

# Helen Keller Services

## Financial Statements Year Ended June 30, 2020

# **Helen Keller Services**

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Financial Statements  
Year Ended June 30, 2020

# Helen Keller Services

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## Independent Auditor's Report

The Board of Trustees  
Helen Keller Services  
Brooklyn, New York

We have audited the accompanying statement of financial position of Helen Keller Services (HKS) as of June 30, 2020, 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, 2020, 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' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

October 30, 2020

**Helen Keller Services**  
**Statement of Financial Position**  
**(with comparative totals for 2019)**

June 30,

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
<b>Assets</b>				
<b>Current</b>				
Cash and cash equivalents (including funds held in trust for trainees of \$27,388 in 2020)	\$ 5,686,330	\$ 163,843	\$ 5,850,173	\$ 1,938,610
Grants receivable (Note 2)	1,033,298	-	1,033,298	247,632
Program fees and accounts receivable, net (Note 2)	2,850,353	-	2,850,353	3,136,710
Pledges receivable, net (Note 4)	-	85,090	85,090	187,995
Due from other funds	-	207,455	207,455	207,474
Investments, at fair value (Notes 5 and 6)	81,342,404	344,096	81,686,500	86,393,209
Other assets	676,919	-	676,919	776,219
<b>Total Current Assets</b>	<b>91,589,304</b>	<b>800,484</b>	<b>92,389,788</b>	<b>92,887,849</b>
<b>Pledges Receivable, Net, less current portion (Note 4)</b>	<b>-</b>	<b>117,559</b>	<b>117,559</b>	<b>89,482</b>
<b>Investments, at Fair Value, less current portion (Notes 5 and 6)</b>	<b>2,606,680</b>	<b>2,723,603</b>	<b>5,330,283</b>	<b>4,841,656</b>
<b>Property, Plant and Equipment, Net (Note 7)</b>	<b>10,082,755</b>	<b>-</b>	<b>10,082,755</b>	<b>9,894,206</b>
	<b>\$ 104,278,739</b>	<b>\$ 3,641,646</b>	<b>\$ 107,920,385</b>	<b>\$ 107,713,193</b>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	\$ 3,657,050	\$ -	\$ 3,657,050	\$ 4,236,723
Deferred revenue	481,696	-	481,696	480,632
Due to other funds	192,736	14,719	207,455	207,474
Other liabilities (Note 6)	69,159	-	69,159	67,995
<b>Total Current Liabilities</b>	<b>4,400,641</b>	<b>14,719</b>	<b>4,415,360</b>	<b>4,992,824</b>
<b>Refundable Deposits</b>	<b>165,977</b>	<b>-</b>	<b>165,977</b>	<b>165,827</b>
<b>PPP Loan Payable (Note 8)</b>	<b>4,740,000</b>	<b>-</b>	<b>4,740,000</b>	<b>-</b>
<b>Deferred Rent</b>	<b>5,341,849</b>	<b>-</b>	<b>5,341,849</b>	<b>5,808,462</b>
<b>Accrued Pension Liability (Note 11)</b>	<b>19,286,614</b>	<b>-</b>	<b>19,286,614</b>	<b>16,388,723</b>
<b>Total Liabilities</b>	<b>33,935,081</b>	<b>14,719</b>	<b>33,949,800</b>	<b>27,355,836</b>
<b>Commitments and Contingencies (Notes 9, 10, 11, 12, and 15)</b>				
<b>Net Assets (Notes 9 and 10)</b>				
Without donor restrictions	70,343,658	-	70,343,658	76,465,786
With donor restrictions:				
Time/purpose restricted (Note 9)	-	918,043	918,043	1,182,687
Perpetual in nature (Note 10)	-	2,257,539	2,257,539	2,257,539
Endowment funds	-	451,345	451,345	451,345
<b>Total Net Assets</b>	<b>70,343,658</b>	<b>3,626,927</b>	<b>73,970,585</b>	<b>80,357,357</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 104,278,739</b>	<b>\$ 3,641,646</b>	<b>\$ 107,920,385</b>	<b>\$ 107,713,193</b>

See accompanying notes to financial statements.

**Helen Keller Services**  
**Statement of Activities**  
**(with comparative totals for 2019)**

*Year ended June 30,*

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
<b>Support and Revenue</b>				
Public support:				
Contributions	\$ 1,146,194	\$ 132,776	\$ 1,278,970	\$ 1,183,456
Legacies	431,476	-	431,476	188,714
Special events:				
Gross receipts	196,701	-	196,701	337,616
Less: direct donor benefits	(129,922)	-	(129,922)	(216,971)
<b>Total Public Support</b>	<b>1,644,449</b>	<b>132,776</b>	<b>1,777,225</b>	<b>1,492,815</b>
Fees and grants from government agencies:				
National Center for Deaf Blind Youths and Adults - grant income	17,840,165	-	17,840,165	15,720,764
Helen Keller Services for the Blind - grant income	389,950	-	389,950	513,850
Training fees and allowances	10,668,083	-	10,668,083	10,640,560
<b>Total Fees and Grants from Government Agencies</b>	<b>28,898,198</b>	<b>-</b>	<b>28,898,198</b>	<b>26,875,174</b>
Other revenue:				
Investment income	2,817,085	-	2,817,085	3,346,259
Rental income:				
Gross receipts	381,789	-	381,789	351,253
Less: direct costs	(519,864)	-	(519,864)	(599,718)
Net gain (loss) on investments	(1,575,760)	-	(1,575,760)	1,003,058
Other	177,206	-	177,206	113,226
<b>Total Other Revenue</b>	<b>1,280,456</b>	<b>-</b>	<b>1,280,456</b>	<b>4,214,078</b>
Net assets released from restrictions (Note 10)	397,420	(397,420)	-	-
<b>Total Support and Revenue</b>	<b>32,220,523</b>	<b>(264,644)</b>	<b>32,220,523</b>	<b>32,582,067</b>

**Helen Keller Services**  
**Statement of Activities (Continued)**  
**(with comparative totals for 2019)**

*Year ended June 30,*

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
<b>Expenses</b>				
Program services:				
Assistive technology	\$ 555,747	\$ -	\$ 555,747	\$ 548,831
Low vision and audiology	474,567	-	474,567	448,305
Comprehensive services	3,286,254	-	3,4286,254	3,366,192
Supported employment services	39,144	-	39,144	45,161
Day habilitation services	2,533,588	-	2,533,588	2,724,261
Blind children program	3,457,618	-	3,457,618	3,643,483
Summer camp	218,144	-	218,144	207,993
National Center for Deaf-Blind				
Youths and Adults	17,715,641	-	17,715,641	16,387,364
Residential	771,516	-	771,516	659,798
<b>Total Program Services</b>	<b>29,052,219</b>	<b>-</b>	<b>29,052,219</b>	<b>28,031,388</b>
Supporting services:				
Management and general	4,238,331	-	4,238,331	4,395,653
Fundraising	606,742	-	606,742	766,611
Public relations and volunteer services	277,079	-	277,079	270,266
<b>Total Supporting Services</b>	<b>5,122,152</b>	<b>-</b>	<b>5,122,152</b>	<b>5,432,530</b>
<b>Total Expenses</b>	<b>34,174,371</b>	<b>-</b>	<b>34,174,371</b>	<b>33,463,918</b>
<b>Change in Net Assets,</b>				
before (increase) decrease in				
additional minimum pension liability	(1,953,848)	(264,644)	(2,218,492)	(881,851)
<b>Increase in Unfunded Pension Obligation</b>	<b>(4,168,280)</b>	<b>-</b>	<b>(4,168,280)</b>	<b>(2,862,572)</b>
<b>Change in Net Assets</b>	<b>(6,122,128)</b>	<b>(264,644)</b>	<b>(6,386,772)</b>	<b>(3,744,423)</b>
<b>Net Assets, beginning of year</b>	<b>76,465,786</b>	<b>3,891,571</b>	<b>80,357,357</b>	<b>84,101,780</b>
<b>Net Assets, end of year</b>	<b>\$ 70,343,658</b>	<b>\$ 3,626,927</b>	<b>\$ 73,970,585</b>	<b>\$ 80,357,357</b>

*See accompanying notes to financial statements.*

**Helen Keller Services**  
**Statement of Functional Expenses**  
**(with comparative totals for 2019)**

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	\$ 305,982	\$ 182,923	\$ 1,670,607	\$ 24,911	\$ 1,487,732	\$ 1,493,125	\$ 93,368	\$ 9,881,475	\$ 505,887	\$ 15,646,010
Employee benefits and payroll taxes	124,995	74,707	666,796	10,034	589,633	581,727	12,811	3,863,401	202,470	6,126,574
Real estate taxes and municipal service charge	-	-	-	-	-	-	-	480	-	480
Rent	-	-	-	-	-	-	-	136,289	-	136,289
Heat, light and power	-	-	-	-	29,233	-	-	317,822	13,463	360,518
Supplies, equipment and printing	-	649	18,657	-	6,012	27,404	2,708	192,462	1,402	249,294
Cleaning service	-	-	-	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-	-	-	-
Telephone	2,554	2,202	36,130	548	16,359	11,667	537	96,192	11,112	177,301
Insurance	4,326	7,898	18,489	-	89,851	11,700	24,572	144,334	8,501	309,671
Repairs and maintenance	-	-	-	-	-	-	300	55,207	471	55,978
Travel	427	68	22,091	-	3,602	-	-	383,596	-	409,784
Auto maintenance	-	-	-	-	91,654	-	-	14,836	4,330	110,820
Consultant fees	-	-	-	-	-	-	-	1,123,375	-	1,123,375
Professional fees	-	-	150	-	-	123,575	2,875	5,860	135	132,595
Medical fees	-	-	-	-	-	-	-	21,353	-	21,353
Medical supplies	-	-	-	-	-	-	-	5,730	4,624	10,354
Food	-	-	1,333	-	2,710	-	-	138,175	10,741	152,959
Client transportation	-	-	175	-	-	800	68,075	18,166	-	87,216
Client recreation	-	-	30,000	-	-	-	12,898	5,733	278	48,909
Client aids	4,800	129,337	46,915	-	-	-	-	246,086	4,275	431,413
Payments to subawards	-	-	-	-	-	-	-	433,564	-	433,564
Trainee allowances	-	-	74,060	-	-	-	-	-	-	74,060
Staff development and seminars	-	-	1,885	-	(270)	2,068	-	21,297	-	24,980
Postage	-	-	2,495	-	5,031	760	-	4,626	-	12,912
Equipment rental	-	-	2,660	-	4,976	2,306	-	1,095	1,330	12,367
Outside services	360	343	9,336	-	500	3,183	-	226,996	-	240,718
Bank and investment fees	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	1,600	8,953	-	-	48,544	-	-	251,175	2,497	312,769
Bad debt expense	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	126,316	-	126,316
<b>Total, before building allocations</b>	<b>445,044</b>	<b>407,080</b>	<b>2,601,779</b>	<b>35,493</b>	<b>2,375,567</b>	<b>2,258,315</b>	<b>218,144</b>	<b>17,715,641</b>	<b>771,516</b>	<b>26,828,579</b>
Allocations:										
Brooklyn Bldg.:										
Program and supporting services	99,942	49,971	549,679	-	-	1,199,303	-	-	-	1,898,895
Rental properties	-	-	-	-	-	-	-	-	-	-
Hempstead Bldg.:										
Program and supporting services	10,761	9,031	96,079	3,651	72,635	-	-	-	-	192,157
Rental properties	-	-	-	-	-	-	-	-	-	-
Suffolk Bldg.:										
Program and supporting services	-	8,485	38,717	-	85,386	-	-	-	-	132,588
<b>Total Expenses</b>	<b>\$ 555,747</b>	<b>\$ 474,567</b>	<b>\$ 3,286,254</b>	<b>\$ 39,144</b>	<b>\$ 2,533,588</b>	<b>\$ 3,457,618</b>	<b>\$ 218,144</b>	<b>\$ 17,715,641</b>	<b>\$ 771,516</b>	<b>\$ 29,399,526</b>

## Helen Keller Services

### Statement of Functional Expenses (Continued) (with comparative totals for 2019)

Year ended June 30,

	Supporting Services								Total	
	Brooklyn Buildings	Hempstead Building	Suffolk Building	National Center for Deaf-Blind Youths and Adults (Note 11)	Management and General	Fundraising	Public Relations and Volunteer Services	Total Supporting Services	2020	2019
Salaries	\$ -	\$ 79,892	\$ -	\$ 767,829	\$ 1,094,319	\$ 154,767	\$ -	\$ 2,096,807	\$ 17,742,817	\$ 16,180,730
Employee benefits and payroll taxes	-	-	-	300,201	355,212	31,188	-	686,601	6,813,175	6,661,663
Real estate taxes and municipal service charge	-	163,614	-	20,420	-	-	-	184,034	184,514	181,305
Rent	1,714,730	-	69,604	-	-	-	-	1,784,334	1,920,623	2,680,863
Heat, light and power	173,179	98,307	16,141	27,219	-	-	-	314,846	675,364	505,036
Supplies, equipment and printing	9,992	17,919	150	14,896	353,059	1,395	-	397,411	646,705	580,557
Cleaning service	-	8,295	-	-	-	-	-	8,295	8,295	250,165
Advertising	-	-	-	-	150	2,477	20	2,647	2,647	9,350
Telephone	1,215	-	1,701	8,237	25,789	1,682	-	38,624	215,925	218,622
Insurance	13,623	21,255	14,805	12,361	42,001	-	-	104,045	413,716	386,136
Repairs and maintenance	48,761	50,832	5,537	4,728	-	1,172	60	111,090	167,068	172,680
Travel	-	2,073	331	11,074	5,439	2,196	13	21,126	430,910	492,499
Auto maintenance	-	-	-	-	-	-	-	-	110,820	121,950
Consultant fees	-	-	-	121,458	-	-	-	121,458	1,244,833	1,253,774
Professional fees	65,162	4,000	-	101,969	478,553	-	92,989	742,673	875,268	932,615
Medical fees	-	-	-	-	-	-	-	-	21,353	23,119
Medical supplies	-	-	-	-	-	-	-	-	10,354	6,096
Food	-	-	-	-	1,926	-	-	1,926	154,885	195,032
Client transportation	-	-	-	-	-	-	-	-	87,216	91,344
Client recreation	-	-	-	-	-	-	-	-	48,909	58,221
Client aids	-	-	-	-	-	-	-	-	431,413	485,385
Payments to subawards	-	-	-	-	-	-	-	-	433,564	685,773
Trainee allowances	-	-	-	-	-	-	-	-	74,060	130,472
Staff development and seminars	-	-	-	1,003	-	-	-	1,003	25,983	33,782
Postage	240	-	-	6,614	7,878	50	-	14,782	27,694	40,611
Equipment rental	-	-	4,567	18,668	10,532	-	-	33,767	46,134	49,577
Outside services	175,374	166,853	10,966	45,015	111,157	-	-	509,365	750,083	508,460
Bank and investment fees	-	-	-	8,653	187,329	-	-	195,982	195,982	171,018
Depreciation and amortization	299,847	97,646	6,070	40,889	-	-	-	444,452	757,221	673,831
Bad debt expense	-	-	-	-	-	-	-	-	-	169,682
Miscellaneous	3,000	1,335	2,716	8,005	10,538	704	24,090	50,388	176,704	113,288
<b>Total, before building allocations</b>	<b>2,505,123</b>	<b>712,021</b>	<b>132,588</b>	<b>1,519,239</b>	<b>2,683,882</b>	<b>195,631</b>	<b>117,172</b>	<b>7,865,656</b>	<b>34,694,235</b>	<b>34,063,636</b>
Allocations:										
Brooklyn Bldg.:										
Program and supporting services	(2,505,123)	-	-	-	423,834	22,487	159,907	(1,898,895)	-	-
Rental properties	-	-	-	-	-	-	-	-	-	-
Hempstead Bldg.:										
Program and supporting services	-	(192,157)	-	-	-	-	-	(192,157)	-	-
Rental properties	-	(519,864)	-	-	-	-	-	(519,864)	(519,864)	(599,718)
Suffolk Bldg.:										
Program and supporting services	-	-	(132,588)	-	-	-	-	(132,588)	-	-
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,519,239</b>	<b>\$ 3,107,716</b>	<b>\$ 218,118</b>	<b>\$ 277,079</b>	<b>\$ 5,122,152</b>	<b>\$ 34,174,371</b>	<b>\$ 33,463,918</b>

See accompanying notes to financial statements.

**Helen Keller Services**  
**Statement of Cash Flows**  
**(with comparative totals for 2019)**

<i>Year ended June 30,</i>	2020	2019
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (6,386,772)	\$ (3,744,423)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	757,221	673,831
Unrealized losses (gains) on investments	(490,767)	(349,994)
Realized gains on investments	2,066,527	(653,064)
Change in present value of pledges receivable	11,167	11,167
Increase in minimum pension obligation	4,168,280	2,862,572
Bad debt expense	-	169,682
Decrease (increase) in assets:		
Grants receivable	(785,666)	435,075
Program fees and accounts receivable	286,357	(182,469)
Pledges receivable	63,661	(52,479)
Due from other funds	19	-
Other assets	99,300	(275,710)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(579,673)	1,262,203
Deferred revenue	1,064	(312,609)
Refundable deposits	150	111
Deferred rent	(466,613)	4,256,767
Due to other funds	(19)	-
Other liabilities	1,164	(4,901)
Accrued pension obligation	(1,270,389)	(787,195)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(2,524,989)</b>	<b>3,308,564</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(27,554,940)	(35,178,286)
Proceeds from sale of investments	30,863,135	35,768,418
Change in cash equivalents used in investments	(665,873)	1,043,255
Purchases of property, plant, and equipment	(945,770)	(4,853,121)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>1,696,552</b>	<b>(3,219,734)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from loan	4,740,000	-
<b>Net Cash Provided by Financing Activities</b>	<b>4,740,000</b>	<b>-</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>3,911,563</b>	<b>88,830</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>1,938,610</b>	<b>1,849,780</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 5,850,173</b>	<b>\$ 1,938,610</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for taxes	\$ -	\$ 11,341

*See accompanying notes to financial statements.*

# Helen Keller Services

## Notes to Financial Statements

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### 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.

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.

#### *Programs*

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

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

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

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

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

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

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

### 2. Summary of Significant Accounting Policies

#### *Basis of Presentation*

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

# Helen Keller Services

## Notes to Financial Statements

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### ***Financial Statement Presentation***

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

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

These classes are defined as follows:

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

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

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

### ***Cash and Cash Equivalents***

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

### ***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 (SED) and the U.S. Department of Education. These revenues are earned as services are performed and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position or results of operations of HKS.

# Helen Keller Services

## Notes to Financial Statements

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### ***Grants, Program Fees, and Accounts Receivable***

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

### ***Contributions and Promises to Give***

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

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

### ***Concentration of Credit Risk***

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

### ***Fair Value Measurement***

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

# Helen Keller Services

## Notes to Financial Statements

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

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

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

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

### ***Investments, at Fair Value***

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

### ***Income Taxes***

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

HKS adopted the provisions of ASC 740, *Accounting for Uncertainty in Income Taxes*. Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. HKS does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. HKS has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, HKS has filed Internal Revenue Service (IRS) Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended June 30, 2020, there was no interest or penalties recorded or included in the statement of activities. As of June 30, 2020, the years still subject to examination by a taxing authority are 2017 through 2019.

### ***Property, Plant and Equipment, Net***

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

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

# Helen Keller Services

## Notes to Financial Statements

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

### ***Impairment of Long-Lived Assets***

HKS follows the provisions of ASC 360-10-35, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which requires HKS to review long-lived assets, including property, plant and equipment, and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. For the year ended June 30, 2020, there have been no such losses.

### ***Net Assets with Donor Restrictions Restricted in Perpetuity***

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

### ***Interpretation of Relevant Law***

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

- The original value of the gift donated to the permanent endowment
- The original value of subsequent gifts to the permanent endowment
- Accumulation of the permanent endowment made in accordance with the direction of the applicable donor instructions

### ***Investment and Spending Policies***

HKS has adopted investment and spending policies for endowment assets that attempt to provide a stream of returns that would be utilized to fund various programs while seeking to maintain the purchasing power of the endowment assets. HKS considers distributing a percentage of its invested assets each year based upon their rolling average value over the prior eight quarters. In 2012, \$1,000,000 for capital improvement projects was approved for future distribution from the endowment fund. As of June 30, 2020, HKS has spent \$924,174 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.

# Helen Keller Services

## Notes to Financial Statements

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

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

### ***Functional Expenses***

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

### ***Use of Estimates***

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

### ***Risks and Uncertainties***

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

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

# Helen Keller Services

## Notes to Financial Statements

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

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

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

Management continues to examine the impact that the COVID-19 outbreak and CARES Act may have on its business. Management is currently unable to determine any additional impact on its financial condition, results of operation or liquidity. Although HKS cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material effect on HKS' results of future operations, financial position, and liquidity in fiscal year 2021.

### ***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, 2019, from which the summarized information was derived.

### ***Recently Adopted Accounting Pronouncements***

#### ***Not-for-Profit Grant and Contributions Accounting (Topic 958)***

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution, the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction, which will govern the revenue and expense recognition methodology and timing of the

# Helen Keller Services

## Notes to Financial Statements

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transaction. The standard was adopted by HKS in the year ended June 30, 2020 and did not have a material impact on the HKS financial statements.

### ***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 2020-05, which deferred the effective date for the HKS until annual periods beginning after December 15, 2019. 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 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. With the release of ASU 2020-05 this ASU was delayed and is effective for HKS' fiscal years beginning after December 31, 2021, with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

### ***Reclassifications***

Certain reclassifications have been made to the 2019 financial statements in order to conform the to 2020 presentation. There was no impact on the change in net assets.

### **3. Liquidity and Availability of Resources**

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

*June 30, 2020*

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<b>Total Current Assets Without Donor Restrictions</b>	<b>\$ 91,589,304</b>
Less: amounts unavailable for general expenditures within one year due to:	
Other assets	(676,919)
Funds held in trust for trainees	(27,388)
<b>Total Financial Assets Available to Management for General Expenditure Within One Year</b>	<b>\$ 90,884,997</b>

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# Helen Keller Services

## Notes to Financial Statements

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### *Liquidity Management*

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

### **4. Pledges Receivable, Net**

At June 30, 2020, the net present value of pledges receivable is \$202,649. The net present value of pledges receivable was calculated using a discount rate of 3%.

The net present value of pledges receivable is summarized below:

*June 30, 2020*

Total pledges receivable	\$	215,730
Discount		(13,081)
<b>Net Present Value of Pledges Receivable</b>	<b>\$</b>	<b>202,649</b>
Amounts due in:		
One year	\$	85,090
Two to five years		130,640
<b>Total</b>	<b>\$</b>	<b>215,730</b>

### **5. Investments, at Fair Value**

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

#### *Equity Securities*

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

#### *Mutual Funds*

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

#### *Private Real Estate Investment Trusts*

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

# Helen Keller Services

## Notes to Financial Statements

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are primarily based on financial data supplied by the investment managers of the underlying funds. These funds are classified as Level 3.

### **Fixed Income**

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

### **Public Real Estate Investment Trust**

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

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, 2020. The assets are presented on a desegregated basis by class, determined by the nature and risks associated with the investment.

*June 30, 2020*

	Fair Value Measurement at Reporting Date Using			Balance
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets</b>				
Cash and cash equivalents	\$ 2,743,457	\$ -	\$ -	\$ 2,743,457
Equity securities	58,728,041	-	-	58,728,041
Mutual funds	5,192,145	-	-	5,192,145
Private real estate investment trusts	-	-	2,606,680	2,606,680
Fixed income	16,869,864	726,278	-	17,596,142
Public real estate investment trust	150,318	-	-	150,318
<b>Total Assets, at fair value</b>	<b>\$ 83,683,825</b>	<b>\$ 726,278</b>	<b>\$ 2,606,680</b>	<b>\$ 87,016,783</b>

There were no transfers between levels during the year ended June 30, 2020.

# Helen Keller Services

## Notes to Financial Statements

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The table below sets forth a summary of changes in fair value of the Level 3 assets:

*Year ended June 30, 2020*

<b>Beginning Balance</b>	\$ 2,118,053
Contributions	640,940
Sales	(193,254)
Investment income, net	40,941
<b>Ending Balance</b>	<b>\$ 2,606,680</b>

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, 2020 totaled \$196,010.

For the year ended June 30, 2020, realized gains on investments were \$2,066,527. The change in unrealized loss on investments was \$490,767 for the year ended June 30, 2020.

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

### 6. Split-Interest Agreements

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

#### *Charitable Gift Annuity*

Under the Charitable Gift Annuity agreement, donors make contributions in exchange for a promise to receive a fixed amount over a specified period of time, usually the life of donor or beneficiary. During the term of the agreement, HKS acts as a custodian of these funds whereby the asset and the net present value of related liability are reflected in the statement of financial position. After the term of the agreement, the remaining asset belongs to HKS. At June 30, 2020, the Charitable Gift Annuity investment account had a fair market value of \$7,009 and the related liability amounted to \$42,801.

#### *Pooled-Income Fund*

Under the terms of the pooled-income fund, the contributions from donors are invested in a pooled investment account. This account is divided into units and contributions from various donors who are invested as a group. At the date of the donation, donors are assigned a specific number of units based on the fair value of their donation as compared to the total value of the fund. The donors receive actual income earned by the fund based on the number of units throughout their lives. Upon their demise, the value of these assigned units reverts to HKS. The fair value contribution is recognized as a net asset with donor restrictions in the statement of activities in the period it is received. At June 30, 2020, the pooled-income fund had a fair market value of \$362,084.

**Helen Keller Services**  
**Notes to Financial Statements**

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**7. Property, Plant and Equipment, Net**

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

*June 30, 2020*

Land	\$	412,000
Buildings and improvements		26,317,606
Furniture, fixtures and equipment		5,554,603
Vehicles		725,460
<b>Total Property, Plant and Equipment</b>		<b>33,009,669</b>
Less: accumulated depreciation and amortization		(22,926,914)
	\$	<b>10,082,755</b>

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For the year ended June 30, 2020, depreciation and amortization expense was \$757,221.

**8. Small Business Administration - Paycheck Protection Program (PPP)**

On April 14, 2020, HKS applied for and received approval for a loan under the PPP administered by the United States Small Business Administration. As mentioned in Note 2, the PPP was legislated as part of the CARES Act, and is a program designed to provide a direct incentive for small businesses to keep their workers on the payroll. The loan may be partially or fully forgiven if the business keeps its employee counts and employee wages stable. As of June 30, 2020, HKS' PPP loan had a balance of \$4,740, 000 and is held by DIME Community Bank. Management believes the PPP loan will be fully forgiven.

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**Helen Keller Services**  
**Notes to Financial Statements**

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**9. Net Assets with Donor Restrictions**

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

*June 30, 2020*

<b>Restricted for Specific Purpose/Program/Time</b>	
Children's Learning Center	\$ 209,270
Pooled-income fund	352,500
Summer Camp	7,000
Lavelle Sleep Away	101,267
Health and Wellness CORE	66,727
National Center for Deaf-Blind Youths and Adults:	
Hampton Library	47,706
Robert & Michelle Smithdas Scholarship Fund	30,880
Room renovations	73,528
Other	29,165
<b>Total Restricted for Specific Purpose/Program/Time</b>	<b>918,043</b>
<b>Restricted in Perpetuity</b>	
Endowment funds	451,345
Funds held in trust by others:	
Horace Moses Trust	1,141,833
Madeline Moses Trust	616,221
Marianne Major Trust	257,902
Marion Hershafft Trust	241,583
<b>Total Restricted in Perpetuity</b>	<b>2,708,884</b>
<b>Total Net Assets with Donor Restrictions</b>	<b>\$ 3,626,927</b>

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

*Year ended June 30, 2020*

<b>Net Assets Restricted in Perpetuity, beginning of year</b>	<b>\$ 2,708,884</b>
Net investment depreciation	-
<b>Net Assets Restricted in Perpetuity, end of year</b>	<b>\$ 2,708,884</b>

The cost basis of the endowment net assets is \$718,003. There are no underwater endowments as of June 30, 2020.

**Helen Keller Services**  
**Notes to Financial Statements**

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**10. Net Assets Released from Donor Restrictions**

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

*June 30, 2020*

Children's Learning Center	\$	21,870
Lavelle Fund for the Blind		82,197
Summer Camp		35,000
Lavelle Sleep Away		16,500
Health and Wellness ALP		45,549
National Center for Deaf-Blind Youths and Adults:		
Professional Learning Leadership Institute		111,940
Gladys Brooks Technology Infrastructure		46,224
Other		38,140
<b>Total Net Assets Released from Donor Restrictions</b>	<b>\$</b>	<b>397,420</b>

**11. Retirement Plans**

***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 is comprised of the following:

*Year ended June 30, 2020*

Service cost	\$	68,417
Interest cost		1,394,286
Expected return on plan assets		(1,930,152)
Amortization of accumulated loss		1,221,974
Settlement loss		2,821,718
<b>Net Periodic Pension Cost</b>	<b>\$</b>	<b>3,576,243</b>

# Helen Keller Services

## Notes to Financial Statements

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

*June 30, 2020*

<b>Projected Benefit Obligation</b> , beginning of year	\$ 42,929,389
Interest cost	1,394,286
Actuarial loss	4,385,132
Benefits paid	(1,123,303)
Settlements	(6,857,089)
<b>Projected Benefit Obligation</b> , end of year	<b>\$ 40,728,415</b>

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

*June 30, 2020*

<b>Fair Value of Plan Assets</b> , beginning of year	\$ 26,540,665
Actual return on plan assets	1,919,134
Employer contributions	2,025,015
Benefits paid	(1,123,303)
Settlements	(7,919,710)
<b>Fair Value of Plan Assets</b> , end of year	<b>\$ 21,441,801</b>

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

*June 30, 2020*

Projected benefit obligation	\$ (40,728,415)
Plan assets at fair value	21,441,801
<b>Unfunded Status</b>	<b>\$ (19,286,614)</b>

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

*June 30, 2020*

<b>Accrued pension obligation - noncurrent liabilities</b>	<b>\$ 19,286,614</b>
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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, 2020:

### *Short-Term Investments*

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

### *Mutual Funds*

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

# Helen Keller Services

## Notes to Financial Statements

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### *General Account Contract*

In September 2019 Helen Keller began the process to surrender the contract to John Hancock with the sale of the contract occurring in December 2019. The funds remaining after the purchase of the guaranteed benefits were transferred to the trustee of the Plan. The Plan owned 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 31<sup>st</sup> 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, 2020. The assets are presented on a desegregated basis by class, determined by the nature and risks associated with the investment.

*June 30, 2020*

	<u>Fair Value Measurement at Reporting Date Using</u>			Balance
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Plan Assets</b>				
Short-term investments	\$ 252,325	\$ -	\$ -	\$ 252,325
Mutual funds	21,189,476	-	-	21,189,476
<b>Total Plan Assets, at fair value</b>	<b>\$ 21,441,801</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21,441,801</b>

# Helen Keller Services

## Notes to Financial Statements

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The following table represents estimated future benefit payments:

<i>June 30,</i>	
2021	\$ 1,421,000
2022	1,487,000
2023	1,537,000
2024	1,611,000
2025	1,670,000
2026-2029	9,054,000
	<hr/>
	\$ 16,780,000

Employer contributions expected to be paid in fiscal year ending June 30, 2021 are \$574,000.

The weighted average discount rate of 2.50% was used in determining the actuarial present value of the projected benefit obligation for the year ended June 30, 2020.

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 determined by HKS.

The mortality table used in calculating the projected benefit obligation as of June 30, 2020 was the RP-2014 Total Dataset Mortality Table with MP-2018 Scaling. In October 2017, the IRS updated the mortality tables to be used for both the Employee Retirement Income Security Act of 1974 (ERISA) funding and lump-sum benefits beginning in the 2018 calendar year. In addition, it also updated the static mortality tables for plan years beginning during 2017, with respect to valuation dates occurring during 2018. These changes could potentially impact lump-sum benefits, funding costs and balance sheet obligations, except in situations where the projected lump-sum mortality rates were already considered. Management is currently evaluating the impact to the plan.

### ***Post-Retirement Benefits***

HKS provides life insurance benefits for retired employees who met certain minimum age and length of service requirements. The cost of providing these benefits is recognized as they are earned by the employees. As of June 30, 2020, 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.

# Helen Keller Services

## Notes to Financial Statements

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### **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, 2020, HKS accrued a non-elective contribution equivalent to 4% of eligible compensation, which was paid in July 2020. The total matching and non-elective contributions were \$915,198 for the year ended June 30, 2020.

### **457(b) Plan**

HKS has a Section 457(b) deferred compensation plan for former key employees. HKS holds funds in an investment account, which is recorded in other assets and has a corresponding liability recorded in accounts payable and accrued expenses on the statement of financial position of \$84,091 as of June 30, 2020.

## **12. Commitments**

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

*June 30,*

2021	\$	1,719,482
2022		1,675,815
2023		1,663,724
2024		1,665,904
2025		1,709,536
Thereafter		45,992,279
	\$	54,426,740

Aggregate rent expense under the above leases for the year ended June 30, 2020 was \$1,920,623. In May 2017, HKS entered into a long-term lease agreement for a new office space in Brooklyn, New York. The lease agreement called for the landlord to meet certain conditions prior to the commencement of the lease. These conditions have been met as of September 20, 2017 and as such, the lease has commenced.

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

On July 12, 2017, HKS posted a \$616,533 Standby Letter of Credit for the benefit of its Landlord at 180 Livingston Street. The letter of credit is secured by a cash collateral account held with JP Morgan Chase, which had a balance of \$705,000 at June 30, 2020. The initial period was set to expire on July 30, 2020 and has been renewed with a new maturity date of July 30, 2021.

# Helen Keller Services

## Notes to Financial Statements

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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:

<i>June 30,</i>	
2021	\$ 630,336
2022	513,216
2023	271,440
2024	271,440
2025	271,440
Thereafter	746,460
	<hr/> \$ 2,704,332

Rental income under the above leases for the year ended June 30, 2020 was approximately \$382,000.

### 13. Related-Party Transactions

During the fiscal year ended June 30, 2020, one board member is a partner at a legal firm that provided legal and consulting services to HKS. Those services amounted to approximately \$54,000.

During the fiscal year ended June 30, 2020, 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.

Effective July 1, 2020, these relationships terminated as both the law firm and bank stopped providing services for HKS.

### 14. Supporting Services

Supporting services for the Center consisted of the following:

<i>Year ended June 30, 2020</i>	
Management and general	\$ 1,130,615
Fundraising	388,624
	<hr/> \$ 1,519,239

### 15. 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.

**Helen Keller Services**  
**Notes to Financial Statements**

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**16. Subsequent Events**

HKS' management has performed subsequent event procedures through October 30, 2020, 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.