Helen Keller Services (formerly known as Helen Keller Services for the Blind)

Financial Statements
Year Ended June 30, 2016

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Contents

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Independent Auditor's Report

Board of Trustees
Helen Keller Services (formerly known as
Helen Keller Services for the Blind)
Brooklyn, NY

We have audited the accompanying statement of financial position of Helen Keller Services (formerly known as Helen Keller Services for the Blind) ("HKS") as of June 30, 2016, 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.

Auditor's 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 HKS as of June 30, 2016, 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 Helen Keller Services' (formerly known as Helen Keller Services for the Blind) 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

November 7, 2016

Helen Keller Services (formerly known as Helen Keller Services for the Blind)

Statement of Financial Position (with comparative total for 2015)

June 30,	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
Assets					
Current:					
Cash and cash equivalents (including funds held in trust for trainees of $17,527 in 2016 and $7,243 in 2015) (Note 2)	$ 1,711,740	$ 936,715	$ -	**$ 2,648,455**	$ 3,655,200
Grants receivable (Note 2)	549,561	-	-	**549,561**	611,709
Program fees and accounts receivable (Note 2)	2,326,879	-	-	**2,326,879**	2,136,750
Pledges receivable, net (Notes 2 and 3)	139,065	90,433	-	**229,498**	145,947
Due from other funds	-	275,147	-	**275,147**	314,638
Investments, at fair value (Notes 4 and 5)	35,860,512	321,143	-	**36,181,655**	40,915,467
Deferred expenses, net (Note 6)	8,997	-	-	**8,997**	8,997
Debt service reserve fund (Note 8)	63,666	-	-	**63,666**	63,666
Other assets	522,968	-	-	**522,968**	535,621
Total Current Assets	41,183,388	1,623,438	-	**42,806,826**	48,387,995
Pledges Receivable, Net, Less Current Portion (Note 3)	12,056	135,786	-	**147,842**	128,364
Investments, at Fair Value, Less Current Portion (Notes 4 and 5)	-	-	2,571,757	**2,571,757**	2,713,635
Deferred Expenses, Net, Less Current Portion (Note 6)	54,011	-	-	**54,011**	63,008
Property, Plant and Equipment, Net (Note 7)	4,540,555	-	-	**4,540,555**	4,814,371
	$45,790,010	**$1,759,224**	**$2,571,757**	**$50,120,991**	$56,107,373
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable and accrued expenses	$ 3,386,458	$ -	$ -	**$ 3,386,458**	$ 3,501,574
Deferred revenue	819,467	-	-	**819,467**	1,067,028
Refundable deposits	-	-	-	**-**	32,596
Due to other funds	260,428	-	14,719	**275,147**	314,638
Bond payable (Note 8)	65,000	-	-	**65,000**	60,000
Other liabilities (Note 5)	59,298	-	-	**59,298**	49,014
Total Current Liabilities	4,590,651	-	14,719	**4,605,370**	5,024,850
Refundable Deposits, Less Current Portion	399,703	-	-	**399,703**	399,070
Bond Payable, Less Current Portion (Note 8)	-	-	-	**-**	65,000
Accrued Pension Liability (Note 13)	23,899,291	-	-	**23,899,291**	18,112,246
Total Liabilities	28,889,645	-	14,719	**28,904,364**	23,601,166
Commitments and Contingency (Notes 5, 8, 9, 10, 11, 13 and 14)					
Net Assets (Notes 10, 11 and 12):					
Unrestricted (Note 12)	16,900,365	-	-	**16,900,365**	27,124,590
Temporarily restricted (Note 10)	-	1,759,224	-	**1,759,224**	2,682,701
Permanently restricted (Notes 11 and 12):					
Endowment funds	-	-	451,346	**451,346**	451,346
Funds held in trust by others	-	-	2,105,692	**2,105,692**	2,247,570
Total Net Assets	16,900,365	1,759,224	2,557,038	**21,216,627**	32,506,207
	$45,790,010	**$1,759,224**	**$2,571,757**	**$50,120,991**	$56,107,373

See accompanying notes to financial statements.

Helen Keller Services (formerly known as Helen Keller Services for the Blind)

Statement of Activities (with comparative total for 2015)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
Support and Revenue:					
Public support:					
Contributions and grants	$ 576,883	$ 435,932	$ -	**$ 1,012,815**	$ 3,045,254
Legacies	558,415	-	-	**558,415**	633,096
Special events:					
Gross receipts	206,843	-	-	**206,843**	100,852
Less: Direct donor benefits	(80,590)	-	-	**(80,590)**	(43,127)
Total Public Support	1,261,551	435,932	-	**1,697,483**	3,736,075
Fees and grants from government agencies:					
National Center for Deaf-Blind Youths and Adults – grant income	11,866,675	-	-	**11,866,675**	9,804,343
Helen Keller Services – grant income	316,621	-	-	**316,621**	385,103
Training fees and allowances	10,018,059	-	-	**10,018,059**	9,926,616
Total Fees and Grants From Government Agencies	22,201,355	-	-	**22,201,355**	20,116,062
Other revenue:					
Investment income	821,325	-	-	**821,325**	948,782
Rental income:					
Gross receipts	2,193,480	-	-	**2,193,480**	2,192,859
Less: Direct costs	(1,176,026)	-	-	**(1,176,026)**	(1,135,645)
Net (losses) gains on investments	(1,884,188)	(10,760)	(141,878)	**(2,036,826)**	1,329,259
Net gains on sale of real estate	-	-	-	**-**	1,182,724
Other	117,352	-	-	**117,352**	75,483
Total Other Revenue	71,943	(10,760)	(141,878)	**(80,695)**	4,593,462
Net assets released from restrictions (Note 10)	1,348,649	(1,348,649)	-	**-**	-
Total Support and Revenue	24,883,498	(923,477)	(141,878)	**23,818,143**	28,445,599

See accompanying notes to financial statements.

Helen Keller Services (formerly known as Helen Keller Services for the Blind)

Statement of Activities (continued) (with comparative total for 2015)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
Expenses:					
Program services:					
Assistive technology	$ 309,011	$ -	$ -	**$ 309,011**	$ 311,282
Low vision	483,255	-	-	**483,255**	486,999
Comprehensive services	2,783,830	-	-	**2,783,830**	2,583,324
Supported employment services	42,076	-	-	**42,076**	37,911
Day habilitation services	2,488,215	-	-	**2,488,215**	2,457,266
Blind children program	2,265,887	-	-	**2,265,887**	2,267,795
Summer camp	132,792	-	-	**132,792**	142,846
National Center for Deaf-Blind Youths and Adults	15,092,687	-	-	**15,092,687**	15,142,299
Residential	644,723	-	-	**644,723**	634,578
Total Program Services	24,242,476	-	-	**24,242,476**	24,064,300
Supporting services:					
Management and general	3,918,351	-	-	**3,918,351**	3,836,427
Fundraising	1,256,455	-	-	**1,256,455**	1,259,383
Public relations and volunteer services	222,915	-	-	**222,915**	207,232
Total Supporting Services	5,397,721	-	-	**5,397,721**	5,303,042
Total Expenses	29,640,197	-	-	**29,640,197**	29,367,342
Change in Net Assets Before Increase in Unfunded Pension Obligation	(4,756,699)	(923,477)	(141,878)	**(5,822,054)**	(921,743)
Increase in Unfunded Pension Obligation	(5,467,526)	-	-	**(5,467,526)**	(2,748,228)
Change in Net Assets	(10,224,225)	(923,477)	(141,878)	**(11,289,580)**	(3,669,971)
Net Assets, Beginning of Year	27,124,590	2,682,701	2,698,916	**32,506,207**	36,176,178
Net Assets, End of Year	**$16,900,365**	**$1,759,224**	**$2,557,038**	**$ 21,216,627**	$32,506,207

See accompanying notes to financial statements.

Helen Keller Services (formerly known as Helen Keller Services for the Blind)

Statement of Functional Expenses (with comparative totals for 2015)

Year ended June 30,

	Program Services									
	Assistive Technology	Low Vision	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	$197,802	$223,171	$1,622,015	$28,307	$1,180,311	$1,431,340	$ 47,071	$ 7,796,520	$397,178	$12,923,715
Fringe benefits	71,549	80,133	579,097	10,232	441,953	517,492	16,038	3,950,936	140,952	5,808,382
Real estate taxes and municipal service charge	-	-	-	-	-	-	-	930	-	930
Rent	-	-	-	-	-	-	-	154,665	-	154,665
Heat, light and power	-	-	-	-	20,252	-	-	312,515	8,192	340,959
Supplies, equipment and printing	149	718	25,514	-	18,734	50,338	1,975	69,532	1,334	168,294
Cleaning service	-	-	-	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-	-	-	-
Telephone	1,498	1,909	20,191	-	5,930	-	-	95,057	3,432	128,017
Insurance	2,506	10,740	11,814	-	88,201	10,740	4,873	169,233	7,147	305,254
Repairs and maintenance	-	-	-	-	-	-	350	88,450	3,265	92,065
Travel	4,820	-	39,068	-	10,194	594	-	398,594	1,075	454,345
Auto maintenance	-	-	-	-	62,957	-	-	21,638	3,993	88,588
Consultant fees	-	-	-	-	-	-	-	782,903	-	782,903
Professional fees	-	308	375	-	-	149,429	2,650	2,087	825	155,674
Medical fees	-	-	-	-	-	-	-	27,366	-	27,366
Medical supplies	-	-	-	-	-	-	-	4,795	2,961	7,756
Food	-	-	2,176	-	3,347	-	-	180,110	14,446	200,079
Client transportation	-	-	701	-	480,994	5	56,027	9,659	-	547,386
Client recreation	-	-	-	-	455	-	3,508	5,895	2,676	12,534
Client aids	-	101,790	73,642	-	182	-	-	239,843	-	415,457
Awards to rehabilitation program	-	-	-	-	-	-	-	-	-	-
Trainee allowances	-	-	97,547	-	-	-	-	61,721	-	159,268
Staff development and seminars	-	-	4,743	-	4,350	663	-	17,741	7,274	34,771
Postage	-	-	2,911	-	7,513	1,220	300	6,264	554	18,762
Equipment rental	-	-	2,996	-	5,318	2,277	-	1,988	1,498	14,077
Outside services	166	684	4,425	-	69,944	1,105	-	252,221	12,141	340,686
Cleaning services	-	-	-	-	-	-	-	-	-	-
Bank and investment fees	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	6,650	6,650
Depreciation and amortization	10,922	8,294	-	-	9,032	14,630	-	408,096	29,130	480,104
Bad debt expense	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	33,928	-	33,928
Total Before Allocations	289,412	427,747	2,487,215	38,539	2,409,667	2,179,833	132,792	15,092,687	644,723	23,702,615
Allocations:										
Willoughby Bldg.:										
Program and supporting services	8,926	17,852	70,643	-	-	86,054	-	-	-	183,475
Rental properties	-	-	-	-	-	-	-	-	-	-
Hempstead Bldg.:										
Program and supporting services	10,673	8,965	95,262	3,537	78,548	-	-	-	-	196,985
Rental properties	-	-	-	-	-	-	-	-	-	-
Suffolk Bldg.:										
Program and supporting services	-	28,691	130,710	-	-	-	-	-	-	159,401
Rental properties	-	-	-	-	-	-	-	-	-	-
Total Expenses	**$309,011**	**$483,255**	**$2,783,830**	**$42,076**	**$2,488,215**	**$2,265,887**	**$132,792**	**$15,092,687**	**$644,723**	**$24,242,476**

See accompanying notes to financial statements.

Helen Keller Services (formerly known as Helen Keller Services for the Blind)

Statement of Functional Expenses (continued) (with comparative totals for 2015)

Year ended June 30,

	Supporting Services								Total	
	Willoughby Building	Hempstead Building	Suffolk Building	National Center for Deaf-Blind Youths and Adults (Note 14)	Management and General	Fundraising	Public Relations and Volunteer Services	Total Supporting Services	**2016**	2015
Salaries	$ 3,367	$ 38,174	$ 39,421	$ 835,457	$1,122,539	$277,140	$ 55,688	$2,371,786	**$15,295,501**	$15,136,405
Fringe benefits	1,090	13,538	15,549	423,373	336,990	100,206	19,790	910,536	**6,718,918**	6,088,161
Real estate taxes and municipal service charge	164,274	145,707	-	20,445	-	-	-	330,426	**331,356**	241,024
Rent	-	-	71,571	-	-	-	-	71,571	**226,236**	198,750
Heat, light and power	152,016	105,072	8,394	33,489	-	-	-	298,971	**639,930**	795,485
Supplies, equipment and printing	-	6,944	325	27,864	202,188	10,227	7,168	254,716	**423,010**	440,958
Cleaning service	25	11,264	-	-	-	-	-	11,289	**11,289**	11,164
Advertising	-	-	-	-	2,161	119	-	2,280	**2,280**	11,312
Telephone	-	-	-	10,186	36,116	680	-	46,982	**174,999**	199,754
Insurance	20,226	22,971	1,577	18,135	29,171	-	-	92,080	**397,334**	368,857
Repairs and maintenance	47,058	76,461	9,670	9,478	-	543	178	143,388	**235,453**	347,354
Travel	3,022	2,876	-	6,762	7,056	3,317	-	23,033	**477,378**	414,165
Auto maintenance	-	-	-	-	20	-	-	20	**88,608**	98,895
Consultant fees	-	-	-	342,003	-	-	-	342,003	**1,124,906**	1,489,633
Professional fees	194	-	-	86,216	499,912	-	132,930	719,252	**874,926**	936,376
Medical fees	-	-	-	-	-	-	-	-	**27,366**	27,631
Medical supplies	-	-	-	-	-	-	-	-	**7,756**	3,919
Food	-	-	-	-	5,176	212	-	5,388	**205,467**	201,296
Client transportation	-	-	-	-	-	-	-	-	**547,386**	507,196
Client recreation	-	-	-	-	-	-	-	-	**12,534**	20,370
Client aids	-	-	-	-	-	-	-	-	**415,457**	414,350
Trainee allowances	-	-	-	-	-	-	-	-	**159,268**	174,323
Staff development and seminars	-	-	-	1,787	724	1,155	-	3,666	**38,437**	17,759
Postage	-	-	1,392	13,009	9,285	16,454	17	40,157	**58,919**	73,569
Equipment rental	-	-	5,108	21,997	3,682	-	-	30,787	**44,864**	47,302
Outside services	149,467	89,700	2,785	51,957	147,360	2,145	1,458	444,872	**785,558**	527,474
Cleaning services	181,939	126,735	-	-	-	-	-	308,674	**308,674**	326,102
Bank and investment fees	-	-	-	30,051	170,703	-	-	200,754	**200,754**	209,065
Interest expense	-	-	-	-	-	-	-	-	**6,650**	8,663
Depreciation and amortization	105,883	118,564	3,609	66,434	1,682	-	-	296,172	**776,276**	828,650
Bad debt expense	46,433	-	-	-	-	-	-	46,433	**46,433**	-
Miscellaneous	3,818	7,326	-	64,666	30,434	9,580	2,548	118,372	**152,300**	337,025
Total Before Allocations	878,812	765,332	159,401	2,063,309	2,605,199	421,778	219,777	7,113,608	**30,816,223**	30,502,987
Allocations:										
Willoughby Bldg.:										
Program and supporting services	(271,133)	-	-	-	61,228	23,292	3,138	(183,475)	**-**	-
Rental properties	(607,679)	-	-	-	-	-	-	(607,679)	**(607,679)**	(643,566)
Hempstead Bldg.:										
Program and supporting services	-	(196,985)	-	-	-	-	-	(196,985)	**-**	-
Rental properties	-	(568,347)	-	-	-	-	-	(568,347)	**(568,347)**	(492,079)
Suffolk Bldg.:										
Program and supporting services	-	-	(159,401)	-	-	-	-	(159,401)	**-**	-
Total Expenses	**$ -**	**$ -**	**$ -**	**$2,063,309**	**$2,666,427**	**$445,070**	**$222,915**	**$5,397,721**	**$29,640,197**	$29,367,342

See accompanying notes to financial statements.

Helen Keller Services (formerly known as Helen Keller Services for the Blind)

Statement of Cash Flows
(with comparative totals for 2015)

Year ended June 30,	**2016**	2015
Cash Flows From Operating Activities:		
Change in net assets	**$(11,289,580)**	$ (3,669,971)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	**776,276**	828,650
Unrealized losses on investments	**2,699,035**	123,490
Realized gains on investments	**(662,210)**	(1,452,749)
Realized gains on sale of real estate	**-**	(1,182,724)
Change in present value of pledges receivable	**2,478**	3,851
Increase in unfunded pension obligation	**5,467,526**	2,748,228
Bad debt expense	**46,433**	-
Decrease (increase) in assets:		
Grants receivable	**62,148**	63,772
Program fees and accounts receivable	**(236,562)**	(717,034)
Pledges receivable	**(105,507)**	(278,162)
Other assets	**12,653**	173,601
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	**(115,116)**	709,905
Deferred revenue	**(247,561)**	479,706
Refundable deposits	**(31,963)**	(17,345)
Other liabilities	**10,284**	(5,584)
Accrued pension obligation	**319,519**	(536,967)
Net Cash Used In Operating Activities	**(3,292,147)**	(2,729,333)
Cash Flows From Investing Activities:		
Purchases of investments	**(9,954,733)**	(10,847,940)
Proceeds from sale of investments	**12,230,279**	10,867,847
Change in cash equivalents used in investments	**563,319**	720,677
Purchases of fixed assets	**(493,463)**	(259,762)
Proceeds from the sale of real estate	**-**	1,589,953
Net Cash Provided By Investing Activities	**2,345,402**	2,070,775
Cash Flows From Financing Activities:		
Principal payments of bonds payable	**(60,000)**	(60,000)
Decrease in Cash and Cash Equivalents	**(1,006,745)**	(718,558)
Cash and Cash Equivalents, Beginning of Year	**3,655,200**	4,373,758
Cash and Cash Equivalents, End of Year	**$ 2,648,455**	$ 3,655,200
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	**$ 6,650**	$ 8,663

See accompanying notes to financial statements.

1. Description of Organization

The mission of Helen Keller Services (formerly known as Helen Keller Services for the Blind) ("HKS"), established in 1895 as the Industrial Home for the Blind, is to help individuals of all ages who are blind or visually impaired and who may have additional disabilities to develop independence and participate fully in their communities. In addition, HKS operates Helen Keller National Center of Deaf-Blind Youths and Adults ("HKNC" or the "Center") under an agreement dated November 17, 1969 with the United States Department of Education. Major continuing programs are listed below.

On September 21, 2015, HKS filed with the Department of State a Certificate of Amendment of the Certificate of Incorporation to change its name from Helen Keller Services for the Blind, to Helen Keller Services. This change has been approved. On March 1, 2016, HKS sent a letter to the Internal Revenue Service ("IRS"), requesting that they update their Master Business File and send an updated determination letter reflecting this name change. This change has been processed.

Helen Keller National Center for Deaf-Blind Youths and Adults - The Center was established to develop a national comprehensive service program to meet the needs of deaf-blind youths and adults by providing individualized evaluation, training, and physical and social rehabilitation. The Center, located in Sands Point, New York, which can accommodate 60 trainees, accomplishes its mission by conducting or participating in community educational activities, serving as liaison with cooperating agencies, providing consultation and demonstration services and offering referral counseling, preliminary evaluating and training and other direct services to clients in the field and their families.

While HKNC's 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 - a comprehensive program for legally blind children and adults which includes: ophthalmological services, optometric examinations, the fitting of special lenses and other optical devices;

Comprehensive Services - offers a comprehensive program of personal, social, vocational and community adjustment services;

Supported Employment Services - a specialized job placement service which provides one on one job coaching at the work site and long-term follow-up services;

Day Habilitation Services - 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 – 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, 7 days a week.

2. Summary of Significant Accounting Policies

(a) 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, as applicable to not-for-profit organizations.

(b) 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 three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, 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 unrestricted net assets unless the use of the income received is limited by donor-imposed restrictions.

These classes are defined as follows:

(i) **Permanently Restricted** – Net assets resulting from contributions and other inflows of assets whose use by HKS is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of HKS.

(ii) **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by HKS is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of HKS pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

(iii) U**nrestricted** – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) 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.

(d) Third-party Reimbursement and Revenue Recognition

HKS receives substantially all 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 and the U.S. Department of Education. These revenues 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 earned from third parties and when promises to give are received for contributions, special events and fundraising activities.

(e) Grants, Program Fees and Accounts Receivable

Accounts and grants receivable are stated as 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. Accounts and grants 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.

(f) Contributions and Promises to Give

Contributions are reported at fair value on the date they are received. The gifts are reported as either temporarily or permanently restricted support 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, temporarily restricted net assets are reclassified as unrestricted net assets 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 unrestricted net assets.

Contributions in the form of promises to give are recorded as revenue when signed pledges are made and are classified as either unrestricted, temporarily restricted, or permanently restricted support. 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.

(g) Concentration of Credit Risk

Financial instruments which potentially subject HKS to concentration of credit risk consist primarily of cash and cash equivalents. At times, HKS has cash deposits which exceed the FDIC insurance limit in place at the financial institution.

(h) Investments at Fair Value

Investments of HKS are valued at fair value in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Investments primarily consist of marketable equity securities, U.S. government and corporate debt obligations, mutual funds, certificates of deposit, and cash and cash equivalents. Realized gains and losses from the sale of investments are based on the average cost method. Investment income, including realized and unrealized gains and losses, earned on permanently and temporarily restricted net assets upon which restrictions have been placed by donors, is reflected in the statement of activities.

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 can not 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 that 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 – Valuation 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 – Valuation 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.

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

(i) 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. There was no unrelated business income for the year ended June 30, 2016.

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. The implementation of ASC 740 had no impact on HKS' financial statements. 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 Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended June 30, 2016, there was no interest or penalties recorded or included in the statement of activities. As of June 30, 2016, the years still subject to examination by a taxing authority are 2013 through 2015.

(j) Property, Plant and Equipment – Depreciation

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

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

(k) 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 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, 2016, there have been no such losses.

(l) Net Asset Classification

HKS' permanently restricted endowment consists of investments that are permanently restricted. HKS follows the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as they relate to their permanently restricted contributions 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 permanently restricted net assets and includes the following:

- the original value of the gift donated to the permanent endowment;
- the original value of subsequent gifts to the permanent endowment; and
- 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 8 quarters. In 2012, $1,000,000 for capital improvement projects was approved for future distribution from the endowment fund. As of June 30, 2016, HKS has spent $829,323 towards 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; and
- the investment policy of HKS.

(m) Allocation Methodology

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.

(n) Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States, 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.

(o) 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with HKS' financial statements for the year ended June 30, 2015, from which the summarized information was derived.

(p) Recently Adopted Accounting Pronouncements

In May 2015, the Financial Standards Accounting Board (the "FASB") issued Accounting Standards Update ("ASU") 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)," which seeks to eliminate diversity in practice surrounding how investments measured at net asset value under the practical expedient, with future redemption dates, have been categorized in the fair value hierarchy. The guidance is effective for fiscal years beginning after December 15, 2015, and requires retrospective presentation. Early adoption is permitted and these notes to financial statements reflect early adoption.

In July 2015, the FASB issued ASU 2015-12, "Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), and Health and Welfare Benefit Plans (Topic 965)" – (Part I.) Fully Benefit-Responsive Investment Contracts; (Part II.) Plan Investment Disclosures, and (Part III.) Measurement Date Practical Expedient." Part I requires fully-benefit responsive investment contracts to be measured, presented, and disclosed only at contract value. Part II requires that investments that are measured using fair value (both participant-directed and nonparticipant-directed investments) be grouped only by general type, eliminating the need to disaggregate the investments by nature, characteristics, and risks. Part II also eliminates the disclosure of individual investments that represent 5 percent or more of net assets available for benefits and the disclosure of net appreciation or depreciation for investments by general type, requiring only presentation of net appreciation or depreciation in investments in the aggregate. Part I and Part III are not applicable to the Plan. The amendments in ASU 2015-12 are effective for fiscal years beginning after December 15, 2015, with early application permitted. The amendments within Parts I and II require retrospective application. Management has elected to early adopt the provisions of this new standard.

(q) Accounting Pronouncements Issued But Not Yet Adopted

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements – Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for reporting periods beginning after December 15, 2016, with early adoption permitted. HKS will apply the provisions of this standard upon adoption.

In February 2016, the FASB issued ASU No. 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. The amendments are effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of the pending adoption of ASU 2016-02.

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for HKS' financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its financial statements.

(r) Reclassifications

Certain reclassifications have been made to the 2015 financial statements in order to conform to the 2016 presentation.

3. Pledges Receivable, Net

At June 30, 2016, the net present value of pledges receivable is $377,340. The net present value of pledges receivable was calculated using a discount rate of 3%.

The net present value of pledges receivable at June 30, 2016 is summarized below:

June 30, 2016	
Total pledges receivable, at June 30, 2016	$383,670
Discount	(6,330)
Net present value of pledges receivable at June 30, 2016	$377,340
Amounts due in:	
One year	$229,498
Two to five years	147,842
Total	$377,340

4. Investments, at Fair Value

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

Equities

For its investments with asset managers that hold public common and preferred stocks, HKS has position-level transparency into individual holdings. These investments are priced by HKS' custodian using nationally recognized pricing services based upon observable data. Common and preferred stocks are classified as Level 1 and 2, respectively.

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.

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, 2015. The assets are presented on a desegregated basis by class, determined by the nature and risks associated with the investment.

		Fair Value Measurement at Reporting Date Using		
	Balance at June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	$ 1,050,468	$ 1,050,468	$ -	$-
Equities	27,728,924	27,728,924	-	-
Preferred stock	178,430	-	178,430	-
Fixed income	9,286,715	1,082,000	8,204,715	-
Public real estate investment trust	508,875	508,875	-	-
Total fair value of investments	$38,753,412	$30,370,267	$8,383,145	$-

There were no transfers between levels during the year ended June 30, 2016.

HKS' cost and fair value of investments are summarized as follows:

June 30, 2016

	Cost	Fair Value
Cash and cash equivalents	$ 981,568	$ 981,568
Corporate bonds	7,224,487	7,430,934
Preferred stock	175,730	178,430
Equities	22,261,692	26,974,788
U.S. government obligations	1,073,672	1,082,000
Funds held in trust by others	718,003	2,105,692
	$32,435,152	$38,753,412

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, 2016 totaled $201,000.

For the year ended June 30, 2016, realized gains on investments were $662,210. The change in unrealized gain on investments was $(2,699,036) for the year ended June 30, 2016.

5. Split-Interest Agreements

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

(a) 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 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, 2016, the Charitable Gift Annuity investment account had a fair market value of $26,093 and the related liability amounted to $42,801.

(b) 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 temporarily restricted donation in the statement of activities in the period it is received. At June 30, 2016, the pooled income fund had a fair market value of $321,143.

6. Deferred Expenses

Included in deferred expenses are costs associated with the acquisition of certain properties, amounting to $134,953, net of accumulated amortization of $71,945.

7. Property, Plant and Equipment, Net

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

June 30, 2016	
Land	$ 607,542
Buildings and improvements	25,514,296
Furniture, fixtures and equipment	6,212,317
Vehicles	397,701
Work-in-progress	7,135
Total property, plant and equipment	32,738,991
Less: Accumulated depreciation and amortization	(28,198,436)
	$ 4,540,555

For the year ended June 30, 2016, depreciation and amortization expense was $776,276.

Work-in-progress at June 30, 2016 represents costs associated with projects intended to improve HKS' facilities. The estimated additional costs to complete these projects are approximately $48,000.

8. Bond Payable

HKS has financed the acquisition and renovation of an Individual Residential Alternative Facility with proceeds from tax-exempt and taxable bond issues by the Nassau County Industrial Development Agency.

The tax-exempt series bond for $640,000 is payable in annual principal installments beginning November 1, 2002 and matures November 1, 2016. Interest on the tax-exempt bond is payable quarterly at the rate of 7.0% per annum.

The bond payable is secured by security interest in its project, a guarantee of HKS and a fully funded debt service reserve fund. At June 30, 2016, the balance of the debt service reserve fund was $63,666.

The bond payable matures as follows:

Fiscal year ending June 30,	Tax-exempt Series
2017	$65,000

9. Line of Credit

On May 26, 2016, HKS entered into a $2,000,000 line of credit agreement with a commercial lender which expires on June 1, 2018. The line bears interest at a variable interest rate of 1 month United States dollar denominated LIBOR, rounded up to the nearest 0.125%, plus 1.75% (2.25% at June 30, 2016) and is secured by a pledge of an unrestricted investment account with a balance of $3,972,000 as of June 30, 2016. As of June 30, 2016, there were no amounts outstanding.

10. Temporarily Restricted Net Assets and Net Assets Released From Restrictions

Temporarily restricted net assets were available for the following purposes:

June 30, 2016	
Children's Learning Center	$ 274,643
Pooled income fund	321,143
Lavelle Fund for the Blind	226,219
National Center for Deaf-Blind Youths and Adults:	
Young Adult Program	26,647
Hampton Library	53,725
Adaptive Technology Training	68,069
Support Service Provider Program	121,566
Professional Learning Leadership Institute	316,459
Robert & Michelle Smithdas Scholarship Fund	26,946
Room renovations	153,228
Gladys Brooks Technology Infrastructure	100,000
Other	70,579
Total temporarily restricted net assets	$1,759,224

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

June 30, 2016	
Children's Learning Center	$ 14,992
Summer Camp	25,000
National Center for Deaf-Blind Youths and Adults:	
Young Adult Program	13,157
Hampton Library	40
Information Research and Professional Development	1,079,925
Professional Learning Leadership Institute	62,355
Room renovations	152,660
Other	520
Total net assets released from restrictions	$1,348,649

11. Permanently Restricted Net Assets

Permanently restricted net assets consist of the following:

June 30, 2016	
Endowment funds	$ 451,346
Funds held in trust by others:	
Horace Moses Trust	1,019,367
Madeline Moses Trust	570,278
Mariette Major Trust	267,212
Marion Hershafft Trust	248,835
Total funds held in trust by others	2,105,692
Total permanently restricted net assets	$2,557,038

12. Endowments - Net Asset Classification

The following table represents the endowment net asset composition by type of fund as of June 30, 2016:

	Unrestricted	Permanently Restricted	Total
Donor imposed restrictions	$ -	$2,557,038	$ 2,557,038
Board-designated funds functioning as endowment	31,893,397	-	31,893,397
	$31,893,397	$2,557,038	$34,450,435

The following table represents the reconciliation of changes in endowment net assets for the year ended June 30, 2016:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$35,952,835	$2,698,916	$38,651,751
Net investment depreciation	(1,674,960)	(141,878)	(1,816,838)
Operations	(2,384,478)	-	(2,384,478)
Endowment net assets, end of year	$31,893,397	$2,557,038	$34,450,435

The cost basis of the permanently restricted net assets is $718,003.

13. Retirement Plans

(a) Defined Benefit Pension Plan

HKS has had a defined benefit retirement plan covering all full-time employees. The plan is funded through an immediate participation guarantee contract issued by the John Hancock Life Insurance Company 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 for the year ended June 30, 2016 is comprised of the following:

Year ended June 30, 2016	
Service cost	$ 71,434
Interest cost	1,836,379
Expected return on plan assets	(2,028,227)
Amortization of accumulated loss	1,392,007
Net periodic pension cost	$ 1,271,593

The following table sets forth the plan's change in the projected benefit obligation at June 30, 2016:

June 30, 2016	
Projected benefit obligation, beginning of year	$43,545,936
Interest cost	1,836,379
Actuarial loss	5,123,836
Benefits paid	(1,479,818)
Projected benefit obligation, end of year	$49,026,333

The following table sets forth the plan's change in net assets available for benefits at June 30, 2016:

June 30, 2016	
Fair value of plan assets at beginning of year	$25,433,690
Actual return on plan assets	220,426
Employer contributions	952,744
Benefits paid	(1,479,818)
Fair value of plan assets at end of year	$25,127,042

The following table sets forth the plan's funded status at June 30, 2016:

June 30, 2016	
Projected benefit obligation	$ 49,026,333
Plan assets at fair value	25,127,042
Unfunded status	$(23,899,291)

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

June 30, 2016	
Accrued pension obligation – noncurrent liabilities	$23,899,291

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, 2016:

Money Market Funds

Money market funds are valued using the penny-rounding method as permitted by Rule 2a-7 under the Investment Company Act of 1940, which approximates their 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.

Investment Contract With Insurance Company

The Plan owns an insurance contract, which is issued by John Hancock Life Insurance Company ("John Hancock"). 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 31st and are reflected in the rate credited to the fund maintained under the contract. The market value of the fund maintained under the contract is determined by formula.

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, 2016. The assets are presented on a desegregated basis by class, determined by the nature and risks associated with the investment.

		Fair Value Measurement at Reporting Date Using		
	Balance at June 30, 2016	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan Assets				
Money market funds	$ 294,608	$ 294,608	$-	$-
Mutual funds	12,877,827	12,877,827	-	-
Investment contract with insurance company-general account*	11,954,607	-	-	-
Total plan assets at fair value	$25,127,042	$13,172,435	$-	$-

* Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been recognized in the fair value hierarchy. The fair value amounts are presented in the statement of financial position.

The following table sets forth the percentage of the fair value of total plan assets of each major category of plan assets:

June 30, 2016	
Equity securities and money market funds	52.42%
Other (Insurance Company General Account)	47.58
	100.00%

The following table represents estimated future benefit payments:

2017	$ 1,915,338
2018	2,000,402
2019	2,063,693
2020	2,132,171
2021	2,172,423
2022-2026	11,426,127
	$21,710,154

Employer contributions expected to be paid in fiscal year ending June 30, 2017 are $875,000.

The weighted average discount rate was 3.44% and the rate of increase of future compensation levels used in determining the actuarial present value of the projected benefit obligation was -0-% for the year ended June 30, 2016.

HKS' overall expected long-term rate of return on assets is 7.20%. 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 as determined by HKS.

(b) 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, 2016, 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.

(c) 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, 2016, HKS accrued a non-elective contribution equivalent to 4% of eligible compensation, which was paid in July 2016. The total matching and non-elective contributions were $871,695 for the year ended June 30, 2016.

(d) 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 as an asset and has a corresponding liability of $67,739 as of June 30, 2016.

14. Commitments

(a) 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:

June 30,	
2017	$211,600
2018	93,325
2019	72,311
2020	42,181
	$419,417

Aggregate rent expense under the above leases for the year ended June 30, 2016 was $226,236.

(b) HKS leases a portion 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:

June 30,	
2017	$1,957,776
2018	1,686,225
2019	1,005,616
2020	674,930
2021	464,983
	$5,789,530

Rental income under the above leases for the year ended June 30, 2016 was approximately $2,193,000.

15. Supporting Services

Supporting services for the Helen Keller National Center for Deaf-Blind Youths and Adults for the year ended June 30, 2016 consisted of the following:

Year ended June 30, 2016	
Management and general	$1,251,924
Fundraising and public relations	811,385
	$2,063,309

16. Related Party Transactions

(a) During the fiscal year ended June 30, 2016, a Board member of HKS was an executive at an investment management firm which provides services to HKS. These services amounted to approximately $201,000.

(b) During the fiscal year ended June 30, 2016, one board member operated as a partner at a legal firm that provided legal and consulting services to HKS. Those services amounted to approximately $102,000.

(c) During the fiscal year ended June 30, 2016, two Board members of HKS were executives at two banks with which HKS maintains various bank accounts.

Management believes these transactions were conducted at arms-length.

17. Litigation

HKS is a 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.

18. Subsequent Events

HKS' management has performed subsequent event procedures through November 7, 2016, 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.