Helen Keller Services

Financial Statements
Year Ended June 30, 2021

Helen Keller Services

Financial Statements
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Helen Keller Services

Contents

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Independent Auditor's Report

The Board of Trustees
Helen Keller Services
Brooklyn, New York

Opinion

We have audited the financial statements of Helen Keller Services (HKS), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of HKS as of June 30, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HKS's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the financial statements of Helen Keller Services as of and for the year ended June 30, 2020, and our report dated October 30, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

November 2, 2021

Helen Keller Services

Statement of Financial Position
(with comparative totals for 2020)

June 30,

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Assets				
Current				
Cash and cash equivalents (including funds held in trust for trainees of $21,197 in 2021)	$ 1,096,232	$ 522,952	**$ 1,619,184**	$ 5,850,173
Grants receivable (Note 2)	3,692,584	-	**3,692,584**	1,033,298
Program fees and accounts receivable, net (Note 2)	2,545,079	-	**2,545,079**	2,850,353
Pledges receivable, net (Note 4)	-	85,090	**85,090**	85,090
Due from other funds	-	346,497	**346,497**	207,455
Investments, at fair value (Note 5)	99,094,685	344,096	**99,438,781**	81,686,500
Other assets	737,947	-	**737,947**	676,919
Total Current Assets	107,166,527	1,298,635	**108,465,162**	92,389,788
Pledges Receivable, Net, less current portion (Note 4)	-	-	**-**	117,559
Investments, at Fair Value, less current portion (Note 5)	3,059,053	3,207,206	**6,266,259**	5,330,283
Property, Plant, and Equipment, Net (Note 7)	9,470,106	-	**9,470,106**	10,082,755
	$ 119,695,686	$ 4,505,841	**$ 124,201,527**	$ 107,920,385
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	$ 3,152,547	$ -	**$ 3,152,547**	$ 3,657,050
Deferred revenue	-	-	**-**	481,696
Due to other funds	332,882	14,719	**347,601**	207,455
PPP loan payable, current portion	4,740,000	-	**4,740,000**	-
Other liabilities (Note 6)	62,968	-	**62,968**	69,159
Total Current Liabilities	8,288,397	14,719	**8,303,116**	4,415,360
Refundable Deposits	165,977	-	**165,977**	165,977
PPP Loan Payable (Note 8)	-	-	**-**	4,740,000
Deferred Rent	5,433,472	-	**5,433,472**	5,341,849
Accrued Pension Liability (Note 11)	6,505,446	-	**6,505,446**	19,286,614
Total Liabilities	20,393,292	14,719	**20,408,011**	33,949,800
Commitments and Contingencies (Notes 9, 10, 11, 12, and 14)				
Net Assets (Note 9)				
Without donor restrictions	99,302,394	-	**99,302,394**	70,343,658
With donor restrictions:				
Time/purpose restricted (Note 9)	-	1,298,635	**1,298,635**	918,043
Perpetual Trusts (Note 9)	-	2,741,142	**2,741,142**	2,257,539
Endowment funds (Note 9)	-	451,345	**451,345**	451,345
Total Net Assets	99,302,394	4,491,122	**103,793,516**	73,970,585
Total Liabilities and Net Assets	$ 119,695,686	$ 4,505,841	**$ 124,201,527**	$ 107,920,385

See accompanying notes to financial statements.

Helen Keller Services

Statement of Activities
(with comparative totals for 2020)

Year ended June 30,

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Support and Revenue				
Public support:				
Contributions	$ 476,886	$ 421,108	**$ 897,994**	$ 1,284,470
Legacies	316,782	-	**316,782**	431,476
Special events:		-		
Gross receipts	40,911	-	**40,911**	196,701
Less: direct donor benefits	(3,575)	-	**(3,575)**	(129,922)
Total Public Support	831,004	421,108	**1,252,112**	1,782,725
Fees and grants from government agencies:				
National Center for Deaf-Blind Youths and Adults – grant income	19,748,486	-	**19,748,486**	17,822,514
Helen Keller Services for the Blind – grant income	374,640	-	**374,640**	389,950
Training fees and allowances	8,305,551	-	**8,305,551**	10,809,768
Total Fees and Grants from Government Agencies	28,428,677	-	**28,428,677**	29,022,232
Other revenue:				
Investment income	2,195,487	-	**2,195,487**	2,817,085
Rental income:		-		
Gross receipts	649,635	-	**649,635**	381,789
Less: direct costs	(193,362)	-	**(193,362)**	(519,864)
Net gain (loss) on investments	21,303,060	483,603	**21,786,663**	(1,575,760)
Other	786,233	-	**786,233**	47,672
Total Other Revenue	24,741,053	483,603	**25,224,656**	1,150,922
Net assets released from restrictions (Note 10)	40,516	(40,516)	**-**	-
Total Support and Revenue	$ 54,041,250	$ 864,195	**$ 54,905,445**	$ 31,955,879

Helen Keller Services

Statement of Activities (Continued)
(with comparative totals for 2020)

Year ended June 30,

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Expenses				
Program services:				
Assistive technology	$ 1,038,133	$ -	**$ 1,038,133**	$ 555,747
Low vision and audiology	391,179	-	**391,179**	474,567
Comprehensive services	3,303,979	-	**3,303,979**	3,286,254
Supported employment services	42,620	-	**42,620**	39,144
Day habilitation services	1,963,997	-	**1,963,997**	2,533,588
Blind children program	3,480,930	-	**3,480,930**	3,457,618
Summer camp	64,004	-	**64,004**	218,144
National Center for Deaf-Blind Youths and Adults	16,066,634	-	**16,066,634**	17,715,641
Residential	722,605	-	**722,605**	771,516
Total Program Services	27,074,081	-	**27,074,081**	29,052,219
Supporting services:				
Management and general	4,005,399	-	**4,005,399**	4,238,331
Fundraising	810,751	-	**810,751**	606,742
Public relations and volunteer services	287,734	-	**287,734**	277,079
Total Supporting Services	5,103,884	-	**5,103,884**	5,122,152
Total Expenses	32,177,965	-	**32,177,965**	34,174,371
Change in Net Assets, before decrease (increase) in additional minimum pension liability	21,863,285	864,195	**22,727,480**	(2,218,492)
Decrease (Increase) in Unfunded Pension Obligation	7,095,451	-	**7,095,451**	(4,168,280)
Change in Net Assets	28,958,736	864,195	**29,822,931**	(6,386,772)
Net Assets, beginning of year	70,343,658	3,626,927	**73,970,585**	80,357,357
Net Assets, end of year	$ 99,302,394	$ 4,491,122	**$ 103,793,516**	$ 73,970,585

See accompanying notes to financial statements.

Helen Keller Services

Statement of Functional Expenses
(with comparative totals for 2020)

Year ended June 30,

	Program Services									
	Assistive Technology	Low Vision and Audiology	Comprehensive Services	Supported Employment Services	Day Habilitation Services	Blind Children Program	Summer Camp	National Center for Deaf-Blind Youths and Adults	Residential	Total Program Services
Salaries	$ 352,606	$ 150,587	$ 1,510,264	$ 21,756	$ 1,005,835	$ 1,447,117	$ 42,945	$ 8,563,511	$ 476,324	$ 13,570,945
Employee benefits and payroll taxes	531,615	46,993	679,026	9,295	419,762	591,628	4,820	3,817,119	190,124	6,290,382
Real estate taxes and municipal service charge	-	-	-	-	-	-	-	3,335	-	3,335
Rent	-	-	-	-	-	-	-	100,650	-	100,650
Heat, light and power	-	-	-	-	-	-	-	258,527	9,066	267,593
Supplies, equipment, and printing	3,448	897	25,671	-	4,409	44,020	2,396	381,041	4,092	465,974
Cleaning service	-	-	-	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-	-	-	-
Telephone	2,691	2,193	33,134	609	15,396	11,174	548	101,717	9,057	176,519
Insurance	2,691	10,800	12,934	-	113,727	11,028	11,495	148,955	11,096	322,726
Repairs and maintenance	-	-	-	-	360	-	-	94,191	7,014	101,565
Travel	813	2,720	22,817	-	1,242	641	-	152,336	157	180,726
Auto maintenance	-	-	-	-	49,703	-	-	14,216	1,334	65,253
Consultant fees	-	-	-	-	-	-	-	1,068,154	-	1,068,154
Professional fees	-	-	1,575	-	250	156,466	-	6,671	1,735	166,697
Medical fees	-	-	-	-	-	-	-	8,513	-	8,513
Medical supplies	-	-	-	-	-	-	-	2,557	3,732	6,289
Food	-	-	1,085	-	-	-	-	22,132	8,985	32,202
Client transportation	-	-	-	-	-	-	-	(150)	-	(150)
Client recreation	-	-	25,200	-	-	-	1,500	1,877	-	28,577
Client aids	7,695	92,207	59,751	-	-	-	-	109,420	(4,125)	264,948
Payments to subawards	-	-	-	-	-	-	-	378,478	-	378,478
Trainee allowances	-	-	49,393	-	-	-	-	-	-	49,393
Staff development and seminars	-	-	(1,088)	-	89	1,051	-	7,648	-	7,700
Postage	-	-	115	-	1,411	-	-	10,984	-	12,510
Equipment rental	-	-	2,834	-	1,498	2,864	-	(85)	1,417	8,528
Outside services	222	-	5,549	-	25	6,354	300	375,240	-	387,690
Bank and investment fees	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	3,333	-	-	-	58,660	-	-	237,631	2,597	302,221
Miscellaneous	-	-	-	-	-	-	-	201,966	-	201,966
Total, before building allocations	905,114	306,397	2,428,260	31,660	1,672,367	2,272,343	64,004	16,066,634	722,605	24,469,384
Building allocations:										
Brooklyn Bldg.:										
Program and supporting services	100,716	50,358	553,936	-	-	1,208,587	-	-	-	1,913,597
Rental properties	-	-	-	-	-	-	-	-	-	-
Hempstead Bldg.:										
Program and supporting services	32,303	27,111	288,419	10,960	218,044	-	-	-	-	576,837
Rental properties	-	-	-	-	-	-	-	-	-	-
Suffolk Bldg.:										
Program and supporting services	-	7,313	33,364	-	73,586	-	-	-	-	114,263
Total Expenses	$ 1,038,133	$ 391,179	$ 3,303,979	$ 42,620	$ 1,963,997	$ 3,480,930	$ 64,004	$ 16,066,634	$ 722,605	$ 27,074,081

Helen Keller Services

Statement of Functional Expenses (Continued)
(with comparative totals for 2020)

Year ended June 30,

	Supporting Services								Total	
	Brooklyn Buildings	Hempstead Building	Suffolk Building	National Center for Deaf-Blind Youths and Adults (Note 11)	Management and General	Fundraising	Public Relations and Volunteer Services	Total Supporting Services	**2021**	2020
Salaries	$ 12,173	$ -	$ -	$ 810,153	$ 730,129	$ 292,153	$ -	$ 1,844,608	**$ 15,415,553**	$ 17,742,817
Employee benefits and payroll taxes	143	-	-	345,803	145,147	(2,783)	-	488,310	**6,778,692**	6,813,175
Real estate taxes and municipal service charge	120,247	193,362	-	40,840	-	-	-	354,449	**357,784**	184,514
Rent	1,710,392	-	81,731	-	-	-	-	1,792,123	**1,892,773**	1,920,623
Heat, light and power	136,477	97,096	15,257	22,142	-	-	-	270,972	**538,565**	675,364
Supplies, equipment, and printing	6,789	15,634	(207)	47,677	426,639	10,486	-	507,018	**972,992**	646,705
Cleaning service	-	11,510	-	-	-	-	-	11,510	**11,510**	8,295
Advertising	1,669	-	-	-	-	321	16,070	18,060	**18,060**	2,647
Telephone	2,951	-	2,660	8,711	22,593	1,716	-	38,631	**215,150**	215,925
Insurance	17,159	22,828	4,508	12,757	27,889	-	-	85,141	**407,867**	413,716
Repairs and maintenance	53,796	76,587	1,100	8,067	-	-	-	139,550	**241,115**	167,068
Travel	1,044	1,012	-	6,247	6,966	2,322	-	17,591	**198,317**	430,910
Auto maintenance	-	-	-	-	-	-	-	-	**65,253**	110,820
Consultant fees	-	-	-	321,203	-	-	-	321,203	**1,389,357**	1,244,833
Professional fees	(1,403)	-	-	243,355	309,145	-	86,688	637,785	**804,482**	875,268
Medical fees	-	-	-	-	-	-	-	-	**8,513**	21,353
Medical supplies	-	-	-	-	-	-	-	-	**6,289**	10,354
Food	848	-	-	-	1,167	184	-	2,199	**34,401**	154,885
Client transportation	-	-	-	-	-	-	-	-	**(150)**	87,216
Client recreation	-	-	-	-	-	-	-	-	**28,577**	48,909
Client aids	-	-	-	-	-	-	-	-	**264,948**	431,413
Payments to subawards	-	-	-	-	-	-	-	-	**378,478**	433,564
Trainee allowances	-	-	-	-	-	-	-	-	**49,393**	74,060
Staff development and seminars	-	-	-	14,650	175	1,342	-	16,167	**23,867**	25,983
Postage	-	-	-	11,047	8,363	511	-	19,921	**32,431**	27,694
Equipment rental	2,282	1,372	2,617	18,432	8,305	-	-	33,008	**41,536**	46,134
Outside services	138,442	254,020	3,924	80,710	123,977	-	-	601,073	**988,763**	750,083
Bank and investment fees	3,153	-	-	9,552	183,636	-	-	196,341	**196,341**	195,982
Interest expense	-	-	-	-	93	-	-	93	**93**	-
Depreciation and amortization	308,036	97,923	2,622	38,684	-	-	-	447,265	**749,486**	757,221
Miscellaneous	3,691	(1,145)	51	16,641	8,372	7,484	23,831	58,925	**260,891**	176,704
Total, before building allocations	2,517,889	770,199	114,263	2,056,671	2,002,596	313,736	126,589	7,901,943	**32,371,327**	34,694,235
Building allocations:										
Brooklyn Bldg.:										
Program and supporting services	(2,517,889)	-	-	-	420,487	22,660	161,145	(1,913,597)	**-**	-
Rental properties	-	-	-	-	-	-	-	-	**-**	-
Hempstead Bldg.:										
Program and supporting services	-	(576,837)	-	-	-	-	-	(576,837)	**-**	-
Rental properties	-	(193,362)	-	-	-	-	-	(193,362)	**(193,362)**	(519,864)
Suffolk Bldg.:										
Program and supporting services	-	-	(114,263)	-	-	-	-	(114,263)	**-**	-
Total Expenses	$ -	$ -	$ -	$ 2,056,671	$ 2,423,083	$ 336,396	$ 287,734	$ 5,103,884	**$ 32,177,965**	$ 34,174,371

See accompanying notes to financial statements.

Helen Keller Services

Statement of Cash Flows
(with comparative totals for 2020)

Year ended June 30,	**2021**	2020
Cash Flows from Operating Activities		
Change in net assets	**$ 29,822,931**	$ (6,386,772)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	**749,486**	757,221
Unrealized losses (gains) on investments	**(18,829,251)**	(490,767)
Realized gains on investments	**(2,957,412)**	2,066,527
Change in present value of pledges receivable	**(13,081)**	11,167
Increase (decrease) in minimum pension obligation	**(7,095,451)**	4,168,280
Decrease (increase) in assets:		
Grants receivable	**(2,659,286)**	(785,666)
Program fees and accounts receivable	**305,274**	286,357
Pledges receivable	**130,640**	63,661
Due from other funds	**(139,042)**	19
Other assets	**(61,028)**	99,300
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	**(504,503)**	(579,673)
Deferred revenue	**(481,696)**	1,064
Refundable deposits	**-**	150
Deferred rent	**91,623**	(466,613)
Due to other funds	**140,146**	(19)
Other liabilities	**(6,191)**	1,164
Accrued pension obligation	**(5,685,717)**	(1,270,389)
Net Cash Used in Operating Activities	**(7,192,558)**	(2,524,989)
Cash Flows from Investing Activities		
Purchases of investments	**(25,128,472)**	(27,554,940)
Proceeds from sale of investments	**36,023,821**	30,863,135
Change in cash equivalents used in investments	**(7,796,943)**	(665,873)
Purchases of property, plant, and equipment	**(136,837)**	(945,770)
Net Cash Provided by Investing Activities	**2,961,569**	1,696,552
Cash Flows from Financing Activities		
Proceeds from loan - Paycheck Protection Program	**-**	4,740,000
Net Cash Provided by Financing Activities	**-**	4,740,000
Increase (Decrease) in Cash and Cash Equivalents	**(4,230,989)**	3,911,563
Cash and Cash Equivalents, beginning of year	**5,850,173**	1,938,610
Cash and Cash Equivalents, end of year	**$ 1,619,184**	$ 5,850,173

See accompanying notes to financial statements.

1. Description of Organization

The mission of Helen Keller Services (HKS) is to enable individuals who are blind and have low vision and additional disabilities and are Deafblind to live, work, and thrive in their community of choice. HKS is comprised of two divisions, Helen Keller Services for the Blind (HKSB) and Helen Keller National Center (HKNC or the Center).

HKSB offers an array of services in New York City/Long Island area and operates training facilities in Brooklyn, Hempstead, and Islandia. The services include a pre-school; early intervention; camp; day habilitation services; low vision services; vocational rehabilitation to youth, working-age adults, and seniors; and residential services.

HKNC operates the only comprehensive national vocational rehabilitation program exclusively serving both youth and adults who are DeafBlind offering specialized intensive services, or any other services, at the Center in Sands Point, NY or anywhere else in the United States necessary to encourage the maximum personal development of any individual who is DeafBlind. In addition, HKNC provides training to family members of individuals who are DeafBlind, professionals, and allied personnel and conducts applied research, development programs, and demonstrations and maintains a national registry of individuals who are DeafBlind.

Programs

While HKS' constituency is national in scope, the following listing of programs are operated to serve individuals from diverse ethnic, racial, and socioeconomic backgrounds living in the New York metropolitan area (primarily Brooklyn, Queens, Nassau, and Suffolk counties):

Low Vision – This is a comprehensive program for legally blind children and adults that includes: ophthalmological services, optometric examinations, and the fitting of special lenses and other optical devices.

Comprehensive Services – This offers a comprehensive program of personal, social, vocational, and community adjustment services.

Supported Employment Services – This is a specialized job placement service that provides one-on-one job coaching at the work site and long-term follow-up services.

Day Habilitation Services – This provides individualized training and habilitation to developmentally disabled adults. The program emphasis is on developing skills that lead to greater independence, community integration and exposure to community resources and activities.

Blind Children Program - HKS operates specialized programs on a day basis under supervision of highly skilled professional workers for groups of blind children.

Residential – This consists of two group homes for blind and developmentally disabled adults. The residences, located in North Bellmore, New York and Port Washington, New York, are staffed 24 hours a day, seven days a week.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of HKS have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America, (U.S. GAAP) as applicable to not-for-profit organizations.

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets—without donor restrictions and with donor restrictions—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Income from investment gains and losses, including unrealized gains and losses, dividends, interest, and other investments should be reported as increases (or decreases) in net assets without donor restrictions, unless the use of the income received is limited by donor-imposed restrictions.

These classes are defined as follows:

Without Donor Restrictions – This class consists of net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of HKS.

With Donor Restrictions – This class consists of net assets with donor restrictions whose use is limited by donor-imposed, time and/or purpose restrictions. HKS reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature), while permitting HKS to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy. The net assets with donor restrictions that are included in this category are endowments and funds held in trust by others. The endowments are funds held by HKS, while the funds held in trust by others are funds held outside of HKS for the benefit of HKS.

Cash and Cash Equivalents

Cash equivalents represent short-term investments with original maturities of three months or less, except for those short-term investments managed by HKS' investment managers as part of their long-term investment strategies. Included in cash and cash equivalents are funds held in trust for trainees.

Revenue Recognition

As a practical expedient, HKS utilizes the portfolio approach for analyzing revenue contracts, in accordance with Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with*

Customers (Topic 606). HKS accounts for the contracts within each portfolio collectively, rather than individually, based on each revenue stream. HKS considers the similar nature and characteristics of the contract and customers in using the portfolio approach. HKS believes that the use of the portfolio approach to analyze contracts will not differ materially than if the contracts were analyzed individually.

Training Fees and Allowances

HKS receives a substantial amount of its revenue for services provided to approved participants from third-party reimbursement agencies, primarily the New York State Office for People with Developmental Disabilities (OPWDD), Medicaid, the Commission for Blind and Visually Handicapped, the State Education Department of New York (SED), and the U.S. Department of Education. These revenues are earned as services are performed and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position or results of operations of HKS.

Revenue is recognized as performance obligations are satisfied over time based on actual charges incurred in relation to total expected (or actual) charges. HKS measures revenue from the commencement of services, to the continuation of services and until services are no longer required. HKS believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

As substantially all of its performance obligations relate to established rate agreements with a duration of less than one year, HKS has elected, as part of their adoption of the revenue standard, to apply the optional exemption provided in ASU 2014-09, Revenue from Contracts with Customers (Topic 606), and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Throughout the year, rates may vary as determined by New York State, and HKS will record additional revenue resulting from a rate increase and record a reduction of revenue with a rate decrease. These rate adjustments represent variable consideration in the form of explicit or implicit price concessions and HKS considers these amounts in determination of the transaction price. HKS determines its estimates of explicit or implicit price concessions and contractual adjustments based on its historical collection experience.

Grants, Program Fees, and Accounts Receivable

Government and other grants revenues are nonexchange transactions in which no commensurate value is exchanged. Accordingly, contribution accounting is applied under ASC Topic 958, Not-for-Profit Entities. Government and other grants contracts are evaluated for contributions that are conditional. Factors indicating the existence of a conditional contribution include the presence of a barrier that must be overcome and either a right of return of assets transferred or a right of release of a funder's obligation to transfer the assets. Government and other grant revenues are recognized when the conditions are satisfied, which is generally when the expenditures for each contract are incurred. Government and other grant funds received in excess of revenue earned are recorded as deferred revenue.

Grants, program fees, and accounts receivable are stated at their unpaid balances, less an allowance for doubtful accounts. HKS provides for losses on amounts due using the allowance method. The allowance method is based on experience, contractual terms, and other circumstances, which may affect the ability of the agencies to meet their obligations. Grants, program fees, and accounts receivable are considered impaired if full principal payments are not received in accordance with the contractual terms. It is HKS' policy to charge off uncollectible amounts when management determines they will not be collected.

Contributions and Promises to Give

Contributions are reported at fair value on the date they are received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends or the purpose for the restriction is accomplished—net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, HKS reports the support as net assets without donor restrictions.

Contributions in the form of promises to give are recorded as revenue when signed pledges are made and are classified as either with donor restrictions or without donor restrictions. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Revenue with customers is comprised of the following:

June 30, 2021	
Training fees and allowances	$ 8,305,551
Total Revenue Subject to ASC 606	8,305,551
Total Revenue Not Subject to ASC 606	46,599,894
Total Support and Revenue	$ 54,905,445

Receivables and contract balances from contracts with customers are as follows:

	Receivables	Contract Liabilities (Deferred Revenue)
Beginning of Year	$ 2,850,353	$ 481,696
End of Year	$ 2,545,079	$ -

Concentration of Credit Risk

Financial instruments that potentially subject HKS to concentration of credit risk consist primarily of cash and cash equivalents. At times, HKS has cash deposits that exceed the FDIC insurance limit in place at the financial institution. These financial institutions have strong credit ratings, and management believes that credit risk related to these accounts is minimal.

Fair Value Measurement

Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as HKS would use in pricing HKS' asset or liability, based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of HKS are traded. HKS estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants who have investments in the same or similar assets would use, as determined by the money managers for each investment based on best information available in the circumstances.

The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable, as follows:

Level 1 – Valuations are based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuations are based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Valuations are based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Investments, at Fair Value

Investments are recorded at their fair values in the statement of financial position. Investment income, including realized and unrealized gains and losses on investments, is reported in the statement of activities as increases or decreases in net assets.

Income Taxes

HKS was incorporated in the state of New York and is exempt from federal and state income taxes under Section (501)(c)(3) of the Internal Revenue Code (the Code) and, therefore, has made no provision for income taxes in the accompanying financial statements.

HKS adopted the provisions of ASC 740, *Accounting for Uncertainty in Income Taxes*. Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. HKS does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. HKS has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, HKS has filed Internal Revenue Service (IRS) Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended June 30, 2021, there was no interest or penalties recorded or included in the statement of activities. As of June 30, 2021, the years still subject to examination by a taxing authority are 2018 through 2020.

Property, Plant, and Equipment, Net

Property, plant, and equipment, net, are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Asset Category	Years
Building and improvements	10-40
Furniture, fixtures and equipment	3-10
Vehicles	5-7

HKS follows the policy of capitalizing all fixed asset acquisitions in excess of $5,000. Maintenance and repairs are charged to operations when incurred. When fixed assets are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Impairment of Long-Lived Assets

HKS follows the provisions of ASC 360-10-35, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which requires HKS to review long-lived assets, including property, plant, and equipment, and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. For the year ended June 30, 2021, there have been no such losses.

Net Assets with Donor Restrictions Restricted in Perpetuity

HKS' net assets with donor restrictions include an endowment and funds held in trust by others that consists of investments that are restricted in perpetuity. HKS follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as they relate to their contributions with donor restrictions in perpetuity and net assets, effective upon New York State's enactment of the legislation in September 2010. The following applies to the endowment:

Interpretation of Relevant Law

HKS has interpreted NYPMIFA as requiring the preservation of the historical dollar value, or principal, of an endowment fund, unless the donor provides otherwise by specifying in their written gift instruments that the not-for-profit corporation's spending-rate policy be applied to the endowment funds. As a result of this interpretation, HKS classified as net assets with donor restrictions, and included the following:

- The original value of the gift donated to the permanent endowment.
- The original value of subsequent gifts to the permanent endowment.

- Accumulation of the permanent endowment made in accordance with the direction of the applicable donor instructions.

Investment and Spending Policies

HKS has adopted investment and spending policies for endowment assets that attempt to provide a stream of returns that would be utilized to fund various programs while seeking to maintain the purchasing power of the endowment assets. HKS considers distributing a percentage of its invested assets each year based upon their rolling average value over the prior eight quarters. In 2012, $1,000,000 for capital improvement projects was approved for future distribution from the endowment fund. As of June 30, 2021, HKS has spent $924,174 toward capital improvements. Endowment assets include those assets of donor-restricted funds that HKS must hold in perpetuity, and as directed by the donors, and those assets that are Board designated, as approved by the Board of Trustees of HKS. The endowment funds are invested in vehicles such as money market funds, mutual funds, government and equity securities, as well as certificates of deposit.

HKS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds.
- The purposes of HKS and the donor-restricted endowment funds.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation/depreciation of investments.
- Other resources of HKS.
- The investment policy of HKS.

Functional Expenses

Common costs incurred for the administration of the various programs are allocated directly to respective programs as incurred utilizing predetermined allocation rates established by management. These expenses include depreciation and amortization, utilities, and facilities operations and maintenance. Depreciation and amortization is allocated based on square footage and rent expense is allocated based on usage of space. Expenses that are related to the buildings or facilities located in Brooklyn, New York; Hempstead, New York; and Suffolk County, New York are presented by their natural classification in the statement of functional expenses under supporting services. These expenses are then further allocated by functional classification in program services and supporting services using the methods described above.

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

As a result of COVID-19 outbreak, HKS has incurred, and it is expected to incur for the foreseeable future, incremental and other COVID-19 pandemic-related expenses. COVID-19-related expenses consist of additional costs that HKS is incurring to protect its employees, contractors, and customers, and to support social-distancing requirements resulting from the COVID-19 outbreak. These costs include, but are not limited to, new or added benefits provided to employees, the purchase of additional personal protection equipment and disinfecting supplies, additional facility cleaning services, initiated programs and communications to customers on utility response, and increased technology expenses to support remote working, where possible.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full impact that the pandemic will have on HKS' financial condition, liquidity and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was enacted. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer-side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

The CARES Act also appropriated funds for the United States Small Business Administration Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by the COVID-19 outbreak. See Note 8 for additional information about HKS' PPP loan.

In December 2020, the U.S. Congress enacted the Consolidated Appropriations Act, 2021, which includes $900 billion in stimulus relief as a result of the COVID-19 outbreak. HKS is currently evaluation the impact of the consolidated Appropriations Act.

On March 10, 2021, Congress signed the $1.9 trillion American Rescue Plan Act into law. HKS did not apply for and does not expect to apply for any of the American Rescue Plan Act funding or benefits.

Management continues to examine the impact that the COVID-19 outbreak and CARES Act may have on its business. Management is currently unable to determine any additional impact on its financial condition, results of operation, or liquidity. Although HKS cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material effect on HKS' results of future operations, financial position, and liquidity in fiscal year 2022.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information. With respect to the statement of financial position and statement of activities, the prior-year information is presented in total, not by net asset class. With respect to the statement of functional expenses, the prior-year expenses are presented by expense classification in total rather than functional category. 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 HKS' financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers,* as amended by ASU 2015-14. The core principle of ASU 2014-09 is built on the contract between a vendor and a customer for the provision of goods and services and attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The provisions of ASU 2014-09 were adopted by HKS beginning July 1, 2020 and HKS elected the modified retrospective approach in adopting ASU 2014-09 to all contracts under the scope of the guidance. The adoption of this ASU did not have a material impact on the financial statements.

Accounting Pronouncements Issued but Not Yet Adopted

Accounting for Leases

In February 2016, the FASB issued ASU 2016-02, *Accounting for Leases*, which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. With the release of ASU 2020-05 this ASU was delayed and is effective for HKS' fiscal years beginning after December 31, 2021, with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

Reclassifications

Certain reclassifications have been made to the 2020 financial statements in order to conform the to 2021 presentation. There was no impact on the change in net assets.

3. Liquidity and Availability of Resources

HKS' financial assets within one year of the statement of financial position date for general expenditures are as follows:

June 30, 2021	
Total Current Assets Without Donor Restrictions	$ 107,166,527
Less: amounts unavailable for general expenditures within one year due to:	
Other assets	(737,947)
Funds held in trust for trainees	(21,197)
Total Financial Assets Available to Management for General Expenditure Within One Year	$ 106,407,383

Liquidity Management

As part of HKS' liquidity management, HKS structures its financial assets to be available as expenditures come due. For unanticipated liquidity needs, HKS has an extensive liquid investment portfolio.

4. Pledges Receivable, Net

At June 30, 2021, the net present value of pledges receivable is $85,090. All pledges are expected to be received within one year, accordingly no discount rate was applied.

The net present value of pledges receivable is summarized below:

June 30, 2021	
Total pledges receivable	$ 85,090
Net Present Value of Pledges Receivable	$ 85,090
Amounts due in:	
One year	$ 85,090
Total	$ 85,090

5. Investments, at Fair Value

A description of the valuation techniques applied to HKS' major categories of assets measured at fair value is as follows:

Equity Securities

For its investments with asset managers that hold equity securities, HKS has position-level transparency in individual holdings. These investments are priced by HKS' custodian using nationally recognized pricing services based upon observable data. Equity securities are classified as Level 1.

Mutual Funds

HKS has investments in publicly traded mutual funds that are carried at their aggregate market value, as determined by quoted market prices. Mutual funds are valued using net asset value (NAV) provided by the administrator of the fund. The NAV is based on the underlying assets owned by the fund, minus its liabilities, and then divided by the number of outstanding shares. The NAV is a quoted daily price on an active market. Mutual funds are classified as Level 1.

Private Real Estate Investment Trusts

HKS holds investments in private real estate investment trusts (trusts). Given that these are not a publicly traded funds, its fair value is based on information provided to HKS by the trusts. The values are based on estimates that require varying degrees of judgment and, for fund-of-funds investments, are primarily based on financial data supplied by the investment managers of the underlying funds. These funds are classified as Level 3.

Fixed Income

HKS has investments in fixed-income securities. These investments are priced by HKS' custodian using nationally recognized pricing services. HKS' fixed-income investments include United States Treasury notes and United States government obligations, which are priced daily, and as such are classified as Level 1. In addition, HKS invests in corporate bonds and other fixed-income securities. Since these corporate bonds and other fixed-income securities do not trade on a daily basis, the pricing services prepare estimates of fair value measurements for these securities using their proprietary pricing applications, which include relevant market information, benchmark curves, benchmarking of similar securities, sector groupings, and matrix pricing. These investments are classified as Level 2.

Public Real Estate Investment Trust

For its investments with asset managers that hold shares in public real estate investment trusts, HKS has position-level transparency into individual holdings. These investments are priced by HKS' custodian using nationally recognized pricing services based on observable market data and are classified as Level 1.

Investment in Limited Partnership

Investments in the limited partnership (LP) are valued based on Level 3 inputs within the fair value hierarchy. Given the absence of market quotations, their fair value is estimated using information provided to HKS by the investment managers or general partners. Because of the inherent uncertainty of valuation, it is reasonably possible that estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the difference could be material. The LP's ability to liquidate certain of its investments may be inhibited since the issuers may be privately held or the LP may own a relatively large portion of the issuers' equity securities.

The following table sets forth the assets held by HKS by level within the fair value hierarchy. HKS' investments are measured at fair value on a recurring basis as of June 30, 2021. The assets are presented on a desegregated basis by class, determined by the nature and risks associated with the investment:

June 30, 2021

	Fair Value Measurement at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
Assets				
Cash and cash equivalents	$ 10,156,200	$ -	$ -	$ 10,156,200
Equity securities	77,491,651	-	-	77,491,651
Mutual funds	2,022,566	-	-	2,022,566
Private real estate investment trusts	-	-	1,963,955	1,963,955
Investment in LP		-	1,095,098	1,095,098
Fixed income	11,897,253	820,629	-	12,717,882
Public real estate investment trust	257,688	-	-	257,688
Total Assets, at fair value	$ 101,825,358	$ 820,629	$ 3,059,053	$ 105,705,040

HKS' funds held in trusts by others consist primarily of irrevocable Perpetual Trusts for which HKS does not serve as trustee.

Investment management fees paid by HKS for management of its investment portfolio for the year ended June 30, 2021 totaled $196,216.

For the year ended June 30, 2021, realized gains on investments were $2,957,412. The change in unrealized gains on investments was $18,829,251 for the year ended June 30, 2021.

HKS' investments consist of a variety of investment securities and funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of HKS' investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

There were no transfers into or out of Level 3 assets during fiscal year 2021.

6. Split-Interest Agreements

HKS administers the following two types of split-interest agreements:

Charitable Gift Annuity

Under the Charitable Gift Annuity agreement, donors make contributions in exchange for a promise to receive a fixed amount over a specified period of time, usually the life of donor or beneficiary.

During the term of the agreement, HKS acts as a custodian of these funds whereby the asset and the net present value of related liability are reflected in the statement of financial position. After the term of the agreement, the remaining asset belongs to HKS. At June 30, 2021, the Charitable Gift Annuity investment account had a fair market value of $8,431 and the related liability amounted to $42,801.

Pooled-Income Fund

Under the terms of the pooled-income fund, the contributions from donors are invested in a pooled investment account. This account is divided into units and contributions from various donors who are invested as a group. At the date of the donation, donors are assigned a specific number of units based on the fair value of their donation as compared to the total value of the fund. The donors receive actual income earned by the fund based on the number of units throughout their lives. Upon their demise, the value of these assigned units reverts to HKS. The fair value contribution is recognized as a net asset with donor restrictions in the statement of activities in the period it is received. At June 30, 2021, the pooled-income fund had a fair market value of $415,671.

7. Property, Plant, and Equipment, Net

Property, plant, and equipment, net, consists of the following:

June 30, 2021		
Land	$	412,000
Buildings and improvements		26,391,046
Furniture, fixtures and equipment		5,626,997
Vehicles		725,460
Total Property, Plant, and Equipment		33,155,503
Less: accumulated depreciation and amortization		(23,685,397)
Property, Plant, and Equipment, Net	$	9,470,106

For the year ended June 30, 2021, depreciation and amortization expense was $749,486.

8. Loan Payable - Paycheck Protection Program

On April 14, 2020, HKS applied for and received approval for a loan under the PPP administered by the United States Small Business Administration. As mentioned in Note 2, the PPP was legislated as part of the CARES Act, and is a program designed to provide a direct incentive for small businesses to keep their workers on the payroll. The loan may be partially or fully forgiven if the business keeps its employee counts and employee wages stable. As of June 30, 2021, HKS' PPP loan had a balance of $4,740,000 and is held by a community bank. Management is still in the process of determining how much of the loan may or may not be forgiven.

9. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes:

June 30, 2021		
Restricted for Specific Purpose/Program/Time		
Children's Learning Center	$	195,332
Pooled-income fund		352,500
College bound and beyond program		26,006
Summer Camp		145,550
HKS tech equipment		25,000
Lavelle Sleep Away		115,267
Health and Wellness CORE		190,251
National Center for Deaf-Blind Youths and Adults:		
Hampton Library		47,706
Braille equipment		7,000
Robert & Michelle Smithdas Scholarship Fund		36,330
Room renovations		73,528
Technology equipment		25,000
Other		59,165
Total Restricted for Specific Purpose/Program/Time		1,298,635
Restricted in Perpetuity		
Endowment funds		451,345
Perpetual Trusts:		
Horace Moses Trust		1,394,048
Madeline Moses Trust		775,027
Mariette Major Trust		293,462
Marion Hershafft Trust		278,605
Total Restricted in Perpetuity		3,192,487
Total Net Assets with Donor Restrictions	$	4,491,122

The following table represents the reconciliation of changes in net assets restricted in perpetuity:

Year ended June 30, 2021		
Net Assets Restricted in Perpetuity, beginning of year	$	2,708,884
Net investment appreciation		483,603
Net Assets Restricted in Perpetuity, end of year	$	3,192,487

The cost basis of the endowment net assets is $718,003. There are no underwater endowments as of June 30, 2021.

10. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, as follows:

June 30, 2021		
Children's Learning Center	$	24,998
Health and Wellness ALP		15,518
Total Net Assets Released from Donor Restrictions	$	40,516

11. Retirement Plans

Defined Benefit Pension Plan

HKS has had a defined benefit retirement plan (the Plan) covering all full-time employees. The Plan is funded through an immediate participation guarantee contract, Group Annuity Contract Number 303 GAC (the Contract), issued by the John Hancock Life Insurance Company (John Hancock) and mutual funds managed by USI Consulting, for which Charles Schwab is the trustee.

Effective June 30, 2014, HKS elected to curtail the Plan, except for certain employees whose benefit accruals were curtailed effective September 30, 2014.

The Plan's funding policy is to contribute at an amount that will fund the present value of unfunded plan liability as a level percent of covered pay over the active participant's expected future service.

The net periodic pension cost is comprised of the following:

Year ended June 30, 2021		
Service cost	$	71,286
Interest cost		1,000,443
Expected return on plan assets		(1,493,899)
Amortization of accumulated loss		1,569,667
Net Periodic Pension Cost	$	1,147,497

The following table sets forth the Plan's change in the projected benefit obligation:

June 30, 2021		
Projected Benefit Obligation, beginning of year	$	40,728,415
Interest cost		1,000,443
Actuarial gain		(1,254,104)
Benefits paid		(997,544)
Projected Benefit Obligation, end of year	$	39,477,210

The following table sets forth the Plan's change in net assets available for benefits:

June 30, 2021		
Fair Value of Plan Assets, beginning of year	$	21,441,803
Actual return on plan assets		5,800,303
Employer contributions		6,727,202
Benefits paid		(997,544)
Fair Value of Plan Assets, end of year	$	39,971,764

The following table sets forth the Plan's funded status:

June 30, 2021		
Projected benefit obligation	$	(39,477,210)
Plan assets at fair value		32,971,764
Unfunded Status	$	(6,505,446)

Amounts recognized in the statement of financial position are as follows:

June 30, 2021		
Accrued pension obligation – noncurrent liabilities	$	6,505,446

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021:

Short-Term Investments - Short-term investments are valued at cost, which approximates fair value.

Mutual Funds - Mutual funds are valued using NAV provided by the administrator of the fund. The NAV is based on the underlying assets owned by the fund, minus its liabilities, and then divided by the number of outstanding shares. The NAV is a quoted daily price on an active market.

General Account Contract - In September 2019, HKS began the process to surrender the Contract to John Hancock with the sale of the Contract occurring in December 2019. The funds remaining after the purchase of the guaranteed benefits were transferred to the trustee of the Plan. The Plan owned the Contract, which is an insurance contract issued by John Hancock. The general account is an immediate participation guarantee fund. The immediate participation guarantee fund is the fund in which amounts are accumulated by John Hancock to be used for the payment of the benefits provided under the Contract. Contributions to or withdrawals from the Contract are made to the pension-participating segment of John Hancock's general investment account. Investments in the general account are unallocated assets of John Hancock and back all of its general obligations. Investment earnings of the pension-participating segment of John Hancock's general account are apportioned each December 31 and are reflected in the rate credited to the fund maintained under the Contract. The group annuity contract is valued at contract value, as determined by a formula. Contract value approximates fair value.

The methods described above may provide a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the Plan believes its valuation methods are appropriate and consistent with other market participants, it is possible that different fair value measurements may arise due to the use of different methodologies or assumptions in determining the fair value measurement at the reporting date.

The following table sets forth the assets held by HKS by level within the fair value hierarchy. HKS' investments are measured at fair value on a recurring basis, as of June 30, 2021. The assets are presented on a desegregated basis by class, determined by the nature and risks associated with the investment:

June 30, 2021

	Fair Value Measurement at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
Plan Assets				
Short-term investments	$ 5,525,299	$ -	$ -	$ 5,525,299
Mutual funds	27,446,466	-	-	27,446,466
Total Plan Assets, at fair value	$ 32,971,765	$ -	$ -	$ 32,971,765

The following table represents estimated future benefit payments:

Year ending June 30,	
2022	$ 1,493,000
2023	1,547,000
2024	1,625,000
2025	1,677,000
2026	1,756,000
2027-2031	9,274,000
	$ 17,372,000

Employer contributions expected to be paid in fiscal year ending June 30, 2022 are $2,150,000.

The weighted average discount rate of 2.65% was used in determining the actuarial present value of the projected benefit obligation for the year ended June 30, 2021.

HKS' overall expected long-term rate of return on assets is 6.90%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

HKS' overall investment strategy is preservation of capital, with a secondary objective of capital appreciation and income generation. These objectives are considered within the context of the time horizon of the institution and its moderate risk tolerance. The funds are invested using a target allocation range of an average of 50% equity and 50% in an insurance contract over an economic cycle. Funds that are segregated for specific purposes may have investment parameters in keeping with the needs determined by HKS.

The mortality table used in calculating the projected benefit obligation as of June 30, 2021 was the RP-2014 Total Dataset Mortality Table with MP-2018 Scaling. In October 2017, the IRS updated the mortality tables to be used for both the Employee Retirement Income Security Act of 1974 (ERISA) funding and lump-sum benefits beginning in the 2018 calendar year. In addition, it also updated the static mortality tables for plan years beginning during 2017, with respect to valuation dates occurring during 2018. These changes could potentially impact lump-sum benefits, funding costs, and balance sheet obligations, except in situations where the projected lump-sum mortality rates were already considered. Management is currently evaluating the impact to the plan.

Post-Retirement Benefits

HKS provides life insurance benefits for retired employees who met certain minimum age and length of service requirements. The cost of providing these benefits is recognized as they are earned by the employees. As of June 30, 2021, the accumulated postretirement benefit obligation amounted to $120,096 and is included in accounts payable and accrued expenses in the accompanying statement of financial position.

403(b) Plan

HKS has an employee elective deferral plan whereby participants can make contributions on their own with pre-tax payroll deductions. Employees become eligible to participate in the plan upon date of hire. Under the terms of the plan, HKS will match up to 3% of the employee's salary deferral contributions for all participants electing to participate in the plan. During the plan year ended June 30, 2021, HKS accrued a non-elective contribution equivalent to 4% of eligible compensation, which was paid in July 2020. The total matching and non-elective contributions were $821,912 for the year ended June 30, 2021.

457(b) Plan

HKS has a Section 457(b) deferred compensation plan for former key employees. HKS holds funds in an investment account, which is recorded in other assets and has a corresponding liability recorded in accounts payable and accrued expenses on the statement of financial position of $84,091 as of June 30, 2021.

12. Commitments

Pursuant to several lease agreements, HKS is obligated for minimum annual payments to nonrelated parties, as indicated below. HKS is obligated for certain other operating costs at these sites. The minimum commitments to nonrelated parties are as follows:

Year ending June 30,		
2022	$	1,728,533
2023		1,677,932
2024		1,665,904
2025		1,709,536
2026		1,695,043
Thereafter		44,297,237
	$	52,774,185

Aggregate rent expense under the above leases for the year ended June 30, 2021, was $1,890,423. In May 2017, HKS entered into a long-term lease agreement for a new office space in Brooklyn, New York. The lease agreement called for the landlord to meet certain conditions prior to the commencement of the lease. These conditions have been met as of September 20, 2017, and as such, the lease has commenced.

HKS and the landlord have agreed to pursue a restructuring of the building's existing condominium structure that would permit HKS to obtain a New York City real estate tax exemption for the premises, due to HKS' not-for-profit status. Upon the effective date of this restructuring and exemption, HKS will no longer be required to pay its proportionate share of New York City real estate taxes and the total base rent will be reduced by the real estate taxes for the base tax year.

On July 12, 2017, HKS posted a $616,533 Standby Letter of Credit for the benefit of its Landlord at 180 Livingston Street. The letter of credit is secured by a cash collateral account held with JPMorgan Chase, which had a balance of $624,051 at June 30, 2021. The initial period was set to expire on July 30, 2021 and has been renewed with a new maturity date of July 30, 2022.

HKS leases a portion of one of its buildings primarily to other not-for-profit organizations and is entitled to receive rental payments under several operating leases. Future minimum lease receipts under these leases are as follows:

Year ending June 30,		
2022	$	513,216
2023		271,440
2024		271,440
2025		271,440
2026		271,440
Thereafter		542,880
	$	2,141,856

Rental income under the above leases for the year ended June 30, 2021 was approximately $649,635.

13. Supporting Services

Supporting services for the Center consisted of the following:

Year ended June 30, 2021		
Management and general	$	1,582,316
Fundraising		474,355
	$	2,056,671

14. Litigation

HKS is party to certain routine legal actions and complaints arising in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance or, if not so covered, are without merit or are of such kind, or involve such amounts, that unfavorable disposition would not have a material effect on the financial position of HKS.

15. Subsequent Events

HKS' management has performed subsequent event procedures through November 2, 2021, which is the date the financial statements were available to be issued, and there were no subsequent events requiring adjustments to the financial statements or disclosures as stated herein.