

Helen Keller Services

Financial Statements Year Ended June 30, 2019

Helen Keller Services

Financial Statements
Year Ended June 30, 2019

Helen Keller Services

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Independent Auditor's Report

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, 2019, 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, 2019, 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' 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

October 16, 2019

Helen Keller Services
Statement of Financial Position
(with comparative totals for 2018)

<i>June 30,</i>			Total	
	Without Donor Restrictions	With Donor Restrictions	2019	2018
Assets				
Current				
Cash and cash equivalents (including funds held in trust for trainees of \$26,224 in 2019	\$ 1,584,970	\$ 353,640	\$ 1,938,610	\$ 1,849,780
Grants receivable (Note 2)	247,632	-	247,632	682,707
Program fees and accounts receivable, net (Note 2)	3,136,710	-	3,136,710	3,123,923
Pledges receivable, net (Notes 2 and 4)	-	187,995	187,995	180,316
Due from other funds	-	207,474	207,474	447,309
Investments, at fair value (Notes 5 and 6)	86,049,113	344,096	86,393,209	89,116,178
Other assets	776,219	-	776,219	500,509
Total Current Assets	91,794,644	1,093,205	92,887,849	95,900,722
Pledges Receivable, Net, less current portion (Notes 2 and 4)	-	89,482	89,482	55,849
Investments, at Fair Value, less current portion (Notes 5 and 6)	2,118,053	2,723,603	4,841,656	2,749,016
Property, Plant and Equipment, Net (Note 7)	9,894,206	-	9,894,206	5,714,916
	\$ 103,806,903	\$ 3,906,290	\$ 107,713,193	\$ 104,420,503
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	\$ 4,236,723	-	\$ 4,236,723	\$ 2,974,520
Deferred revenue	480,632	-	480,632	793,241
Due to other funds	192,755	14,719	207,474	447,309
Other liabilities (Note 6)	67,995	-	67,995	72,896
Total Current Liabilities	4,978,105	14,719	4,992,824	4,287,966
Refundable Deposits	165,827	-	165,827	165,716
Deferred Rent	5,808,462	-	5,808,462	1,551,695
Accrued Pension Liability (Note 10)	16,388,723	-	16,388,723	14,313,346
Total Liabilities	27,341,117	14,719	27,355,836	20,318,723
Commitments and Contingencies (Notes 6, 8, 9, 10, 11 and 14)				
Net Assets (Notes 8 and 9)				
Without donor restrictions	76,465,786	-	76,465,786	79,679,131
With donor restrictions				
Time/purpose restricted (Note 8 and 9)	-	1,182,687	1,182,687	1,688,352
Funds held in trust by others (Notes 8 and 9)	-	2,257,539	2,257,539	2,282,952
Endowment funds (Notes 8 and 9)	-	451,345	451,345	451,345
Total Net Assets	76,465,786	3,891,571	80,357,357	84,101,780
	\$ 103,806,903	\$ 3,906,290	\$ 107,713,193	\$ 104,420,503

See accompanying notes to financial statements.

Helen Keller Services
Statement of Activities
(with comparative totals for 2018)

Year ended June 30,

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Support and Revenue				
Public support:				
Contributions and grants	\$ 976,955	\$ 206,501	\$ 1,183,456	\$ 995,312
Legacies	188,714	-	188,714	395,287
Special events:				
Gross receipts	337,616	-	337,616	211,584
Less: direct donor benefits	(216,971)	-	(216,971)	(109,524)
Total Public Support	1,286,314	206,501	1,492,815	1,492,659
Fees and grants from government agencies:				
National Center for Deaf Blind Youths and Adults grant income	15,720,764	-	15,720,764	13,323,710
Helen Keller Services - grant income	513,850	-	513,850	466,087
Training fees and allowances	10,640,560	-	10,640,560	10,948,199
Total Fees and Grants from Government Agencies	26,875,174	-	26,875,174	24,737,996
Other revenue:				
Investment income	3,346,259	-	3,346,259	2,769,814
Rental income:				
Gross receipts	351,253	-	351,253	338,346
Less: direct costs	(599,718)	-	(599,718)	(571,193)
Net gain (loss) on investments	1,028,471	(25,413)	1,003,058	1,362,632
Other	113,226	-	113,226	110,329
Total Other Revenue	4,239,491	(25,413)	4,214,078	4,009,928
Net assets released from restrictions (Note 8)	712,166	(712,166)	-	-
Total Support and Revenue	\$ 33,113,145	\$ (531,078)	\$ 32,582,067	\$ 30,240,583

See accompanying notes to financial statements.

Helen Keller Services
Statement of Activities (Continued)
(with comparative totals for 2018)

Year ended June 30,

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Expenses				
Program services:				
Assistive technology	\$ 548,831	\$ -	\$ 548,831	\$ 457,257
Low vision	448,305	-	448,305	560,897
Comprehensive services	3,366,192	-	3,366,192	3,360,717
Supported employment services	45,161	-	45,161	41,721
Day habilitation services	2,724,261	-	2,724,261	2,796,635
Blind children program	3,643,483	-	3,643,483	3,310,293
Summer camp	207,993	-	207,993	200,647
National Center for Deaf-Blind Youths and Adults	16,387,364	-	16,387,364	15,456,548
Residential	659,798	-	659,798	623,870
Total Program Services	28,031,388	-	28,031,388	26,808,585
Supporting services:				
Management and general	4,395,653	-	4,395,653	4,815,925
Fundraising	766,611	-	766,611	837,556
Public relations and volunteer services	270,266	-	270,266	384,051
Total Supporting Services	5,432,530	-	5,432,530	6,037,532
Total Expenses	33,463,918	-	33,463,918	32,846,117
Change in Net Assets, before (increase) decrease in unfunded pension obligation	(350,773)	(531,078)	(881,851)	(2,605,534)
(Increase) Decrease in Unfunded Pension Obligation	(2,862,572)	-	(2,862,572)	5,796,660
Change in Net Assets	(3,213,345)	(531,078)	(3,744,423)	3,191,126
Net Assets, beginning of year	79,679,131	4,422,649	84,101,780	80,910,654
Net Assets, end of year	\$ 76,465,786	\$ 3,891,571	\$ 80,357,357	\$ 84,101,780

See accompanying notes to financial statements.

Helen Keller Services
Statement of Functional Expenses
(with comparative totals for 2018)

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	\$ 295,386	\$ 174,868	\$ 1,600,001	\$ 29,488	\$ 1,590,909	\$ 1,368,145	\$ 99,127	\$ 8,503,051	\$ 430,374	\$ 14,091,349
Employee benefits and payroll taxes	119,968	69,772	636,770	11,904	628,657	530,353	13,225	3,734,277	170,450	5,915,376
Real estate taxes and municipal service charge	-	-	-	-	-	-	-	435	-	435
Rent	-	-	-	-	-	-	-	141,365	-	141,365
Heat, light and power	-	-	-	-	28,078	-	-	308,271	10,968	347,317
Supplies, equipment and printing	2,400	356	42,414	-	25,972	49,782	2,280	114,651	3,397	241,252
Cleaning service	-	-	-	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-	-	-	-
Telephone	2,561	2,369	29,951	-	17,271	13,901	513	93,824	8,318	168,708
Insurance	4,792	5,056	17,741	-	97,091	10,775	4,243	154,273	10,882	304,853
Repairs and maintenance	-	-	-	-	-	-	81	46,789	2,741	49,611
Travel	2,995	595	47,272	-	4,153	-	-	419,663	1,304	475,982
Auto maintenance	-	-	-	-	96,267	-	-	22,705	2,978	121,950
Consultant fees	-	-	-	-	-	-	-	976,431	-	976,431
Professional fees	-	1,212	3,150	-	-	167,595	3,288	70	1,103	176,418
Medical fees	-	-	-	-	-	-	-	23,119	-	23,119
Medical supplies	-	-	-	-	-	-	-	2,227	3,869	6,096
Food	-	-	6,484	-	2,411	-	584	166,456	11,521	187,456
Client transportation	-	-	1,340	-	7,800	-	66,014	16,190	-	91,344
Client recreation	-	-	25,013	-	234	-	18,638	14,233	103	58,221
Client aids	4,129	88,062	65,829	-	105	-	-	330,010	(2,750)	485,385
Payments to subawards	-	-	-	-	-	-	-	685,773	-	685,773
Trainee allowances	-	-	130,472	-	-	-	-	-	-	130,472
Staff development and seminars	-	-	10,610	-	817	5,046	-	17,184	125	33,782
Postage	-	22	1,922	-	4,603	1,422	-	4,430	586	12,985
Equipment rental	-	-	2,660	-	5,079	2,290	-	406	1,330	11,765
Outside services	203	659	6,615	-	1,525	2,799	-	162,325	-	174,126
Bank and investment fees	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	-	20,535	-	-	55,644	-	-	223,949	2,499	302,627
Bad debt expense	-	-	-	-	-	-	-	169,682	-	169,682
Miscellaneous	-	-	-	-	-	-	-	55,575	-	55,575
Total, before building allocations	432,434	363,506	2,628,244	41,392	2,566,616	2,152,108	207,993	16,387,364	659,798	25,439,455
Allocations:										
Brooklyn Bldg.:										
Program and supporting services	105,289	67,261	580,876	-	-	1,491,375	-	-	-	2,244,801
Rental properties	-	-	-	-	-	-	-	-	-	-
Hempstead Bldg.:										
Program and supporting services	11,108	9,323	99,180	3,769	74,980	-	-	-	-	198,360
Rental properties	-	-	-	-	-	-	-	-	-	-
Suffolk Bldg.:										
Program and supporting services	-	8,215	57,892	-	82,665	-	-	-	-	148,772
Rental properties	-	-	-	-	-	-	-	-	-	-
Total Expenses	\$ 548,831	\$ 448,305	\$ 3,366,192	\$ 45,161	\$ 2,724,261	\$ 3,643,483	\$ 207,993	\$ 16,387,364	\$ 659,798	\$ 28,031,388

See accompanying notes to financial statements.

Helen Keller Services

Statement of Functional Expenses (Continued) (with comparative totals for 2018)

Year ended June 30,

	Supporting Services							Total Supporting Services	Total	
	Brooklyn Buildings	Hempstead Building	Suffolk Building	National Center for Deaf-Blind Youths and Adults (Note 13)	Management and General	Fundraising	Public Relations and Volunteer Services		2019	2018
Salaries	\$ -	\$ 110,391	\$ -	\$ 728,235	\$ 1,097,441	\$ 153,314	\$ -	2,089,381	\$ 16,180,730	\$ 14,995,728
Employee benefits and payroll taxes	-	-	-	319,818	355,411	71,058	-	746,287	6,661,663	8,209,194
Real estate taxes and municipal service charge	-	160,450	-	20,420	-	-	-	180,870	181,305	185,229
Rent	2,468,401	-	71,097	-	-	-	-	2,539,498	2,680,863	2,816,375
Heat, light and power	12,492	105,873	12,952	26,402	-	-	-	157,719	505,036	597,777
Supplies, equipment and printing	6,766	3,707	2,323	32,149	283,448	8,971	1,941	339,305	580,557	526,744
Cleaning service	105,932	144,233	-	-	-	-	-	250,165	250,165	153,488
Advertising	-	-	-	-	1,784	6,101	1,465	9,350	9,350	4,998
Telephone	2,883	-	-	8,035	36,803	2,193	-	49,914	218,622	200,616
Insurance	32,500	19,056	-	13,213	16,514	-	-	81,283	386,136	373,189
Repairs and maintenance	36,115	65,586	17,147	4,007	-	210	4	123,069	172,680	132,184
Travel	81	1,564	604	5,606	4,361	4,221	80	16,517	492,499	484,185
Auto maintenance	-	-	-	-	-	-	-	-	121,950	117,626
Consultant fees	-	-	-	277,343	-	-	-	277,343	1,253,774	1,238,154
Professional fees	800	-	-	115,638	560,247	5,000	74,512	756,197	932,615	917,347
Medical fees	-	-	-	-	-	-	-	-	23,119	25,690
Medical supplies	-	-	-	-	-	-	-	-	6,096	10,284
Food	-	-	-	-	7,121	455	-	7,576	195,032	185,574
Client transportation	-	-	-	-	-	-	-	-	91,344	379,763
Client recreation	-	-	-	-	-	-	-	-	58,221	18,072
Client aids	-	-	-	-	-	-	-	-	485,385	422,350
Payments to subawards	-	-	-	-	-	-	-	-	685,773	-
Trainee allowances	-	-	-	-	-	-	-	-	130,472	312,935
Staff development and seminars	-	-	-	-	-	-	-	-	33,782	17,084
Postage	-	-	-	9,794	15,903	1,785	144	27,626	40,611	32,920
Equipment rental	-	-	4,542	23,296	9,974	-	-	37,812	49,577	51,404
Outside services	30,752	71,022	29,622	60,367	142,641	(70)	-	334,334	508,460	387,111
Bank and investment fees	-	-	-	8,310	162,708	-	-	171,018	171,018	126,166
Depreciation and amortization	207,915	116,196	10,215	36,457	421	-	-	371,204	673,831	401,362
Bad debt expense	-	-	-	-	-	-	-	-	169,682	-
Miscellaneous	4,926	-	270	6,248	8,602	1,667	36,000	57,713	113,288	93,761
Total, before building allocations	2,909,563	798,078	148,772	1,695,338	2,703,379	254,905	114,146	8,624,181	34,063,636	33,417,310
Allocations:										
Brooklyn Bldg.:										
Program and supporting services	(2,909,563)	-	-	-	462,780	45,862	156,120	(2,244,801)	-	-
Rental properties	-	-	-	-	-	-	-	-	-	-
Hempstead Bldg.:										
Program and supporting services	-	(198,360)	-	-	-	-	-	(198,360)	-	-
Rental properties	-	(599,718)	-	-	-	-	-	(599,718)	(599,718)	(571,193)
Suffolk Bldg.:										
Program and supporting services	-	-	(148,772)	-	-	-	-	(148,772)	-	-
Rental properties	-	-	-	-	-	-	-	-	-	-
Total Expenses	\$ -	\$ -	\$ -	\$ 1,695,338	\$ 3,166,159	\$ 300,767	\$ 270,266	\$ 5,432,530	\$ 33,463,918	\$ 32,846,117

See accompanying notes to financial statements.

Helen Keller Services
Statement of Cash Flows
(with comparative totals for 2018)

<i>Year ended June 30,</i>	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ (3,744,423)	\$ 3,191,126
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	673,831	401,362
Unrealized (gains) losses on investments	(349,994)	7,778,578
Realized gains on investments	(653,064)	(9,141,210)
Change in present value of pledges receivable	11,167	(4,045)
(Increase) decrease in unfunded pension obligation	2,862,572	(5,796,660)
Bad debt expense	169,682	-
(Increase) decrease in assets:		
Grants receivable	435,075	453,494
Program fees and accounts receivable	(182,469)	(189,418)
Pledges receivable	(52,479)	68,437
Other assets	(275,710)	762,584
Increase (decrease) increase in liabilities:		
Accounts payable and accrued expenses	1,262,203	6,939
Deferred revenue	(312,609)	545,173
Refundable deposits	111	193
Deferred rent	4,256,767	1,551,695
Other liabilities	(4,901)	23,588
Accrued pension obligation	(787,195)	854,915
Net Cash Provided by Operating Activities	3,308,564	506,751
Cash Flows from Investing Activities		
Purchases of investments	(35,178,286)	(117,095,705)
Proceeds from sale of investments	35,768,418	70,006,123
Change in cash equivalents used in investments	1,043,255	50,254,153
Purchases of property, plant, and equipment	(4,853,121)	(2,755,517)
Net Cash (Used in) Provided by Investing Activities	(3,219,734)	409,054
Increase in Cash and Cash Equivalents	88,830	915,805
Cash and Cash Equivalents, beginning of year	1,849,780	933,975
Cash and Cash Equivalents, end of year	\$ 1,938,610	\$ 1,849,780
Supplemental Disclosure of Cash Flow Information		
Cash paid for taxes	\$ 11,341	\$ -

See accompanying notes to financial statements.

Helen Keller Services

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.

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 - 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 that 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, seven days a week.

Helen Keller Services

Notes to Financial Statements

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Financial Statement Presentation

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

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

These classes are defined as follows:

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

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

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

Cash and Cash Equivalents

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

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

Helen Keller Services

Notes to Financial Statements

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.

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

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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, 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 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.

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, 2019, there was no interest or penalties recorded or included in the statement of activities. As of June 30, 2019, the years still subject to examination by a taxing authority are 2016 through 2018.

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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

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, 2019, 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

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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, 2019, 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.

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.

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

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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, 2018, from which the summarized information was derived.

Recently Adopted Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (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.

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

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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. The FASB voted to Management is currently evaluating the impact of this ASU on its financial statements.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements in order to conform the to 2019 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, 2019

Total Current Assets Without Donor Restrictions	\$	91,794,644
Less: amounts unavailable for general expenditures within one year due to:		
Other assets		(776,219)
Funds held in trust for trainees		(26,224)
<hr/>		
Total Financial Assets Available to Management for General Expenditure Within One Year	\$	90,992,201

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, 2019, the net present value of pledges receivable is \$277,477. 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, 2019

Total pledges receivable	\$	293,635
Discount		(16,158)
<hr/>		
Net Present Value of Pledges Receivable	\$	277,477
Amounts due in:		
One year	\$	187,995
Two to five years		105,640
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Total	\$	293,635

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

Private Real Estate Investment Trusts

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

Fixed Income

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

Public Real Estate Investment Trust

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

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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, 2019. The assets are presented on a desegregated basis by class, determined by the nature and risks associated with the investment.

June 30, 2019

	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)	
Assets				
Cash and cash equivalents	\$ 1,866,093	\$ -	\$ -	1,866,093
Equity securities	63,533,821	-	-	63,533,821
Mutual funds	5,248,408	-	-	5,248,408
Private real estate investment trusts	-	-	2,118,053	2,118,053
Fixed-income	17,399,527	750,933	-	18,150,460
Public real estate investment trust	318,030	-	-	318,030
Total Assets, at fair value	\$ 88,365,879	\$ 750,933	\$ 2,118,053	\$ 91,234,865

There were no transfers between levels during the year ended June 30, 2019.

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

Year ended June 30, 2019

Beginning balance	\$ 858,738
Contributions	1,256,591
Investment income, net	2,724
Ending Balance	\$ 2,118,053

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, 2019 totaled \$171,018.

For the year ended June 30, 2019, realized gains on investments were \$653,064. The change in unrealized gain on investments was \$349,994 for the year ended June 30, 2019.

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.

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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 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, 2019, the Charitable Gift Annuity investment account had a fair market value of \$7,588 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, 2019, the pooled-income fund had a fair market value of \$352,500.

7. Property, Plant and Equipment, Net

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

June 30, 2019

Land	\$	412,000
Buildings and improvements		25,660,676
Furniture, fixtures and equipment		5,311,016
Vehicles		662,049
Work-in-progress		27,154
Total Property, Plant and Equipment		32,072,895
Less: accumulated depreciation and amortization		(22,178,689)
	\$	9,894,206

For the year ended June 30, 2019, depreciation and amortization expense was \$673,831.

Work-in-progress at June 30, 2019 represents costs associated with projects intended to improve HKS' facilities. The estimated additional cost to complete these projects is approximately \$725,000.

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8. Net Assets with Donor Restrictions

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

June 30, 2019

Restricted for Specific Purpose/Program/Time	
Children's Learning Center	\$ 231,140
Pooled income fund	352,500
Summer Camp	35,000
Lavelle Sleep Away	183,464
Health and Wellness CORE	16,500
Health and Wellness ALP	16,500
National Center for Deaf-Blind Youths and Adults:	
Hampton Library	47,706
Professional Learning Leadership Institute	111,940
Robert & Michelle Smithdas Scholarship Fund	30,880
Room renovations	73,528
Gladys Brooks Technology Infrastructure	46,224
Other	37,305
Total Restricted for Specific Purpose/Program/Time	1,182,687
Restricted in Perpetuity	
Endowment funds	451,345
Funds held in trust by others:	
Horace Moses Trust	1,123,472
Madeline Moses Trust	627,192
Marianne Major Trust	255,968
Marion Hershafft Trust	250,907
Total Restricted in Perpetuity	2,708,884
Total Net Assets with Donor Restrictions	\$ 3,891,571

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

Year ended June 30, 2019

Net Assets Restricted in Perpetuity, beginning of year	\$ 2,734,297
Net investment depreciation	(25,413)
Net Assets Restricted in Perpetuity, end of year	\$ 2,708,884

The cost basis of the endowment net assets is \$718,003. There are no underwater endowments as of June 30, 2019.

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9. Net Assets Released from Donor Restrictions

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

June 30, 2019

Children's Learning Center	\$	23,385
Lavelle Fund for the Blind		85,293
Summer Camp		49,700
Lavelle Sleep Away		96,986
Day Hab Gym		20,000
Health and Wellness ALP		32,500
National Center for Deaf-Blind Youths and Adults:		
Hampton Library		6,019
Adaptive technology training		63,133
Support Service Provider Program		13,503
Professional Learning Leadership Institute		85,316
Room renovations		76,995
Gladys Brooks Technology Infrastructure		35,694
Other		123,642
Total Net Assets Released from Donor Restrictions	\$	712,166

10. 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, 2019

Service cost	\$	87,339
Interest cost		1,555,155
Expected return on plan assets		(1,774,137)
Amortization of accumulated loss		818,214
Net Periodic Pension Cost	\$	686,571

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

June 30, 2019

Projected Benefit Obligation, beginning of year	\$	39,525,539
Interest cost		1,555,155
Actuarial loss		3,505,641
Benefits paid		<u>(1,656,946)</u>
Projected Benefit Obligation, end of year	\$	42,929,389

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

June 30, 2019

Fair Value of Plan Assets, beginning of year	\$	25,212,193
Actual return on plan assets		1,511,655
Employer contributions		1,473,764
Benefits paid		<u>(1,656,946)</u>
Fair Value of Plan Assets, end of year	\$	26,540,666

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

June 30, 2019

Projected benefit obligation	\$	(42,929,389)
Plan assets at fair value		26,540,666
Unfunded Status	\$	(16,388,723)

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

June 30, 2019

Accrued pension obligation - noncurrent liabilities	\$	16,388,723
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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, 2019:

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.

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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, 2019. The assets are presented on a desegregated basis by class, determined by the nature and risks associated with the investment.

June 30, 2019

	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)	
Plan Assets				
Short-term investments	\$ 678,337	\$ -	\$ -	678,337
Mutual funds	15,503,448	-	-	15,503,448
General account contract	-	10,358,881	-	10,358,881
Total Plan Assets, at fair value	\$ 16,181,785	\$ 10,358,881	\$ -	26,540,666

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

<i>June 30, 2019</i>	(%)
Equity securities and money market funds	60.97
Other (general account contract)	39.03

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The following table represents estimated future benefit payments:

June 30.

2020	\$	2,118,000
2021		2,155,000
2022		2,166,000
2023		2,163,000
2024		2,191,000
2025-2029		11,143,000
	\$	21,936,000

Employer contributions expected to be paid in fiscal year ending June 30, 2020 are \$1,256,000.

The weighted average discount rate of 3.33% was used in determining the actuarial present value of the projected benefit obligation for the year ended June 30, 2019.

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.

The mortality table used in calculating the projected benefit obligation as of June 30, 2019 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, 2019, 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

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contributions for all participants electing to participate in the plan. During the plan year ended June 30, 2019, HKS accrued a non-elective contribution equivalent to 4% of eligible compensation, which was paid in July 2019. The total matching and non-elective contributions were \$862,661 for the year ended June 30, 2019.

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, 2019.

11. 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:

<i>June 30,</i>	
2020	\$ 2,062,811
2021	1,985,215
2022	1,942,583
2023	1,936,540
2024	1,938,720
Thereafter	54,870,866
	<hr/>
	\$ 64,736,735

Aggregate rent expense under the above leases for the year ended June 30, 2019 was \$2,680,863. 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, 2019. The initial period was set to expire on July 30, 2018 and has been renewed with a new maturity date of July 30, 2020.

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Notes to Financial Statements

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>	
2020	\$ 412,192
2021	630,336
2022	513,216
2023	271,440
2024	271,440
Thereafter	1,017,900
	\$ 3,116,524

Rental income under the above leases for the year ended June 30, 2019 was approximately \$351,000.

12. Related-Party Transactions

During the fiscal year ended June 30, 2019, one board member operated as a partner at a legal firm that provided legal and consulting services to HKS. Those services amounted to approximately \$76,800.

During the fiscal year ended June 30, 2019, 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. Supporting Services

Supporting services for the Center consisted of the following:

<i>Year ended June 30, 2019</i>	
Other assets	\$ 1,229,494
Funds held in trust for trainees	465,844
	\$ 1,695,338

14. 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.

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Notes to Financial Statements

15. Subsequent Events

HKS' management has performed subsequent event procedures through October 16, 2019, 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.