Helen Keller Services

Financial Statements
Year Ended June 30, 2018

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, 2018

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, 2018, 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, 2018, 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' 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 3, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

November 9, 2018

Helen Keller Services

Statement of Financial Position
(with comparative total for 2017)

June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017
Assets					
Current					
Cash and cash equivalents (including funds held in trust for trainees of $31,125 in 2018 and $7,537 in 2017) (Note 2)	$ 1,188,998	$ 660,782	$ -	**$ 1,849,780**	$ 933,975
Grants receivable (Note 2)	811,815	-	-	**811,815**	1,136,309
Program fees and accounts receivable, net (Note 2)	2,994,815	-	-	**2,994,815**	2,934,397
Pledges receivable, net (Notes 2 and 3)	-	180,316	-	**180,316**	254,517
Due from other funds	-	447,309	-	**447,309**	275,147
Investments, at fair value (Notes 4 and 5)	88,772,082	344,096	-	**89,116,178**	90,989,996
Other assets	500,509	-	-	**500,509**	1,263,093
Total Current Assets	94,268,219	1,632,503	-	**95,900,722**	97,787,434
Pledges Receivable, Net, Less Current Portion (Note 3)	-	55,849	-	**55,849**	46,040
Investments, at Fair Value, Less Current Portion (Notes 4 and 5)	-	-	2,749,016	**2,749,016**	2,677,137
Property, Plant, and Equipment, Net (Note 6)	5,714,916	-	-	**5,714,916**	3,360,761
	$ 99,983,135	$ 1,668,352	$ 2,749,016	**$ 104,420,503**	$ 103,871,372
Liabilities and Net Assets					
Current Liabilities					
Accounts payable and accrued expenses	$ 2,974,520	$ -	$ -	**$ 2,974,520**	$ 2,967,581
Deferred revenue	793,241	-	-	**793,241**	248,068
Due to other funds	432,590	-	14,719	**447,309**	275,147
Other liabilities (Note 5)	72,896	-	-	**72,896**	49,308
Total Current Liabilities	4,273,247	-	14,719	**4,287,966**	3,540,104
Refundable Deposits	165,716	-	-	**165,716**	165,523
Deferred Rent	1,551,695	-	-	**1,551,695**	-
Accrued Pension Liability (Note 9)	14,313,346	-	-	**14,313,346**	19,255,091
Total Liabilities	20,304,004	-	14,719	**20,318,723**	22,960,718
Commitments and Contingency (Notes 5, 7, 8, 9, 10, and 13)					
Net Assets (Notes 7 and 8**)**					
Unrestricted	79,679,131	-	-	**79,679,131**	76,491,090
Temporarily restricted (Note 7)	-	1,688,352	-	**1,688,352**	1,757,146
Permanently restricted (Notes 8):					
Endowment funds	-	-	451,345	**451,345**	451,346
Funds held in trust by others	-	-	2,282,952	**2,282,952**	2,211,072
Total Net Assets	79,679,131	1,688,352	2,734,297	**84,101,780**	80,910,654
	$ 99,983,135	$ 1,688,352	$ 2,749,016	**$ 104,420,503**	$ 103,871,372

See accompanying notes to financial statements.

Helen Keller Services

Statement of Activities
(with comparative total for 2017)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017
Support and Revenue					
Public support:					
Contributions and grants	$ 526,503	$ 468,809	$ -	**$ 995,312**	$ 945,465
Legacies	395,287	-	-	**395,287**	93,249
Special events:					
Gross receipts	211,584	-	-	**211,584**	260,597
Less: Direct donor benefits	(109,524)	-	-	**(109,524)**	(78,301)
Total Public Support	1,023,850	468,809	-	**1,492,659**	1,221,010
Fees and grants from government agencies:					
National Center for Deaf Blind Youths and Adults – grant income	13,323,710	-	-	**13,323,710**	12,575,876
Helen Keller Services – grant income	466,087	-	-	**466,087**	441,366
Training fees and allowances	10,948,199	-	-	**10,948,199**	11,686,916
Total Fees and Grants from Government Agencies	24,737,996	-	-	**24,737,996**	24,704,158
Other revenue:					
Investment income	2,769,814	-	-	**2,769,814**	900,429
Rental income:					
Gross receipts	338,346	-	-	**338,346**	1,162,563
Less: Direct costs	(571,193)	-	-	**(571,193)**	(885,975)
Net gains on investments	1,282,537	8,216	71,879	**1,362,632**	4,503,043
Other	110,329	-	-	**110,329**	126,163
Total Other Revenue	3,929,833	8,216	71,879	**4,009,928**	5,806,223
Net assets released from restrictions (Note 7)	545,819	(545,819)	-	**-**	-
Total Support and Revenue	$ 30,237,498	$ (68,794)	$ 71,879	**$ 30,240,583**	$ 31,731,391

See accompanying notes to financial statements.

Helen Keller Services

Statement of Activities (Continued)
(with comparative total for 2017)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017
Expenses					
Program services:					
Assistive technology	$ 457,257	$ -	$ -	**$ 457,257**	$ 304,648
Low vision	560,897	-	-	**560,897**	463,081
Comprehensive services	3,360,717	-	-	**3,360,717**	2,983,243
Supported employment services	41,721	-	-	**41,721**	42,649
Day habilitation services	2,796,635	-	-	**2,796,635**	2,667,711
Blind children program	3,310,293	-	-	**3,310,293**	2,332,280
Summer camp	200,647	-	-	**200,647**	153,752
National Center for Deaf Blind Youths and Adults	15,456,548	-	-	**15,456,548**	15,034,014
Residential	623,870	-	-	**623,870**	661,457
Total Program Services	26,808,585	-	-	**26,808,585**	24,642,835
Supporting services:					
Management and general	4,815,925	-	-	**4,815,925**	4,225,655
Fundraising	837,556	-	-	**837,556**	681,643
Public relations and volunteer services	384,051	-	-	**384,051**	320,977
Total Supporting Services	6,037,532	-	-	**6,037,532**	5,228,275
Total Expenses	32,846,117	-	-	**32,846,117**	29,871,110
Change in Net Assets Before Gain on Sale of Real Estate and Decrease in Unfunded Pension Obligation	(2,608,619)	(68,794)	71,879	**(2,605,534)**	1,860,281
Gain on Sale of Real Estate	-	-	-	**-**	51,967,426
Decrease in Unfunded Pension Obligation	5,796,660	-	-	**5,796,660**	5,866,320
Change in Net Assets	3,188,041	(68,794)	71,879	**3,191,126**	59,694,027
Net Assets, beginning of year	76,491,090	1,757,146	2,662,418	**80,910,654**	21,216,627
Net Assets, end of year	$ 79,679,131	$ 1,688,352	$ 2,734,297	**$ 84,101,780**	$ 80,910,654

See accompanying notes to financial statements.

Helen Keller Services

Statement of Functional Expenses
(with comparative totals for 2017)

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	$ 240,170	$ 172,019	$ 1,583,911	$ 26,422	$ 1,432,865	$ 1,356,636	$ 74,513	$ 7,737,641	$ 394,295	$ 13,018,472
Employee benefits and payroll taxes	105,883	84,801	690,560	11,893	622,852	593,330	34,360	4,491,690	171,154	6,806,523
Real estate taxes and municipal service charge	-	-	-	-	-	-	-	1,724	-	1,724
Rent	-	-	-	-	-	-	-	134,247	-	134,247
Heat, light and power	-	-	-	-	25,923	-	-	337,597	11,439	374,959
Supplies, equipment and printing	2,116	-	57,450	-	13,805	42,328	3,109	71,910	6,537	197,255
Cleaning service	-	-	-	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-	-	-	-
Telephone	918	1,476	17,638	-	8,559	2,255	80	90,238	3,779	124,943
Insurance	3,446	8,319	14,225	-	91,013	10,701	4,554	147,442	9,806	289,506
Repairs and maintenance	-	-	-	-	175	-	-	60,373	4,475	65,023
Travel	4,778	117	39,627	-	6,034	171	-	414,247	151	465,125
Auto maintenance	-	-	-	-	92,413	-	-	21,903	3,310	117,626
Consultant fees	-	-	-	-	-	-	-	907,561	-	907,561
Professional fees	-	13,949	1,165	-	-	213,716	4,313	-	1,125	234,268
Medical fees	-	-	-	-	-	-	-	25,690	-	25,690
Medical supplies	-	-	-	-	-	-	-	7,005	3,279	10,284
Food	-	-	6,657	-	4,519	-	-	160,006	7,467	178,649
Client transportation	-	-	-	-	296,548	89	71,143	11,983	-	379,763
Client recreation	-	-	-	-	558	-	8,575	5,947	2,992	18,072
Client aids	8,219	89,611	63,178	-	-	-	-	261,217	125	422,350
Trainee allowances	-	-	122,971	-	-	-	-	189,964	-	312,935
Staff development and seminars	-	-	140	-	130	2,934	-	11,665	-	14,869
Postage	-	7	166	-	3,741	-	-	5,156	-	9,070
Equipment rental	-	-	2,521	-	4,828	2,187	-	1,188	1,411	12,135
Outside services	145	2,044	7,308	-	-	1,885	-	134,389	-	145,771
Cleaning services	-	-	-	-	-	-	-	-	-	-
Bank and investment fees	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	-	8,956	-	-	38,970	-	-	194,100	2,525	244,551
Bad debt expense	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	31,665	-	31,665
Total Before Allocations	365,675	381,299	2,607,517	38,315	2,642,933	2,226,232	200,647	15,456,548	623,870	24,543,036
Allocations:										
Brooklyn Bldg.:										
Program and supporting services	81,304	162,609	623,334	-	-	1,084,061	-	-	-	1,951,308
Rental properties	-	-	-	-	-	-	-	-	-	-
Hempstead Bldg.:										
Program and supporting services	10,278	8,633	91,738	3,406	69,221	-	-	-	-	183,276
Rental properties	-	-	-	-	-	-	-	-	-	-
Suffolk Bldg.:										
Program and supporting services	-	8,356	38,128	-	84,481	-	-	-	-	130,965
Rental properties	-	-	-	-	-	-	-	-	-	-
Total Expenses	$ 457,257	$ 560,897	$ 3,360,717	$ 41,721	$ 2,796,635	$ 3,310,293	$ 200,647	$ 15,456,548	$ 623,870	$ 26,808,585

See accompanying notes to financial statements.

Helen Keller Services

Statement of Functional Expenses (Continued)
(with comparative totals for 2017)

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	**2018**	2017
Salaries	$ -	$ 66,221	$ -	$ 609,102	$ 1,000,637	$ 128,945	$ 172,351	$ 1,977,256	**$ 14,995,728**	$ 14,501,531
Employee benefits and payroll taxes	-	-	-	353,583	931,674	45,002	72,412	1,402,671	**8,209,194**	7,839,019
Real estate taxes and municipal service charge	-	163,085	-	20,420	-	-	-	183,505	**185,229**	254,914
Rent	2,598,279	-	83,849	-	-	-	-	2,682,128	**2,816,375**	458,478
Heat, light and power	72,132	113,354	10,757	26,575	-	-	-	222,818	**597,777**	675,880
Supplies, equipment and printing	-	4,833	-	8,705	307,221	7,755	975	329,489	**526,744**	500,746
Cleaning service	-	11,066	575		-	-	-	11,641	**11,641**	16,607
Advertising	-	-	-		1,096	2,025	1,877	4,998	**4,998**	3,107
Telephone	99	-	4,259	7,103	63,172	1,040	-	75,673	**200,616**	186,913
Insurance	28,800	21,070	901	11,607	21,305	-	-	83,683	**373,189**	426,216
Repairs and maintenance	3,662	51,724	6,042	4,752	-	771	210	67,161	**132,184**	172,689
Travel	332	2,942	559	6,059	6,685	2,121	362	19,060	**484,185**	476,255
Auto maintenance	-	-	-		-	-	-	-	**117,626**	92,689
Consultant fees	-	-	-	330,593	-	-	-	330,593	**1,238,154**	1,319,309
Professional fees	6,638	-	-	118,522	424,736	41,654	91,529	683,079	**917,347**	950,911
Medical fees	-	-	-		-	-	-	-	**25,690**	31,861
Medical supplies	-	-	-		-	-	-	-	**10,284**	9,533
Food	-	-	-		5,318	1,607	-	6,925	**185,574**	209,017
Client transportation	-	-	-		-	-	-	-	**379,763**	475,098
Client recreation	-	-	-		-	-	-	-	**18,072**	19,663
Client aids	-	-	-		-	-	-	-	**422,350**	353,633
Trainee allowances	-	-	-		-	-	-	-	**312,935**	195,274
Staff development and seminars	-	-	-	1,020	546	649	-	2,215	**17,084**	16,831
Postage	-	-	-	10,187	5,762	2,099	5,802	23,850	**32,920**	40,511
Equipment rental	-	-	4,497	22,180	12,592	-	-	39,269	**51,404**	52,245
Outside services	-	64,554	14,714	35,095	117,881	4,803	4,293	241,340	**387,111**	364,329
Cleaning services	-	141,847	-			-	-	141,847	**141,847**	214,147
Bank and investment fees	-	-	-	3,031	123,135	-	-	126,166	**126,166**	202,345
Interest expense	-	-	-		-	-	-	-	**-**	2,984
Depreciation and amortization	-	113,763	4,812	31,598	6,638	-	-	156,811	**401,362**	529,358
Bad debt expense	-	-	-			-	-	-	**-**	100,193
Miscellaneous	208	10	-	36,105	13,913	4,721	7,139	62,096	**93,761**	64,799
Total Before Allocations	2,710,150	754,469	130,965	1,636,237	3,042,311	243,192	356,950	8,874,274	**33,417,310**	30,757,085
Allocations:										
Brooklyn Bldg.:										
Program and supporting services	(2,710,150)	-	-	-	528,479	203,262	27,101	(1,951,308)	**-**	-
Rental properties	-	-	-	-	-	-	-	-	**-**	(304,688)
Hempstead Bldg.:										
Program and supporting services	-	(183,276)	-	-	-	-	-	(183,276)	**-**	-
Rental properties	-	(571,193)	-	-	-	-	-	(571,193)	**(573,193)**	(581,287)
Suffolk Bldg.:										
Program and supporting services	-	-	(130,965)	-	-	-	-	(130,965)	**-**	-
Rental properties	-	-	-	-	-	-	-	-	**-**	-
Total Expenses	$ -	$ -	$ -	$ 1,636,237	$ 3,570,790	$ 446,454	$ 384,051	$ 6,037,532	**$ 32,846,117**	$ 29,871,110

See accompanying notes to financial statements.

Helen Keller Services

Statement of Cash Flows
(with comparative totals for 2017)

Year ended June 30,		**2018**		2017
Cash Flows from Operating Activities				
Change in net assets	**$**	**3,191,126**	$	59,694,027
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation and amortization		**401,362**		529,358
Unrealized (gains) losses on investments		**7,778,578**		(4,243,036)
Realized gains on investments		**(9,141,210)**		(260,007)
Realized gains on sale of fixed assets		**-**		(51,967,426)
Change in present value of pledges receivable		**(4,045)**		-
Decrease in unfunded pension obligation		**(5,796,660)**		(5,866,320)
Bad debt expense		**-**		100,193
(Increase) decrease in assets:				
Grants receivable		**324,494**		(591,248)
Program fees and accounts receivable		**(60,418)**		(703,211)
Pledges receivable		**68,437**		76,783
Other assets		**762,584**		(686,114)
Increase (decrease) increase in liabilities:				
Accounts payable and accrued expenses		**6,939**		(418,877)
Deferred revenue		**545,173**		(571,399)
Refundable deposits		**193**		(234,180)
Deferred rent		**1,551,695**		-
Other liabilities		**23,588**		(9,990)
Accrued pension obligation		**854,915**		1,222,120
Net Cash Provided by (Used in) Operating Activities		**506,751**		(3,929,327)
Cash Flows from Investing Activities				
Debt service reserve fund		**-**		63,666
Purchases of investments		**(117,095,705)**		(105,884,484)
Proceeds from sale of investments		**70,006,123**		107,588,981
Change in cash equivalents used in investments		**50,254,153**		(52,115,175)
Purchases of fixed assets		**(2,755,517)**		(364,372)
Proceeds from the sale of real estate		**-**		52,991,231
Net Cash Provided By (Used In) Investing Activities		**409,054**		2,279,847
Cash Flows from Financing Activities:				
Principal payments of bonds payable		**-**		(65,000)
Increase (Decrease) in Cash and Cash Equivalents		**915,805**		(1,714,480)
Cash and Cash Equivalents, beginning of year		**933,975**		2,648,455
Cash and Cash Equivalents, end of year	**$**	**1,849,780**	$	933,975
Supplemental Disclosure of Cash Flow Information				
Cash paid for interest	**$**	**-**	$	1,584

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.

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 that 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

Basis of Presentation

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

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of 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:

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.

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.

Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

Unrestricted - Board Designated - The part of net assets which is designated by the Board of Directors of HKS which are included in unrestricted net assets on the statement of financial position and statement of activities.

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 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.

Contributions, special events and fundraising activities revenue is recognized as revenue when promises to give are received from third parties.

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 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.

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.

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 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 – 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.

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 are 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. There was no unrelated business income for the year ended June 30, 2018.

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 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 Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended June 30, 2018, there was no interest or penalties recorded or included in the statement of activities. As of June 30, 2018, the years still subject to examination by a taxing authority are 2015 through 2017.

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 assts. 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.

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, 2018, there have been no such losses.

Endowment

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
- 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, 2018, HKS has spent $887,112 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
- the investment policy of HKS

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.

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.

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, 2017, from which the summarized information was derived.

Recently Adopted Accounting Pronouncements

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 was adopted for the period ended June 30, 2018 with no material effect on the financial statements of HKS.

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 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.

3. Pledges Receivable, Net

At June 30, 2018, the net present value of pledges receivable is $236,165. 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, 2018		
Total pledges receivable	$	241,156
Discount		(4,991)
Net Present Value of Pledges Receivable	$	236,165
Amounts due in:		
One year	$	180,316
Two to five years		60,840
Total	$	241,156

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:

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 which are carried at their aggregate market value as determined by quoted market prices.

Investment in LLC

HKS holds an investment in an LLC. Given that this is not a publicly traded fund, its fair value is based on information provided to HKS by the LLC. The values are based on estimates that require varying degrees of judgment and, for fund-of-funds investments, are primarily based on financial data supplied by the investment managers of the underlying funds. This fund is 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, 2018. 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			
June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
Assets				
Cash and cash equivalents	$ 2,881,364	$ -	$ -	$ 2,881,364
Equity securities	64,448,312	-	-	64,448,312
Mutual funds	7,553,550	-	-	7,553,550
Investment in LLC	-	-	858,738	858,738
Fixed income	14,974,809	781,216	-	15,756,025
Public real estate investment trust	367,205	-	-	367,205
Total Assets, at fair value	$ 90,225,240	$ 781,216	$ 858,738	$ 91,865,194

There were no transfers between levels during the year ended June 30, 2018.

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

Year ended June 30, 2018	
Beginning balance	$ -
Contributions	840,000
Investment income, net	18,738
Ending Balance	$ 858,738

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

June 30, 2018

		Cost		Fair Value
Cash and cash equivalents	$	2,881,364	$	2,881,364
Equities		62,021,410		62,532,565
Mutual funds		7,585,337		7,553,550
Investment in LLC		840,000		858,738
Fixed income		15,453,375		15,756,025
Funds held in trust by others		718,003		2,282,952
	$	89,499,489	$	91,865,194

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, 2018 totaled $126,166.

For the year ended June 30, 2018, realized gains on investments were $9,141,210. The change in unrealized gain on investments was $(7,778,578) for the year ended June 30, 2018.

5. 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 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, 2018, the Charitable Gift Annuity investment account had a fair market value of $21,038 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 temporarily restricted donation in the statement of activities in the period it is received. At June 30, 2018, the pooled income fund had a fair market value of $344,096.

6. Property, Plant, and Equipment, Net

Property, Plant, and Equipment, Net consists of the following:

June 30, 2018		
Land	$	412,000
Buildings and improvements		19,172,292
Furniture, fixtures and equipment		4,501,169
Vehicles		670,071
Work-in-progress		2,491,709
Total Property, Plant and Equipment		27,247,241
Less: accumulated depreciation and amortization		(21,532,325)
	$	5,714,916

For the year ended June 30, 2018, depreciation and amortization expense was $401,362.

Work-in-progress at June 30, 2018 represents costs associated with projects intended to improve HKS' facilities. The estimated additional cost to complete these projects is approximately $3,632,000. The landlord for 180 Livingston Street is obligated under the lease to reimburse $3,236,000 of the eligible costs of the project under the tenant improvement allowance.

7. Temporarily Restricted Net Assets and Net Assets Released from Restrictions

Temporarily restricted net assets were available for the following purposes:

June 30, 2018		
Children's Learning Center	$	254,525
Pooled income fund		344,096
Lavelle Fund for the Blind		85,293
Summer Camp		49,700
Lavelle Sleep Away		280,450
Day Hab Gym		20,000
Health Wellness		32,500
National Center for Deaf-Blind Youths and Adults:		
Young Adult Program		3,582
Hampton Library		53,725
Adaptive Technology Training		63,133
Support Service Provider Program		13,503
Professional Learning Leadership Institute		197,256
Robert & Michelle Smithdas Scholarship Fund		30,880
Room renovations		126,026
Gladys Brooks Technology Infrastructure		81,918
Other		51,765
Total Temporarily Restricted Net Assets	$	1,688,352

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

June 30, 2018		
Children's Learning Center	$	14,552
Lavelle Fund for the Blind		140,936
Summer Camp		48,105
Pre-Voc/Placement Services		15,000
National Center for Deaf-Blind Youths and Adults:		
Young Adult Program		35,296
Adaptive Technology Training		2,386
Support Service Provider Program		102,099
Professional Learning Leadership Institute		74,720
Room renovations		37,890
Gladys Brooks Technology Infrastructure		6,090
Other		68,745
Total Net Assets Released from Restrictions	$	545,819

8. Permanently Restricted Net Assets

Permanently restricted net assets consist of the following:

June 30, 2018		
Endowment funds		451,345
Funds held in trust by others:		
Horace Moses Trust	$	1,134,540
Madeline Moses Trust		634,995
Mariette Major Trust		257,294
Marion Hershafft Trust		256,123
Total Funds Held in Trust by Others		2,282,952
Total Permanently Restricted Net Assets	$	2,734,297

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

The following table represents the reconciliation of changes in endowment net assets for the year ended June 30, 2018:

Endowment net assets, beginning of year	$	2,662,418
Net investment appreciation		71,879
Endowment Net Assets, end of year	$	2,734,297

9. 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, 2018		
Service cost	$	87,772
Interest cost		1,700,307
Expected return on plan assets		(1,961,589)
Amortization of accumulated loss		1,433,673
Settlement Loss		1,073,873
Net Periodic Pension Cost	$	2,334,036

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

June 30, 2018		
Projected benefit obligation, beginning of year	$	46,578,470
Interest cost		1,700,307
Actuarial gain		(2,170,782)
Benefits paid		(1,704,228)
Settlements		(4,878,228)
Projected Benefit Obligation, end of year	$	39,525,539

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

June 30, 2018		
Fair value of plan assets, beginning of year	$	27,323,379
Actual return on plan assets		2,232,032
Employer contributions		1,479,121
Benefits paid		(1,704,228)
Settlements		(4,118,111)
Fair Value of Plan Assets, end of year	$	25,212,193

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

June 30, 2018		
Projected benefit obligation	$	(39,525,539)
Plan assets at fair value		25,212,193
Unfunded Status	$	(14,313,346)

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

June 30, 2018		
Accrued pension obligation – noncurrent liabilities	$	14,313,346

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, 2018:

Short-Term Investments

Short-term investments are valued at cost, which approximates 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, 2018. 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			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Plan Assets				
Short-term investments	$ 108,323	$ -	$ -	$ 108,323
Mutual funds	14,240,929	-	-	14,240,929
General account contract	-	10,862,941	-	10,862,941
Total Plan Assets, at fair value	$ 14,349,252	$ 10,862,941	$ -	$ 25,212,193

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, 2018	
Equity securities and money market funds	56.91%
Other (general account contract)	43.09

The following table represents estimated future benefit payments:

2019	$ 2,063,000
2020	2,131,000
2021	2,164,000
2022	2,164,000
2023	2,159,000
2024-2028	11,043,000
	$ 21,724,000

Employer contributions expected to be paid in fiscal year ending June 30, 2019 are $1,300,000.

The weighted average discount rate of 4.04% was used in determining the actuarial present value of the projected benefit obligation for the year ended June 30, 2018.

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.

In 2018, HKS entered into an agreement with certain participants in the plan to buy out their participation in the plan. This caused a one-time settlement payment to recognize a proportional share of amounts previously unrecognized in the net periodic pension cost. The total settlement charge in 2018 was approximately $4,878,000, including amounts related to routine lump-sum payments from 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, 2018, the accumulated postretirement benefit obligation amounted to $120,096 and is included in accounts payable and accrued expenses in the accompanying statement of financial position.

403(b) Plan

HKS has an employee elective deferral plan whereby participants can make contributions on their own with pre-tax payroll deductions. Employees become eligible to participate in the plan upon date of hire. Under the terms of the plan, HKS will match up to 3% of the employee's salary deferral contributions for all participants electing to participate in the plan. During the plan year ended June 30, 2018, HKS accrued a non-elective contribution equivalent to 4% of eligible compensation, which was paid in July 2018. The total matching and non-elective contributions were $831,721 for the year ended June 30, 2018.

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 $84,091 as of June 30, 2018.

10. 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,		
2019	$	2,288,470
2020		2,110,826
2021		2,048,208
2022		1,987,937
2023		1,987,937
Thereafter		50,465,983
	$	60,889,361

Aggregate rent expense under the above leases for the year ended June 30, 2018 was $2,816,375, of which, approximately $1,551,000 was for deferred rent under the lease for the new office space in Brooklyn, New York. 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 $1,527,000 at June 30, 2018. The initial period was set to expire on July 30, 2018 and was renewed for another year.

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,		
2019	$	296,203
2020		278,327
2021		283,894
2022		191,777
	$	1,050,201

Rental income under the above leases for the year ended June 30, 2018 was approximately $338,000.

11. Supporting Services

Supporting services for the Helen Keller National Center for Deaf-Blind Youths and Adults consisted of the following:

Year ended June 30, 2018		
Management and general	$	1,245,135
Fundraising and public relations		391,102
	$	1,636,237

12. Related Party Transactions

During the fiscal year ended June 30, 2018, one board member operated as a partner at a legal firm that provided legal and consulting services to HKS. Those services amounted to approximately $110,000.

During the fiscal year ended June 30, 2018, 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.

13. 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.

14. Subsequent Events

HKS' management has performed subsequent event procedures through November 9, 2018, 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.