of \$389,360 and accounts receivable of \$620,866 and inventory of \$88,304 available to meet needs for general expenditures. None of the financial assets are subject to donor or other contractual restrictions.

Accordingly, all such funds are available to meet the cash needs of the Corporation in the next 12 months. In addition, the Corporation maintains funds in investments. Such funds are not considered by the Corporation to have donor restrictions.

The Corporation manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Corporation are expected to be met on a monthly basis from the rents of project units. In general, the Corporation maintains sufficient financial assets on hand to meet 30 days worth of normal operating expenses.

NOTE 20 - Restatement of Functional Expenses

The statement of functional expenses for the year ended June 30, 2018 has been restated to reflect allocation adjustments made by management. The total of these adjustments has not impacted the increase in net assets without donor restrictions for the year ended June 30, 2018.

NOTE 21 - Subsequent Events

Management has evaluated subsequent events or transactions occurring through November 21, 2019, 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.