Helen Keller Services

Financial Statements
Year Ended June 30, 2017

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

Helen Keller Services

Financial Statements

Year Ended June 30, 2017

Helen Keller Services

Contents

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Independent Auditor's Report

Board of Trustees
Helen Keller Services
Brooklyn, NY

We have audited the accompanying statement of financial position of Helen Keller Services ("HKS") as of June 30, 2017, 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, 2017, 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' 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

November 3, 2017

Helen Keller Services

Statement of Financial Position
(with comparative total for 2016)

June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
Assets					
Current:					
Cash and cash equivalents (including funds held in trust for trainees of $7,537 in 2017 and $17,527 in 2016) (Note 2)	$ 88,413	$ 845,562	$ -	**$ 933,975**	$ 2,648,455
Grants receivable (Note 2)	1,136,309	-	-	**1,136,309**	549,561
Program fees and accounts receivable, net (Note 2)	2,934,397	-	-	**2,934,397**	2,326,879
Pledges receivable, net (Notes 2 and 3)	-	254,517	-	**254,517**	229,498
Due from other funds	-	275,147	-	**275,147**	275,147
Investments, at fair value (Notes 4 and 5)	90,654,116	335,880	-	**90,989,996**	36,181,655
Debt service reserve fund (Note 7)	-	-	-	**-**	63,666
Other assets	1,263,093	-	-	**1,263,093**	585,976
Total Current Assets	96,076,328	1,711,106	-	**97,787,434**	42,860,837
Pledges Receivable, Net, Less Current Portion (Note 3)	-	46,040	-	**46,040**	147,842
Investments, at Fair Value, Less Current Portion (Notes 4 and 5)	-	-	2,677,137	**2,677,137**	2,571,757
Fixed Assets, Net (Note 6)	3,360,761	-	-	**3,360,761**	4,540,555
	$99,437,089	**$1,757,146**	**$2,677,137**	**$103,871,372**	$50,120,991
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable and accrued expenses	$ 2,967,581	$ -	$ -	**$ 2,967,581**	$ 3,386,458
Deferred revenue	248,068	-	-	**248,068**	819,467
Due to other funds	260,428	-	14,719	**275,147**	275,147
Bond payable (Note 7)	-	-	-	**-**	65,000
Other liabilities (Note 5)	49,308	-	-	**49,308**	59,298
Total Current Liabilities	3,525,385	-	14,719	**3,540,104**	4,605,370
Refundable Deposits	165,523	-	-	**165,523**	399,703
Accrued Pension Liability (Note 12)	19,255,091	-	-	**19,255,091**	23,899,291
Total Liabilities	22,945,999	-	14,719	**22,960,718**	28,904,364
Commitments and Contingency (Notes 5, 7, 8, 9, 10, 12, 13 and 16)					
Net Assets (Notes 9,10 and 11):					
Unrestricted (Note 11)	76,491,090	-	-	**76,491,090**	16,900,365
Temporarily restricted (Note 9)	-	1,757,146	-	**1,757,146**	1,759,224
Permanently restricted (Notes 10 and 11):					
Endowment funds	-	-	451,346	**451,346**	451,346
Funds held in trust by others	-	-	2,211,072	**2,211,072**	2,105,692
Total Net Assets	76,491,090	1,757,146	2,662,418	**80,910,654**	21,216,627
	$99,437,089	**$1,757,146**	**$2,677,137**	**$103,871,372**	$50,120,991

See accompanying notes to financial statements.

Helen Keller Services

Statement of Activities
(with comparative total for 2016)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
Support and Revenue:					
Public support:					
Contributions and grants	$ 830,565	$ 114,900	$ -	**$ 945,465**	$ 1,012,815
Legacies	93,249	-	-	**93,249**	558,415
Special events:					
Gross receipts	260,597	-	-	**260,597**	206,843
Less: Direct donor benefits	(78,301)	-	-	**(78,301)**	(80,590)
Total Public Support	1,106,110	114,900	-	**1,221,010**	1,697,483
Fees and grants from government agencies:					
National Center for Deaf-Blind Youths and Adults – grant income	12,575,876	-	-	**12,575,876**	11,866,675
Helen Keller Services – grant income	441,366	-	-	**441,366**	316,621
Training fees and allowances	11,686,916	-	-	**11,686,916**	10,018,059
Total Fees and Grants From Government Agencies	24,704,158	-	-	**24,704,158**	22,201,355
Other revenue:					
Investment income	900,429	-	-	**900,429**	821,325
Rental income:					
Gross receipts	1,162,563	-	-	**1,162,563**	2,193,480
Less: Direct costs	(885,975)	-	-	**(885,975)**	(1,176,026)
Net gains (losses) on investments	4,382,926	14,737	105,380	**4,503,043**	(2,036,825)
Other	126,163	-	-	**126,163**	117,351
Total Other Revenue	5,686,106	14,737	105,380	**5,806,223**	(80,695)
Net assets released from restrictions (Note 9)	131,715	(131,715)	-	**-**	-
Total Support and Revenue	31,628,089	(2,078)	105,380	**31,731,391**	23,818,143

See accompanying notes to financial statements.

Helen Keller Services

Statement of Activities (Continued)
(with comparative total for 2016)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
Expenses:					
Program services:					
Assistive technology	$ 304,648	$ -	$ -	**$ 304,648**	$ 309,011
Low vision	463,081	-	-	**463,081**	483,255
Comprehensive services	2,983,243	-	-	**2,983,243**	2,783,830
Supported employment services	42,649	-	-	**42,649**	42,076
Day habilitation services	2,667,711	-	-	**2,667,711**	2,488,215
Blind children program	2,332,280	-	-	**2,332,280**	2,265,887
Summer camp	153,752	-	-	**153,752**	132,792
National Center for Deaf-Blind Youths and Adults	15,034,014	-	-	**15,034,014**	15,092,687
Residential	661,457	-	-	**661,457**	644,723
Total Program Services	24,642,835	-	-	**24,642,835**	24,242,476
Supporting services:					
Management and general	4,225,655	-	-	**4,225,655**	3,918,351
Fundraising	681,643	-	-	**681,643**	1,256,455
Public relations and volunteer services	320,977	-	-	**320,977**	222,915
Total Supporting Services	5,228,275	-	-	**5,228,275**	5,397,721
Total Expenses	29,871,110	-	-	**29,871,110**	29,640,197
Change in Net Assets Before Gain on Sale of Real Estate and Decrease (Increase) in Unfunded Pension Obligation	1,756,979	(2,078)	105,380	**1,860,281**	(5,822,054)
Gain on Sale of Real Estate (Note 6)	51,967,426	-	-	**51,967,426**	-
Decrease (Increase) in Unfunded Pension Obligation	5,866,320	-	-	**5,866,320**	(5,467,526)
Change in Net Assets	59,590,725	(2,078)	105,380	**59,694,027**	(11,289,580)
Net Assets, Beginning of Year	16,900,365	1,759,224	2,557,038	**21,216,627**	32,506,207
Net Assets, End of Year	**$76,491,090**	**$1,757,146**	**$2,662,418**	**$80,910,654**	$ 21,216,627

See accompanying notes to financial statements.

Helen Keller Services

Statement of Functional Expenses
(with comparative totals for 2016)

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	$172,135	$199,399	$1,633,883	$26,036	$1,268,808	$1,279,635	$ 45,946	$ 7,431,358	$383,707	$12,440,907
Employee benefits and payroll taxes	98,422	105,752	837,640	13,212	609,049	649,679	22,690	4,323,862	189,002	6,849,308
Real estate taxes and municipal service charge	-	-	-	-	-	-	-	2,930	-	2,930
Rent	-	-	-	-	-	-	-	148,177	-	148,177
Heat, light and power	-	-	-	-	26,020	-	-	375,900	10,109	412,029
Supplies, equipment and printing	627	649	33,040	-	14,976	44,171	2,075	80,650	3,335	179,523
Cleaning service	-	-	-	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-	-	-	-
Telephone	1,480	1,877	20,501	-	6,713	-	-	96,027	3,664	130,262
Insurance	3,012	12,908	14,199	-	106,728	12,908	5,789	178,348	12,573	346,465
Repairs and maintenance	-	-	-	-	-	-	-	70,920	2,052	72,972
Travel	4,929	268	37,577	-	5,044	695	-	403,012	1,469	452,994
Auto maintenance	-	-	-	-	64,424	-	-	25,683	2,562	92,669
Consultant fees	-	-	-	-	-	-	-	869,265	-	869,265
Professional fees	-	227	2,064	-	-	166,546	3,275	5,330	1,226	178,668
Medical fees	-	-	-	-	-	-	-	31,861	-	31,861
Medical supplies	-	-	-	-	-	-	-	4,131	5,402	9,533
Food	-	-	7,492	-	2,709	-	-	177,215	13,143	200,559
Client transportation	-	-	510	-	387,086	-	63,495	24,007	-	475,098
Client recreation	-	-	-	-	329	-	10,332	6,155	2,847	19,663
Client aids	-	86,724	72,134	-	91	-	-	194,684	-	353,633
Trainee allowances	-	-	83,304	-	-	-	-	111,970	-	195,274
Staff development and seminars	-	-	1,350	-	-	2,759	-	10,025	100	14,234
Postage	-	9	642	-	3,269	-	-	4,948	-	8,868
Equipment rental	-	-	2,660	-	4,531	2,268	-	5,044	1,330	15,833
Outside services	125	773	3,872	-	1,750	1,258	150	97,022	-	104,950
Cleaning services	-	-	-	-	-	-	-	-	-	-
Bank and investment fees	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	1,584	1,584
Depreciation and amortization	-	10,892	-	-	19,957	7,315	-	242,689	27,352	308,205
Bad debt expense	-	-	-	-	-	-	-	100,193	-	100,193
Miscellaneous	-	-	-	-	-	-	-	12,608	-	12,608
Total Before Allocations	280,730	419,478	2,750,868	39,248	2,521,484	2,167,234	153,752	15,034,014	661,457	24,028,265
Allocations:										
Willoughby Bldg.:										
Program and supporting services	13,657	27,314	105,847	-	-	165,046	-	-	-	311,864
Rental properties	-	-	-	-	-	-	-	-	-	-
Hempstead Bldg.:										
Program and supporting services	10,261	8,619	91,586	3,401	69,064	-	-	-	-	182,931
Rental properties	-	-	-	-	-	-	-	-	-	-
Suffolk Bldg.:										
Program and supporting services	-	7,670	34,942	-	77,163	-	-	-	-	119,775
Rental properties	-	-	-	-	-	-	-	-	-	-
Total Expenses	**$304,648**	**$463,081**	**$2,983,243**	**$42,649**	**$2,667,711**	**$2,332,280**	**$153,752**	**$15,034,014**	**$661,457**	**$24,642,835**

See accompanying notes to financial statements.

Statement of Functional Expenses (Continued)
(with comparative totals for 2016)

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	**2017**	2016
Salaries	$ 53,250	$ 57,739	$ 2,573	$ 642,537	$1,059,177	$111,359	$133,989	$2,060,624	**$14,501,531**	$15,377,586
Employee benefits and payroll taxes	-	2,287	2,429	373,855	488,152	55,695	67,293	989,711	**7,839,019**	6,718,918
Real estate taxes and municipal service charge	68,479	163,085	-	20,420	-	-	-	251,984	**254,914**	331,356
Rent	232,544	-	77,757	-	-	-	-	310,301	**458,478**	226,236
Heat, light and power	112,021	108,676	10,653	32,501	-	-	-	263,851	**675,880**	639,930
Supplies, equipment and printing	474	225	233	12,849	291,737	15,410	295	321,223	**500,746**	423,010
Cleaning service	5,207	11,400	-	-	-	-	-	16,607	**16,607**	11,289
Advertising	-	-	-	-	2,014	-	1,093	3,107	**3,107**	2,280
Telephone	-	-	1,882	8,302	45,370	1,097	-	56,651	**186,913**	174,999
Insurance	24,024	27,283	1,872	15,421	11,151	-	-	79,751	**426,216**	397,334
Repairs and maintenance	46,030	43,496	4,050	6,132	-	9	-	99,717	**172,689**	235,453
Travel	1,635	3,702	-	6,433	8,975	2,142	374	23,261	**476,255**	477,378
Auto maintenance	-	-	-	-	20	-	-	20	**92,689**	88,608
Consultant fees	-	-	-	450,044	-	-	-	450,044	**1,319,309**	1,124,906
Professional fees	16,910	2,500	-	93,722	548,470	-	110,641	772,243	**950,911**	874,926
Medical fees	-	-	-	-	-	-	-	-	**31,861**	27,366
Medical supplies	-	-	-	-	-	-	-	-	**9,533**	7,756
Food	-	-	-	-	7,946	512	-	8,458	**209,017**	205,467
Client transportation	-	-	-	-	-	-	-	-	**475,098**	547,386
Client recreation	-	-	-	-	-	-	-	-	**19,663**	12,534
Client aids	-	-	-	-	-	-	-	-	**353,633**	415,457
Trainee allowances	-	-	-	-	-	-	-	-	**195,274**	159,268
Staff development and seminars	-	-	-	1,099	1,039	459	-	2,597	**16,831**	38,437
Postage	-	-	306	19,679	8,655	3,003	-	31,643	**40,511**	58,919
Equipment rental	-	-	4,531	20,439	11,442	-	-	36,412	**52,245**	44,864
Outside services	54,149	82,820	7,684	43,193	69,713	1,545	275	259,379	**364,329**	703,473
Cleaning services	71,383	142,764	-	-	-	-	-	214,147	**214,147**	308,674
Bank and investment fees	-	-	-	29,186	173,159	-	-	202,345	**202,345**	200,754
Interest expense	-	-	-	-	1,400	-	-	1,400	**2,984**	6,650
Depreciation and amortization	55,723	118,005	4,812	39,507	3,106	-	-	221,153	**529,358**	776,276
Bad debt expense	-	-	-	-	-	-	-	-	**100,193**	46,433
Miscellaneous	4,439	236	993	22,393	13,494	8,256	2,380	52,191	**64,799**	152,300
Total Before Allocations	746,268	764,218	119,775	1,837,712	2,745,020	199,487	316,340	6,728,820	**30,757,085**	30,816,223
Allocations:										
Willoughby Bldg.:										
Program and supporting services	(441,580)	-	-	-	90,431	34,648	4,637	(311,864)	**-**	-
Rental properties	(304,688)	-	-	-	-	-	-	(304,688)	**(304,688)**	(607,679)
Hempstead Bldg.:										
Program and supporting services	-	(182,931)	-	-	-	-	-	(182,931)	**-**	-
Rental properties	-	(581,287)	-	-	-	-	-	(581,287)	**(581,287)**	(568,347)
Suffolk Bldg.:										
Program and supporting services	-	-	(119,775)	-	-	-	-	(119,775)	**-**	-
Rental properties	-	-	-	-	-	-	-	-	**-**	-
Total Expenses	**$ -**	**$ -**	**$ -**	**$1,837,712**	**$2,835,451**	**$234,135**	**$320,977**	**$5,228,275**	**$29,871,110**	$29,640,197

See accompanying notes to financial statements.

Helen Keller Services

Statement of Cash Flows
(with comparative totals for 2016)

Year ended June 30,	**2017**	2016
Cash Flows From Operating Activities:		
Change in net assets	**$ 59,694,027**	$(11,289,580)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	**529,358**	776,276
Unrealized (gains) losses on investments	**(4,243,036)**	2,699,035
Realized gains on investments	**(260,007)**	(662,210)
Realized gains on sale of fixed assets	**(51,967,426)**	-
Change in present value of pledges receivable	**-**	2,478
(Decrease) increase in unfunded pension obligation	**(5,866,320)**	5,467,526
Bad debt expense	**100,193**	46,433
Decrease (increase) in assets:		
Grants receivable	**(591,248)**	62,148
Program fees and accounts receivable	**(703,211)**	(236,562)
Pledges receivable	**76,783**	(105,507)
Other assets	**(686,114)**	12,653
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	**(418,877)**	(115,116)
Deferred revenue	**(571,399)**	(247,561)
Refundable deposits	**(234,180)**	(31,963)
Other liabilities	**(9,990)**	10,284
Accrued pension obligation	**1,222,120**	319,519
Net Cash Used In Operating Activities	**(3,929,327)**	(3,292,147)
Cash Flows From Investing Activities:		
Debt service reserve fund	**63,666**	-
Purchases of investments	**(105,884,484)**	(9,954,733)
Proceeds from sale of investments	**107,588,981**	12,230,279
Change in cash equivalents used in investments	**(52,115,175)**	563,319
Purchases of fixed assets	**(364,372)**	(493,463)
Proceeds from the sale of real estate	**52,991,231**	-
Net Cash Provided By Investing Activities	**2,279,847**	2,345,402
Cash Flows From Financing Activities:		
Principal payments of bonds payable	**(65,000)**	(60,000)
Decrease in Cash and Cash Equivalents	**(1,714,480)**	(1,006,745)
Cash and Cash Equivalents, Beginning of Year	**2,648,455**	3,655,200
Cash and Cash Equivalents, End of Year	**$ 933,975**	$ 2,648,455
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	**$ 1,584**	$ 6,650

See accompanying notes to financial statements.

1. Description of Organization

The mission of Helen Keller Services ("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 programs are listed below.

In fiscal year 2016, HKS changed their name from Helen Keller Services for the Blind to Helen Keller Services. The Certificate of Incorporation and Internal Revenue Service ("IRS") Master Business File have been updated to reflect this name change.

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, 2017.

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, 2017, there was no interest or penalties recorded or included in the statement of activities. As of June 30, 2017, the years still subject to examination by a taxing authority are 2014 through 2016.

(j) Fixed Assets

Fixed assets 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:

	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.

(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, 2017, 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, 2017, HKS has spent $861,573 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, 2016, from which the summarized information was derived.

(p) Accounting Pronouncements Issued But Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14 which deferred the effective date for the HKS until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

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.

(q) Reclassifications

Certain reclassifications have been made to the 2016 financial statements in order to conform to the 2017 presentation.

3. Pledges Receivable, Net

At June 30, 2017, the net present value of pledges receivable is $300,557. 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, 2017 is summarized below:

June 30, 2017	
Total pledges receivable, at June 30, 2017	$309,593
Discount	(9,036)
Net present value of pledges receivable at June 30, 2017	$300,557
Amounts due in:	
One year	$254,517
Two to five years	46,040
Total	$300,557

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 stocks are classified as Level 1.

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, 2017. 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, 2017	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	$53,174,137	$53,174,137	$ -	$-
Equities	30,641,584	30,641,584	-	-
Fixed income	8,329,705	-	8,329,705	-
U.S. government obligations	1,075,692	1,075,692	-	-
Public real estate investment trust	446,015	446,015	-	-
Total fair value of investments	$93,667,133	$85,337,428	$8,329,705	$-

There were no transfers between levels during the year ended June 30, 2017.

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

June 30, 2017

	Cost	Fair Value
Cash and cash equivalents	$53,174,137	$53,174,137
Corporate bonds	7,356,347	8,329,705
Equities	20,890,518	28,876,527
U.S. government obligations	1,071,263	1,075,692
Funds held in trust by others	718,003	2,211,072
	$83,210,268	$93,667,133

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, 2017 totaled $202,000.

For the year ended June 30, 2017, realized gains on investments were $255,506. The change in unrealized gain on investments was $4,243,036 for the year ended June 30, 2017.

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, 2017, the Charitable Gift Annuity investment account had a fair market value of $23,563 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, 2017, the pooled income fund had a fair market value of $335,890.

6. Fixed Assets, Net

Fixed assets, net consists of the following:

June 30, 2017	
Land	$ 412,000
Buildings and improvements	20,515,269
Furniture, fixtures and equipment	5,557,735
Vehicles	496,896
Work-in-progress	17,862
Total property, plant and equipment	26,999,762
Less: Accumulated depreciation and amortization	(23,639,001)
	$ 3,360,761

For the year ended June 30, 2017, depreciation and amortization expense was $529,358.

Work-in-progress at June 30, 2017 represents costs associated with projects intended to improve HKS' facilities. The estimated additional costs to complete these projects are approximately $42,000.

In December 2016, HKS sold a building, which they partially occupied and which they partially leased to unrelated parties, located at 57 Willoughby Street, Brooklyn, New York. The building was sold for $54,000,000. A gain of $51,967,426 was recognized on the sale of the building.

7. Bond Payable

HKS 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 was payable in annual principal installments beginning November 1, 2002 and matured November 1, 2016. Interest on the tax-exempt bond was payable quarterly at the rate of 7.0% per annum. The final annual payment of $65,000 was made on November 1, 2016. There is $-0- outstanding as of June 30, 2017.

8. Line of Credit

On May 26, 2016, HKS entered into a $2,000,000 line of credit agreement with a commercial lender. In 2017, HKS terminated the line of credit agreement.

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

Temporarily restricted net assets were available for the following purposes:

June 30, 2017	
Children's Learning Center	$ 269,077
Pooled income fund	335,890
Lavelle Fund for the Blind	226,209
Summer Camp	40,000
Prevoc Placement Services	15,000
National Center for Deaf-Blind Youths and Adults:	
Young Adult Program	18,878
Hampton Library	53,725
Adaptive Technology Training	65,518
Support Service Provider Program	115,603
Professional Learning Leadership Institute	271,977
Robert & Michelle Smithdas Scholarship Fund	22,836
Room renovations	163,916
Gladys Brooks Technology Infrastructure	88,008
Other	70,509
Total temporarily restricted net assets	$1,757,146

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

June 30, 2017	
Children's Learning Center	$ 5,566
National Center for Deaf-Blind Youths and Adults:	
Young Adult Program	38,769
Adaptive Technology Training	2,550
Support Service Provider Program	5,965
Professional Learning Leadership Institute	44,483
Robert & Michelle Smithdas Scholarship Fund	9,440
Room renovations	12,882
Gladys Brooks Technology Infrastructure	11,992
Other	68
Total net assets released from restrictions	$131,715

10. Permanently Restricted Net Assets

Permanently restricted net assets consist of the following:

June 30, 2017	
Endowment funds	$ 451,346
Funds held in trust by others:	
Horace Moses Trust	1,081,736
Madeline Moses Trust	608,768
Mariette Major Trust	259,370
Marion Hershafft Trust	261,198
Total funds held in trust by others	2,211,072
Total permanently restricted net assets	$2,662,418

11. Endowments - Net Asset Classification

The following table represents the endowment net asset composition by type of fund as of June 30, 2017:

	Unrestricted	Permanently Restricted	Total
Donor imposed restrictions	$ -	$2,662,418	$ 2,662,418
Board-designated funds functioning as endowment	86,192,819	-	86,192,819
	$86,192,819	$2,662,418	$88,855,237

The following table represents the reconciliation of changes in endowment net assets for the year ended June 30, 2017:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$31,893,397	$2,557,038	$34,450,435
Net investment appreciation	3,939,332	105,380	4,044,712
Operations	50,360,090	-	50,360,090
Endowment net assets, end of year	$86,192,819	$2,662,418	$88,855,237

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

12. 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, 2017 is comprised of the following:

Year ended June 30, 2017	
Service cost	$ 71,434
Interest cost	1,660,717
Expected return on plan assets	(1,782,953)
Amortization of accumulated loss	2,078,579
Net periodic pension cost	$ 2,027,777

The following table sets forth the plan's change in the projected benefit obligation at June 30, 2017:

June 30, 2017	
Projected benefit obligation, beginning of year	$49,026,333
Interest cost	1,660,717
Actuarial gain	(2,609,213)
Benefits paid	(1,499,367)
Projected benefit obligation, end of year	$46,578,470

The following table sets forth the plan's change in net assets available for benefits at June 30, 2017:

June 30, 2017	
Fair value of plan assets at beginning of year	$25,127,042
Actual return on plan assets	2,830,583
Employer contributions	865,121
Benefits paid	(1,499,367)
Fair value of plan assets at end of year	$27,323,379

The following table sets forth the plan's funded status at June 30, 2017:

June 30, 2017	
Projected benefit obligation	$(46,578,470)
Plan assets at fair value	27,323,379
Unfunded status	$(19,255,091)

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

June 30, 2017	
Accrued pension obligation – noncurrent liabilities	$19,255,091

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, 2017:

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 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.

General Account Contract

The Plan owns Group Annuity Contract Number 303 GAC (the "Contract"), which is an insurance contract issued by John Hancock Life Insurance Company, Inc. 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 Life Insurance Company, Inc. 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 Life Insurance Company, Inc.'s general investment account. Investments in the general account are unallocated assets of John Hancock Life Insurance Company, Inc. and back all of its general obligations. Investment earnings of the pension participating segment of John Hancock Life Insurance Company, Inc.'s general account are apportioned each December 31st 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, 2017. 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, 2017	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	$ 502,452	$ 502,452	$ -	$-
Mutual funds	15,452,195	15,452,195	-	-
General account contract	11,368,732	-	11,368,732	-
Total plan assets at fair value	$27,323,379	$15,954,647	$11,368,732	$-

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

June 30, 2017	
Equity securities and money market funds	58.39%
Other (general account contract)	41.61
	100.00%

The following table represents estimated future benefit payments:

2018	$ 1,987,650
2019	2,047,577
2020	2,130,333
2021	2,201,455
2022	2,219,379
2023-2027	11,681,719
	$22,268,113

Employer contributions expected to be paid in fiscal year ending June 30, 2018 are $1,706,000.

The weighted average discount rate of 3.73% was used in determining the actuarial present value of the projected benefit obligation for the year ended June 30, 2017.

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.

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.

(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, 2017, 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, 2017, HKS accrued a non-elective contribution equivalent to 4% of eligible compensation, which was paid in July 2017. The total matching and non-elective contributions were $781,895 for the year ended June 30, 2017.

(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 $75,587 as of June 30, 2017.

13. 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,	
2018	$ 668,254
2019	1,159,419
2020	1,891,781
2021	1,849,600
2022	1,849,600
Thereafter	59,264,267
	$66,682,921

Aggregate rent expense under the above leases for the year ended June 30, 2017 was $458,478.

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.

(b) 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:

June 30,	
2018	$ 337,520
2019	296,203
2020	278,327
2021	283,894
2022	191,777
	$1,387,721

Rental income under the above leases for the year ended June 30, 2017 was approximately $338,000. As stated in Note 7, HKS also leased space to unrelated parties in the building which was sold in December 2016. Rental income under those leases for the year ended June 30, 2017 was approximately $825,000. Total rental income for the year ended June 30, 2017 was approximately $1,163,000.

14. Supporting Services

Supporting services for the Helen Keller National Center for Deaf-Blind Youths and Adults for the year ended June 30, 2017 consisted of the following:

Year ended June 30, 2017	
Management and general	$1,390,204
Fundraising and public relations	447,508
	$1,837,712

15. Related Party Transactions

(a) During the fiscal year ended June 30, 2017, a Board member of HKS was an executive at an investment management firm which provides services to HKS. These services amounted to approximately $202,000. The arrangement to provide investment management services ceased in July 2017.

(b) During the fiscal year ended June 30, 2017, one board member operated as a partner at a legal firm that provided legal and consulting services to HKS. Those services amounted to approximately $101,000.

(c) During the fiscal year ended June 30, 2017, 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.

16. 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.

17. Subsequent Events

HKS' management has performed subsequent event procedures through November 3, 2017, 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, except as noted in Notes 12, 13 and 15.