

Hudson Guild, Inc.

Financial Statements

June 30, 2014

Independent Auditors' Report

Board of Trustees Hudson Guild, Inc.

We have audited the accompanying financial statements of Hudson Guild, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 24, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

O'Connor Davies, LLP

December 3, 2014

Hudson Guild, Inc.

Statement of Financial Position
June 30, 2014
(with comparative amounts at June 30, 2013)

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 497,909	\$ 422,002
Grants and contracts receivable, net	677,867	1,052,848
Third party insurance fees receivable, net	315,932	250,055
Pledges receivable, net	1,237,560	1,369,734
Prepaid expenses and other receivables	139,542	57,700
Investments	104,420	104,814
Property and equipment, net	5,133,444	5,435,779
Restricted investments	<u>1,109,819</u>	<u>1,109,819</u>
	<u>\$ 9,216,493</u>	<u>\$ 9,802,751</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued payroll and related expenses	\$ 355,639	\$ 294,221
Accounts payable and accrued expenses	316,810	498,311
Due to government agencies	191,727	499,365
Contract advances	70,951	167,621
Margin loan payable	<u>1,068,850</u>	<u>1,017,549</u>
Total Liabilities	<u>2,003,977</u>	<u>2,477,067</u>
Net Assets		
Unrestricted	4,956,864	5,159,617
Temporarily restricted	1,145,833	1,056,248
Permanently restricted	<u>1,109,819</u>	<u>1,109,819</u>
Total Net Assets	<u>7,212,516</u>	<u>7,325,684</u>
	<u>\$ 9,216,493</u>	<u>\$ 9,802,751</u>

See notes to financial statements

Hudson Guild, Inc.

Statement of Activities Year Ended June 30, 2014 (with summarized totals for the year ended June 30, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
REVENUE AND SUPPORT					
Grants and contracts	\$ 4,878,746	\$ -	\$ -	\$ 4,878,746	\$ 3,975,693
Third party insurance fees	882,446	-	-	882,446	991,049
Fees for service	531,926	-	-	531,926	480,871
Program and registration fees	172,083	-	-	172,083	239,867
Rental income	177,795	-	-	177,795	102,039
Investment return	966	470	-	1,436	42
Interest income	-	-	-	-	692
Other income	25,772	-	-	25,772	23,200
Contributions	368,366	119,121	-	487,487	1,817,224
Foundation awards	354,875	495,500	-	850,375	828,409
Contributed services	49,690	-	-	49,690	17,748
Contributed rent	402,639	-	-	402,639	402,639
Special events and other activities, net of direct benefit to donors of \$184,612 in 2014	521,901	-	-	521,901	464,216
	8,367,205	615,091	-	8,982,296	9,343,689
Net assets released from restrictions	525,506	(525,506)	-	-	-
Total Revenue and Support	8,892,711	89,585	-	8,982,296	9,343,689
EXPENSES					
Program Services					
Early childhood, youth and education services	4,259,704	-	-	4,259,704	3,724,234
Mental health and social services	2,004,205	-	-	2,004,205	1,880,048
Senior services	1,341,872	-	-	1,341,872	1,250,094
Culture and arts	347,845	-	-	347,845	301,556
Housing and advocacy services	28,080	-	-	28,080	32,036
	7,981,706	-	-	7,981,706	7,187,968
Management and general	866,023	-	-	866,023	690,640
Development and fundraising	247,735	-	-	247,735	450,091
Total Expenses	9,095,464	-	-	9,095,464	8,328,699
Change in Net Assets	(202,753)	89,585	-	(113,168)	1,014,990
NET ASSETS					
Beginning of year	5,159,617	1,056,248	1,109,819	7,325,684	6,310,694
End of year	\$ 4,956,864	\$ 1,145,833	\$ 1,109,819	\$ 7,212,516	\$ 7,325,684

See notes to financial statements

Hudson Guild, Inc.

Statement of Functional Expenses Year Ended June 30, 2014 (with summarized totals for the year ended June 30, 2013)

	Program Services					Total	Management and General	Development and Fundraising	2014 Total Expenses	2013 Total Expenses
	Early Childhood, Youth and Education Services	Mental Health and Social Services	Senior Services	Culture and Arts	Housing and Advocacy Services					
Salaries and wages	\$ 2,283,088	\$ 1,089,806	\$ 593,883	\$ 67,348	\$ 22,765	\$ 4,056,890	\$ 578,382	\$ 98,502	\$ 4,733,774	\$ 4,373,321
Payroll taxes	294,026	85,312	62,766	5,971	1,849	449,924	37,483	16,571	503,978	463,589
Fringe benefits	200,621	155,937	78,795	8,626	708	444,687	108,044	7,043	559,774	512,491
Total Payroll Costs	2,777,735	1,331,055	735,444	81,945	25,322	4,951,501	723,909	122,116	5,797,526	5,349,401
Temporary help and stipends (including inkind services of \$49,690 in 2014)	153,291	93,167	99,786	40,559	-	386,803	56,612	26,807	470,222	455,150
Professional services and management fees	263,131	145,001	45,313	7,379	-	460,824	126,729	39,806	627,359	569,500
Staff recruiting and training	11,086	1,362	1,821	-	-	14,269	5,489	37	19,795	15,031
Printing, postage, shipping and advertising	8,355	3,359	2,358	1,947	-	16,019	7,460	13,382	36,861	39,297
Transportation	12,017	10,035	26,785	1,715	-	50,552	1,054	496	52,102	49,392
Participant activity cost	26,170	45	4,859	-	-	31,074	-	-	31,074	20,047
Repairs and maintenance	5,001	347	10,857	1,876	1,570	19,651	43,723	272	63,646	26,682
Service contracts	46,336	32,160	29,606	21,208	1,003	130,313	109,565	3,316	243,194	139,269
Equipment	12,711	2,138	5,155	3,000	-	23,004	7,635	1,651	32,290	32,786
Dues and subscriptions	12,572	4,856	2,420	193	-	20,041	14,485	574	35,100	18,852
Rent and utilities	123,426	-	-	-	-	123,426	-	-	123,426	77,607
In-kind rent	221,451	40,264	40,264	80,528	-	382,507	16,106	4,026	402,639	402,639
Telephone and internet access	31,817	16,146	16,621	1,748	-	66,332	33,199	3,594	103,125	73,252
Supplies	84,516	26,451	38,830	8,784	185	158,766	16,184	1,244	176,194	152,774
Insurance	53,226	20,184	14,011	1,245	-	88,666	1,925	7,361	97,952	89,715
Food	68,985	785	117,978	1,202	785	188,950	1,728	18,860	209,538	208,834
Depreciation and amortization	218,719	39,768	39,769	79,534	-	377,790	15,848	4,033	397,671	384,605
Interest expense	-	-	-	-	-	-	51,954	-	51,954	48,667
Bank charge	71	-	-	-	-	71	10,343	-	10,414	7,629
Other expenses	-	89	3,893	-	-	3,982	19,279	160	23,421	14,099
Bad debt expense	13,251	72,696	-	-	-	85,947	4,014	-	89,961	153,471
Administrative overhead allocation	115,837	164,297	106,102	14,982	-	401,218	(401,218)	-	-	-
	<u>\$ 4,259,704</u>	<u>\$ 2,004,205</u>	<u>\$ 1,341,872</u>	<u>\$ 347,845</u>	<u>\$ 28,080</u>	<u>\$ 7,981,706</u>	<u>\$ 866,023</u>	<u>\$ 247,735</u>	<u>\$ 9,095,464</u>	<u>\$ 8,328,699</u>

See notes to financial statements

Hudson Guild, Inc.

Statement of Cash Flows Year Ended June 30, 2014 (with comparative amounts for the year ended June 30, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (113,168)	\$ 1,014,990
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized and unrealized (gain) loss on investments	(966)	144
Donation of marketable securities	(121,520)	(78,783)
Depreciation and amortization	397,671	384,605
Bad debt expense	89,961	153,471
Negotiated reduction in amount due to government agencies	(370,665)	-
Changes in assets and liabilities		
Grants and contracts receivable	(148,721)	(1,762,492)
Third party insurance fees receivable	(138,573)	43,984
Pledges receivable	132,174	(1,220,102)
Prepaid expenses and other receivables	(81,842)	(7,222)
Accrued payroll and related expenses	61,418	14,976
Accounts payable and accrued expenses	(181,501)	(42,867)
Due to government agencies	63,027	-
Contract advances	409,767	1,700,853
Net Cash from Operating Activities	(2,938)	201,557
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(95,336)	(36,450)
Purchases of investments	(3,147,853)	(2,668,035)
Proceeds from sale of investments	3,270,733	2,745,984
Net Cash from Investing Activities	27,544	41,499
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from margin loan	3,271,835	2,690,596
Payments of margin loan	(3,220,534)	(2,652,086)
Proceeds from line of credit/loans payable	80,000	188,808
Payment of line of credit/loans payable	(80,000)	(188,808)
Net Cash from Financing Activities	51,301	38,510
Net Change in Cash and Cash Equivalents	75,907	281,566
CASH AND CASH EQUIVALENTS		
Beginning of year	422,002	140,436
End of year	\$ 497,909	\$ 422,002
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 51,954	\$ 48,667

See notes to financial statements

Hudson Guild, Inc.

Notes to Financial Statements
June 30, 2014

1. Organization and Tax Status

Hudson Guild, Inc. (the "Organization") is a not-for-profit corporation organized in the State of New York in 1895. The Organization provides community services in the Chelsea section of Manhattan, New York, that include early childhood education, culture and arts, youth and education, mental health and social services, senior services and housing and advocacy.

The Organization is exempt from Federal income taxes pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code and has been determined to be a publicly supported organization, not a private foundation under Section 509(a) of the Code.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make certain 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. Accordingly, actual results could differ from those estimates.

Net Assets Presentation

The financial statements report amounts separately by class of net assets based on the presence or absence of donor restrictions. Unrestricted amounts are those currently available at the discretion of the Board of Trustees for use in the Organization's operations. Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes or for future periods. Permanently restricted net assets result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Fair Value Measurements

The Organization follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable and are used to the extent that observable inputs do not exist.

Hudson Guild, Inc.

Notes to Financial Statements
June 30, 2014

2. Summary of Significant Accounting Policies (*continued*)

Cash and Cash Equivalents

Cash and cash equivalents include cash held in banks and money market funds other than those held in long-term investment accounts. Cash and cash equivalents include highly liquid instruments with a maturity of three months or less when acquired.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is established for grants and contracts and third party insurance fees receivables where there exists doubt as to whether an amount will be fully collected. The determination of this allowance is an estimate based on the Organization's historical experience, review of account balances and expectations relative to collections. Third party insurance fees receivables are reflected in the statement of financial position net of an allowance for doubtful accounts of \$241,823 as of June 30, 2014. There was no allowance for doubtful accounts as of June 30, 2014 for grants and contracts and pledges receivable due to management's determination of the collectability of the specific receivables.

Investments and Income Recognition

The Organization reports investments at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the accompanying statement of activities.

Property and Equipment

Purchases of property and equipment are stated at cost. Donated items are stated at fair value on the date of donation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Estimated useful lives are the lesser of the life of the lease or 25 years for leasehold and building improvements, five to 20 years for furniture and equipment and five to eight years for vehicles. At the time of retirement or other disposition of assets, the cost and accumulated depreciation are removed from the accounts and any gains or losses are reflected in the statement of activities. Costs related to the construction or renovation of a facility is categorized in construction in progress until the construction or renovation is substantially completed. At that time, these costs are then re-categorized in the appropriate asset category of leasehold and building improvements.

Revenue and Support Recognition

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and reports this support as unrestricted or restricted support according to donor stipulations that may limit the use of these assets due to time or purpose restrictions. When a donor restriction expires or is otherwise satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Hudson Guild, Inc.

Notes to Financial Statements

June 30, 2014

2. Summary of Significant Accounting Policies *(continued)*

Revenue and Support Recognition (continued)

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

The Organization recognizes grant and contract revenues in the statement of activities to the extent that reimbursable expenses have been incurred for the purpose specified by the grantor during the period. Funds received in advance of their restricted use are reported as contract advances in the statement of financial position. Revenue for performance based grants and contracts are recognized on a fixed fee unit basis based on actual services rendered, not to exceed the maximum allowable per the grant or contract.

Third party insurance fees are reported at the estimated net realizable amounts from Medicare/Medicaid, third-party payers, and others when services are provided.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with specific program and support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated in accordance with other equitable bases.

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Advertising

Advertising costs are expensed as incurred and amounted to \$16,246 for the year ended June 30, 2014.

In-kind Contributions

The Organization recognizes the fair value of donated services which create or enhance nonfinancial assets, or require specialized skills provided by individuals possessing those skills and would typically be purchased if not provided by donation.

Hudson Guild, Inc.

Notes to Financial Statements
June 30, 2014

2. Summary of Significant Accounting Policies (*continued*)

In-kind Contributions (continued)

Since May 1989, the Organization has been granted rent free use annually by the New York City Housing Authority ("NYCHA") covering the Organization's New York City facilities. Contributed rent reported in the statement of activities is based on fair rental value of \$402,639 as of June 20, 2014.

During fiscal year 2014, the Organization operated a Headstart program with three locations. Volunteers performed services for this program based on their annual teaching salary. As of June 30, 2014 the fair value of the services totaled \$49,690.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only when they are more likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to audits by the applicable taxing jurisdictions for fiscal periods prior to June 30, 2011.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is December 3, 2014.

3. Concentration and Credit Risk

Certain financial instruments potentially subject the Organization to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents, grants, contracts, pledges receivable and investments. The Organization places its cash and cash equivalents with high credit quality financial institutions which, at times, may exceed federally insured limits. Concentrations of credit risk with respect to receivables are generally diversified due to the large number of entities and individuals composing the entity's program and donor base. The Organization performs ongoing credit evaluations and writes off uncollectible amounts as they become known.

The investment portfolio is managed by professional investment advisors and managers. The Organization performs ongoing evaluations of its portfolio and believes that credit risk to this portfolio is minimal.

Hudson Guild, Inc.

Notes to Financial Statements June 30, 2014

4. Pledges Receivable

Pledges receivable at June 30, 2014 are summarized as follows:

Due within one year	\$ 917,560
Due within two to five years	<u>336,000</u>
	1,253,560
Discount to present value	<u>(16,000)</u>
	<u>\$1,237,560</u>

A present value discount rate of 5.00% has been utilized, which takes into consideration discount factors that approximate the risk and expected timing of future contribution payments.

5. Investments and Investment Return

All investments at June 30, 2014 are valued using Level 1 inputs in the fair value hierarchy and are summarized as follows:

Mutual funds	\$ 355
U.S. Government securities	<u>1,213,884</u>
	<u>\$1,214,239</u>

Investment return for 2014 consists of the following:

Interest and dividend income	\$ 470
Realized and unrealized gain on investments	<u>966</u>
	<u>\$1,436</u>

6. Property and Equipment

Property and equipment consist of the following at June 30, 2014:

Leasehold and building improvements	\$8,235,469
Furniture and equipment	<u>1,156,708</u>
	9,392,177
Accumulated depreciation	<u>(4,258,733)</u>
	<u>\$5,133,444</u>

7. Margin Loan Payable

The Organization has a margin loan agreement with an investment bank secured by its investment account, in which it can borrow up to its account balance. Fair value of the investment portfolio is the maximum available line of credit and the collateral for the loan. Interest charged on borrowings is prime minus 1/4 percent and ranged from 5.00% to 5.075% in 2014. The outstanding borrowing on the line of credit at June 30, 2014 is \$1,068,850.

Hudson Guild, Inc.

Notes to Financial Statements June 30, 2014

8. Line of Credit

The Organization has a \$350,000 line of credit with a financial institution which is collateralized by all business assets, to provide for working capital when needed. Interest is payable at a variable rate with a floor of 4.50%. There was no outstanding balance at June 30, 2014. The line expires September 30, 2015.

9. Endowment Fund

Substantially all investments are included in the Organization's donor-restricted endowment fund. The Organization's endowment consists of various individual gifts established primarily to support the mission of the Organization. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Organization has interpreted the New York Prudent Management of Institutional Funds Act as allowing the Organization to appropriate for expenditure or accumulate so much of the donor-restricted endowment fund as the Organization determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donors as expressed in their gift instruments except in those cases where the law allows appropriation for spending of the original gift amounts. The assets in the endowment funds shall be donor-restricted assets until appropriated for expenditure by the Board of Directors. Unless authorized by the Board of Directors, the appropriations from the endowment fund should not deplete the historical dollar value of the endowment fund.

Investment Policy

In managing its endowment, the Organization seeks to carry out the intention of its donors and to achieve the programmatic goals of the Organization. In making investment decisions, the Board of Trustees attempts to generate income, while endeavoring to preserve principal. Actual returns will vary between years due to changes in market condition. In deciding on expenditures of endowment funds, the Board of Trustees considers, among other factors, the short-term and long-term needs of the Organization in carrying out its purposes, the present and anticipated financial requirements of the Organization, the expected total returns on the investments of the Organization, price level trends, and general economic conditions.

Hudson Guild, Inc.

Notes to Financial Statements
June 30, 2014

9. Endowment Fund (continued)

Investment Policy (continued)

The following is a reconciliation of the investment activity in the donor restricted endowment for the year ended June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, June 30, 2013	\$ (2,757)	\$ -	\$ 1,109,819	\$1,107,062
Interest and dividend income	-	470	-	470
Realized and unrealized gain on investments	966	-	-	966
Appropriation for expenditures	470	(470)	-	-
Expenditures for operations	<u>(470)</u>	<u>-</u>	<u>-</u>	<u>(470)</u>
Balance, June 30, 2014	<u>\$ (1,791)</u>	<u>\$ -</u>	<u>\$ 1,109,819</u>	<u>\$1,108,028</u>

10. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 are available for the following purposes or periods:

Technology lab	\$ 884,000
Scholarships	20,000
Mental health	46,000
Adult services	-
Children and youth programs	145,833
Time restricted	<u>50,000</u>
	<u>\$ 1,145,833</u>

Permanently restricted net assets consist of the Monroe C. Gutman Education Fund, which was established on July 1, 1973 in the amount of \$1,009,819 and the William Randolph Hearst Endowment for Chelsea Children which was established in July 1999 in the amount of \$100,000. Income earned thereon is to be used for educational purposes.

11. Net Assets Released from Restrictions

The amounts released from restrictions during the year ended June 30, 2014 are as follows:

Children and youth programs	\$ 355,287
Community building	7,500
Adult services	131,000
Mental health	31,249
Operations	<u>470</u>
	<u>\$ 525,506</u>

Hudson Guild, Inc.

Notes to Financial Statements
June 30, 2014

12. Retirement Plan

The Organization maintains a qualified, noncontributory, defined contribution pension plan covering substantially all eligible nonunion employees. As of January 1, 2009, the Organization suspended its contribution. There was no pension expense for 2014.

13. Economic Dependency

For the year ended June 30, 2014, approximately 70% of the Organization's government grants and contracts funding was provided by the following City of New York Agencies: Administration for Children's Services, Department of Education, Housing Authority, Department of Youth and Community Development, Department of Health and Mental Hygiene, Department for the Aging and Department of Housing Preservation and Development. The Organization is economically dependent on these grants and contracts to continue operations.

14. Commitments

On September 1, 2013, the Organization entered into a lease agreement for space for its Headstart program. Monthly rent is \$7,917 under the terms of the lease. The lease expires on August 31, 2016. Rent expense for the Headstart program for the year ended June 30, 2014 was \$79,167.

The remaining commitments under these leases are as follows:

2015	\$ 95,000
2016	<u>110,833</u>
	<u>\$ 205,833</u>

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