



**BROOKLYN  
KINDERGARTEN  
SOCIETY**

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EARLY CHILDHOOD EDUCATION  
SINCE 1891

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## **BROOKLYN KINDERGARTEN SOCIETY**

**Audited Financial Statements and  
Single Audit Reports  
(With Supplemental ACS Schedules)**

**June 30, 2018**

**JOHN, JACOB & VAYALUMKAL, LLP  
CERTIFIED PUBLIC ACCOUNTANTS**

# BROOKLYN KINDERGARTEN SOCIETY

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**JOHN, JACOB & VAYALUMKAL, LLP**  
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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Brooklyn Kindergarten Society

**Report on the Financial Statements**

We have audited the accompanying financial statements of Brooklyn Kindergarten Society ("BKS"), which comprise the statement of financial position 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.

**Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

## **JOHN, JACOB & VAYALUMKAL, LLP**

In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization'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 Brooklyn Kindergarten Society 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**

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 for the year ended June 30, 2017.

### **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for BKS for the year ended June 30, 2018, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance")*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information

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directly to the underlying accounting and other records used to prepared the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2019 on our consideration of BKS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BKS' internal control over financial reporting and compliance.

*John, Jacob & Vayalumkal, LLP*

John, Jacob & Vayalumkal, LLP  
Certified Public Accountants

January 30, 2019

**BROOKLYN KINDERGARTEN SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
(With comparative totals for the year ended June 30, 2017)

	<u>6/30/2018</u>	<u>6/30/2017</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 323,892	\$ 1,096,712
Investments (Note 3)	2,217,912	2,070,558
Unconditional promises to give	113,031	452,890
Due from NYC ACS (Note 4)	1,235,821	5,902
Other government grants receivables	52,671	127,819
Prepaid expenses and other assets	83,905	73,397
Security deposit	9,332	9,332
	<hr/>	<hr/>
Total assets	<u>\$ 4,036,564</u>	<u>\$ 3,836,610</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 334,059	\$ 356,493
Other government grant advances	841	841
Deferred Revenue	15,000	15,100
Line of Credit - JPMorgan Chase Bank (Note 11)	500,000	-
Total liabilities	<u>849,900</u>	<u>372,434</u>
Net assets:		
Unrestricted	3,057,710	3,051,922
Temporarily restricted (Note 5)	128,954	412,254
Total net assets	<u>3,186,664</u>	<u>3,464,176</u>
Total liabilities and net assets	<u>\$ 4,036,564</u>	<u>\$ 3,836,610</u>

The attached notes and auditors' report are an integral part of these financial statements.

**BROOKLYN KINDERGARTEN SOCIETY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
(With comparative totals for the year ended June 30, 2017)

	Unrestricted		Temporarily Restricted (Note 5)	Total 6/30/2018	Total 6/30/2017
	Government	Non Government			
Operating:					
Public support and revenue:					
Government grants:					
NYC ACS - Child Care and Head Start	\$ 4,826,425	\$ -	\$ 4,826,425	\$ -	\$ 4,722,841
USDA/CACFP	268,459	-	268,459	-	288,084
NYC ACS - Health & Safety	127,663	-	127,663	-	51,271
NYC ACS - DOE UPK Enhancement	191,641	-	191,641	-	222,769
NYS DOE Weeksville	-	-	-	-	72,440
Total government grants	5,414,188	-	5,414,188	-	5,357,405
Contributions	-	237,773	237,773	325,000	1,263,932
In-kind donations	-	41,688	41,688	-	65,933
Parent fees	163,933	-	163,933	-	175,305
Private tuition	-	39,880	39,880	-	34,457
Fundraising event (net of direct benefit to donors) (Note 10)	-	314,360	314,360	-	313,053
Interest and other income	-	48,166	48,166	-	36,318
Net assets released from restrictions	-	608,300	608,300	(608,300)	-
Total support and revenue	5,578,121	1,290,167	6,868,288	(283,300)	7,246,403
Expenses:					
Program services:					
Child Care Centers	5,038,552	909,450	5,948,002	-	5,973,984
USDA/CACFP Food Program	268,459	-	268,459	-	288,084
Family Child Care Program	-	-	-	-	174,688
Other Program- Community Center	-	-	-	-	117,414
	5,307,011	909,450	6,216,461	-	6,554,170
Supporting services:					
Management and general	271,110	418,797	689,907	-	686,428
Fundraising	-	78,990	78,990	-	128,695
Total supporting services	271,110	497,787	768,897	-	815,123
Total expenses	5,578,121	1,407,237	6,985,358	-	7,369,293
Change in net assets from operations	-	(117,070)	(117,070)	(283,300)	(122,890)
Non-operating:					
Net gain/(loss) on investments (Note 3)	-	122,858	122,858	-	152,055
Change in net assets	-	5,788	5,788	(283,300)	29,165
Net assets - beginning of year	(110,337)	3,162,259	3,051,922	412,254	3,435,011
Net assets - end of year	\$ (110,337)	\$ 3,168,047	\$ 3,057,710	\$ 128,954	\$ 3,464,176

The attached notes and auditors' report are an integral part of these financial statements.

**BROOKLYN KINDERGARTEN SOCIETY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
(With comparative totals for the year ended June 30, 2017)

	Program Services			Supporting Services				
	Child Care Center	Food Program	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 6/30/2018	Total Expenses 6/30/2017
Salaries	\$ 3,751,755	\$ 49,199	\$ 3,800,954	\$ 326,108	\$ 32,590	358,698	\$ 4,159,652	\$ 4,475,949
Payroll taxes and fringe benefits	1,010,419	5,197	1,015,616	95,979	7,772	103,751	1,119,367	1,211,776
Total personnel	4,762,174	54,396	4,816,570	422,087	40,362	462,449	5,279,019	5,687,725
Other than personnel expenses:								
Classroom supplies and equipment	298,853	-	298,853	-	-	-	298,853	238,071
Program enhancements	136,080	-	136,080	-	-	-	136,080	129,417
Professional fees	93,613	-	93,613	88,850	-	88,850	182,463	160,310
Food and kitchen supplies	-	210,878	210,878	-	-	-	210,878	204,189
In-kind volunteer services	41,668	-	41,668	-	-	-	41,668	65,933
Facilities Cost	221,950	3,185	225,135	107,513	6,352	113,865	339,000	343,382
Information technology	128,781	-	128,781	26,313	-	26,313	155,094	129,475
Office supplies/Postage/Courier	64,973	-	64,973	30,187	-	30,187	95,160	119,800
Professional development	73,949	-	73,949	-	-	-	73,949	87,853
Special projects	-	-	-	-	31,421	31,421	31,421	46,269
Child and parent activities	51,605	-	51,605	-	-	-	51,605	68,557
Travel and meetings	5,444	-	5,444	9,037	-	9,037	14,481	22,170
Telephone	15,086	-	15,086	3,090	-	3,090	18,176	22,603
UPK fee waived	50,437	-	50,437	-	-	-	50,437	42,661
Printing	3,389	-	3,389	2,830	855	3,685	7,074	878
Total expenses before depreciation	5,948,002	268,459	6,216,461	689,907	78,990	768,897	6,985,358	7,369,293
Depreciation	-	-	-	-	-	-	-	-
Total expenses	\$ 5,948,002	\$ 268,459	\$ 6,216,461	\$ 689,907	\$ 78,990	\$ 768,897	\$ 6,985,358	\$ 7,369,293
Expenses- Percentage	85.15%	3.84%	88.99%	9.88%	1.13%	11.01%	100.00%	

The attached notes and auditors' report are an integral part of these financial statements.



**BROOKLYN KINDERGARTEN SOCIETY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
(With comparative totals for the year ended June 30, 2017)

	<u>6/30/2018</u>	<u>6/30/2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (277,512)	\$ 29,165
Adjustment to reconcile change in net assets to net cash used for operating activities:		
Depreciation	-	-
Net realized and unrealized (gain)/loss on investments	(122,858)	(152,055)
Changes in assets and liabilities:		
Unconditional promises to give	339,859	(133,455)
Due to/from NYC ACS	(1,229,919)	299,090
Other government grant receivable	75,148	(71,039)
Parent Fee receivable	-	19,735
Prepaid expenses and other assets	(10,508)	(8,921)
Accounts payable and accrued expenses	(22,434)	41,080
Working Capital Line of Credit	500,000	-
Other government grant advances	-	-
Deferred Revenue	(100)	15,100
Total adjustments	<u>(470,812)</u>	<u>9,535</u>
Net cash provided/( used) for operating activities	<u>(748,324)</u>	<u>38,700</u>
Cash flows from investing activities:		
Purchase of investments (including reinvestment of income)	(388,760)	(176,542)
Proceeds from sale of investments	364,264	161,133
Net cash provided/(used) for investing activities	<u>(24,496)</u>	<u>(15,409)</u>
Net increase/(decrease) in cash and cash equivalents	(772,820)	23,291
Cash and cash equivalents - beginning of year	<u>1,096,712</u>	<u>1,073,421</u>
Cash and cash equivalents - end of year	<u>\$ 323,892</u>	<u>\$ 1,096,712</u>
Interest and taxes paid	<u>\$ -</u>	<u>\$ -</u>

The attached notes and auditors' report are an integral part of these financial statements.

**BROOKLYN KINDERGARTEN SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**Note 1 - Nature of the Organization**

Brooklyn Kindergarten Society ("BKS") is a not-for-profit organization that was established in 1891 to provide kindergarten education to the City of Brooklyn and to create interest in early childhood education. Currently, BKS administers five (5) Day Care Centers (collectively referred to as "BKS Centers") comprised of Nat Azarow Day Care Center ("Azarow"), Brevoort Children's Center ("Brevoort"), Edwards L. Cleaveland Day Care Center ("Cleaveland"), Sumner Children's Center ("Sumner") and Tompkins Children's Center ("Tompkins"). All of the Centers provide a full day program for pre-school children and a pre-kindergarten program. BKS added a new site at Weeksville to conduct preschool classes on behalf of DOE, and a community center which conducts a variety of afterschool programs for local residents.

Funding for the BKS Centers is substantially provided by grants from the City of New York, Administration for Children's Services ("NYC/ACS"). BKS Centers receive federal funding for food from the United States Department of Agriculture, Child and Adult Care Food Program ("USDA/CACFP"). The Pre-Kindergarten Program is funded by NYC/ACS and NYS/DOE.

BKS is exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. They have not been designated as a private foundation.

**Note 2 - Summary of Significant Accounting Policies**

a. Basis of Presentation

The financial statements have been prepared using the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than when received or paid.

Net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted* - represents all activity without donor imposed restrictions.
- *Temporarily restricted* - represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.
- *Permanently restricted* - accounts for activity restricted by donors that must remain intact in perpetuity. BKS did not have any permanently restricted net assets at June 30, 2018 or June 30, 2017.

**BROOKLYN KINDERGARTEN SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**Note 2 - Summary of Significant Accounting Policies -Cont.**

b. Revenue Recognition

Contributions are recorded as revenue at the earlier of the receipt of cash or at the time a pledge is considered unconditional. Contributions received with specific donor restrictions are recorded in the temporarily restricted class of net assets. All other contributions are recorded as unrestricted. When the restrictions from temporarily restricted contributions have been met in the year of donation, they are reported as unrestricted.

Contributions expected to be received within one year are recorded at their net realizable value. Conditional contributions are recognized as income when the conditions have been substantially met.

Each government grant is reviewed to determine if they contain traits more similar to contributions or exchange transactions. All government grants have been determined to be exchange transactions and have been recognized as income when earned, either based on performance of certain milestones or by incurring expenses that can be reimbursed under the terms of the grant agreement. Activity related to the government grants are classified separately from non-government activity on the statement of activities.

The difference between cash received and government grant income recognized is reflected as government grants receivable or government grants advance.

c. Cash and Cash Equivalents

BKS considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents except for cash held with the investment custodian for long-term purposes.

d. Concentration of Credit Risk

Financial instruments which potentially subject BKS to concentration of credit risk consist of cash, money market accounts, and investment securities which are placed with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. At year-end, there were material uninsured balances; however, BKS has not experienced any losses due to failure of a financial institution. The market value of investments is subject to fluctuation; however, management believes that the investment policy is prudent for the long-term welfare of BKS.

**BROOKLYN KINDERGARTEN SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**Note 2 - Summary of Significant Accounting Policies -Cont.**

e. Allowance for Doubtful Accounts

At June 30, 2018, all pledges and grants receivable are due within one year. Management reviews receivables that are unlikely to be collected based on historical experience and a review of activity subsequent to the balance sheet date. No allowance for doubtful accounts exists as of June 30, 2018, Write-offs will be made directly to operations in the period the receivable is deemed to be uncollected.

f. Investments

Investments are recorded at fair value, which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are recognized in the statement of activities.

g. Fixed Assets

Fixed assets that BKS retains title to and capital items purchased which benefit future periods are capitalized based on cost if purchased or at the fair value at the date of the gift. Office equipment and furniture are carried at cost and depreciated over their useful lives (generally five to seven years) using the straight-line method. Leasehold improvements are depreciated over the lease term.

h. Donated Services and Materials

Contributed services that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contributions or which create or enhance non-financial assets are reported at fair value.

BKS received in-kind volunteer services of \$41,688 and \$65,933 during the years ended June 30, 2018 and 2017, respectively. Individuals volunteer their time and perform a variety of tasks that assist BKS. These services have been recorded in the financial statements. In FY 2019 BKS plans to book part of board members volunteer hours towards in-kind volunteer services.

i. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**BROOKLYN KINDERGARTEN SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**Note 2 - Summary of Significant Accounting Policies -Cont.**

j. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

k. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with BKS' financial statements for the year ended June 30, 2017, from which the summarized information was derived.

l. Accounting for Uncertainty in Income Taxes

BKS does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2015 and later are subject to examination by applicable taxing authorities.

m. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through January 30, 2019, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

**BROOKLYN KINDERGARTEN SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 3 - Investments**

Fair Value Measurement

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1- Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that BKS has the ability to access.
- Level 2- Valuations based on quoted prices in markets that are not active or for which all significant inputs are not observable, either directly or indirectly.
- Level 3- Valuations based on inputs that are unobserved and significant to the overall fair value measurement.

The following summarizes the composition of investments at June 30, 2018:

Description	Total	Level 1	Level 2
Money market funds/cash	\$126,810	\$126,810	\$0
Equities	1,341,745	1,341,745	0
Mutual Funds - equities	38,754	38,754	0
Mutual Funds - fixed income	628,989	628,989	0
Mutual Funds - government bonds	81,614	81,614	0
<b>Total</b>	<b><u>\$2,217,912</u></b>	<b><u>\$2,217,912</u></b>	<b><u>\$0</u></b>

The following summarizes the composition of investments at June 30, 2017:

Description	Total	Level 1	Level 2
Money market funds/cash	\$127,307	\$127,307	\$0
Equities	1,294,298	1,294,298	0
Mutual Funds - equities	58,537	58,537	0
Mutual Funds - fixed income	582,969	582,969	0
Mutual Funds - government bonds	7,447	7,447	0
<b>Total</b>	<b><u>\$2,070,558</u></b>	<b><u>\$2,070,558</u></b>	<b><u>\$0</u></b>

**BROOKLYN KINDERGARTEN SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 3 - Investments Cont.**

Net gains on investments consist of:

Description	<u>6/30/2018</u>	<u>6/30/2017</u>
Unrealized (losses)/gains	\$89,903	\$130,109
Realized gains on sales	32,955	21,946
Total	<u>\$122,858</u>	<u>\$152,055</u>

Level 1 securities are valued at the closing price reported on the active market they are traded on. Level 2 securities are valued using observable market inputs for securities that are similar to those owned. This method produces a fair value calculation that may not be indicative of net realizable value or reflective of future values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements.

**Note 4 - Due To/From NYC/ACS**

**The balance due from NYC/ ACS consists of the following:**

	<u>6/30/2018</u>	<u>6/30/2017</u>
Beginning balance due from ACS	\$5,902	\$304,992
Funding based on actual expenses	5,145,729	4,962,972
Prior year adjustments-2015 Health & Safety Expenses	-	33,910
Prior year net payments	-	(304,992)
Prior year adjustments-2015 Health & Safety Payments/Fees	(1,807)	(33,910)
Advances received	<u>(3,914,003)</u>	<u>(4,957,070)</u>
Ending balance due from ACS	<u>\$1,235,821</u>	<u>\$5,902</u>

**Break-down of balance due to/from ACS**

Early Learn - Due To/From	1,147,979	(113,891)
UPK Enhancement - Due From	87,842	119,793
Health & Safety	-	-
	<u>\$1,235,821</u>	<u>\$5,902</u>

**BROOKLYN KINDERGARTEN SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 5 - Temporarily Restricted Net Assets**

The following summarizes the changes in temporarily restricted net assets:

	June 30, 2018			
Program restrictions:	Balance 7/1/17	Additions	Released from Restrictions	Balance 6/30/18
Educational Endowment	\$ -	\$ -	\$ -	\$ -
Social Work	162,254	300,000	(333,300)	128,954
General Program Support	250,000	10,000	(260,000)	-
Classroom Enhancements	-	15,000	(15,000)	-
<b>Total</b>	<b>\$412,254</b>	<b>\$325,000</b>	<b>(\$608,300)</b>	<b>\$128,954</b>

	June 30, 2017			
Program restrictions:	Balance 7/1/16	Additions	Released from Restrictions	Balance 6/30/17
Educational Endowment	\$10,360	\$ -	\$ (10,360)	\$ -
Social Work	170,960	300,000	(308,706)	162,254
General Program Support	200,000	625,000	(575,000)	250,000
Classroom Enhancements	-	85,000	(85,000)	-
<b>Total</b>	<b>\$381,320</b>	<b>\$1,010,000</b>	<b>(\$979,066)</b>	<b>\$412,254</b>

**Note 6 - Fixed Assets**

Fixed assets consist of the following:

Assets	6/30/2018	6/30/2017
Furniture	\$118,110	\$118,110
Equipment	33,161	33,161
Leasehold improvements	185,187	185,187
	336,458	336,458
Less: accumulated	(336,458)	(336,458)
<b>Total</b>	<b>-</b>	<b>-</b>



**BROOKLYN KINDERGARTEN SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**Note 7 - Retirement Plan**

BKS has a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code. The plan covers all employees who are at least 21 years of age, have completed a 90-day waiting period with BKS, and are not part of a separate collective bargaining agreement ("Local 95"). Eligible employees voluntarily contribute up to the maximum allowable by law and the plan. BKS does not match employee contributions under this plan.

In addition, BKS employees participate in a defined benefit retirement plan (pension). The NYC/ACS pension plan covers employees who are at least 21 years of age and are not part of Local 95. Local 95 has its own pension plan. Employees are not required to make contributions under either plan. Eligible employees are 100% vested in the plans upon completion of five years of service. BKS contributes the designated amounts for privately-funded employees under the ACS plan and all employees under Local 95. Combined amounts expensed were \$45,052 and \$74,076 in 2018 and 2017, respectively.

**Note 8 - Commitments & Contingencies**

Commitments

BKS occupies space for its five centers on separate month to month agreements. BKS occupies space of its home office under a lease agreement that expires in November, 2030. BKS occupies space of its Weeksville community center under a lease agreement that expires in August, 2021. Future minimum payments are as follows:

For the fiscal year ending:	Weeksville	Home Office	Total
June 30, 2019	\$ 89,132	\$ 75,542	\$ 164,674
June 30, 2020	91,253	133,385	224,638
June 30, 2021	31,157	137,387	168,544
June 30, 2022	-	141,508	141,508
June 30, 2023	-	145,753	145,753
July 1, 2024 to November, 2030	-	1,334,971	1,334,971
Total	<u>\$ 211,542</u>	<u>\$ 1,968,546</u>	<u>\$ 2,180,088</u>

Contingencies

Government contracts may be subject to audit by the funding source. Disallowances and adjustments, if any, resulting from such audits will be reflected in the financial statements when it is considered probable that such a liability has been incurred. Management does not anticipate any material disallowances.

**BROOKLYN KINDERGARTEN SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 9 - Significant Concentrations**

BKS derives its income primarily from reimbursements from government funding sources and from donations and grants. Approximately 79% and 70% of total support was derived from NYC/ACS for the year ended June 30, 2018 and June 30, 2017, respectively.

**Note 10 - Fundraising Event**

Fundraising event income is summarized as follows:

	6/30/2018			
	Yuletide	Marathon	Turkey	Total
Gross Revenue	\$364,225	\$24,293	\$ -	\$388,518
Less: expenses with a direct benefit to donor	(74,158)	-	-	(74,158)
	290,067	24,293	-	314,360
Less: indirect expenses	(18,492)	(4,471)	-	(22,963)
Total	\$271,575	\$19,822	\$0	\$291,397
	6/30/2017			
	Yuletide	Marathon	Turkey	Total
Gross Revenue	\$361,175	\$16,672	\$2,810	\$380,657
Less: expenses with a direct benefit to donor	(67,604)	-	-	(67,604)
	293,571	16,672	2,810	313,053
Less: indirect expenses	(16,311)	(2,902)	(3,368)	(22,581)
Total	\$277,260	\$13,770	(\$558)	\$290,472

**Note 11 - Line of Credit**

In November 2015, BKS entered into a \$1,000,000 line of credit agreement with JPMorgan Chase Bank. The line bears interest at 3.25% annum plus adjusted London Interbank Offered Rate ("LIBOR"), which was 2.09025% at June 30, 2018. Outstanding borrowings as of June 30, 2018 was \$500,000 and there were no outstanding borrowings as of June 30, 2017.

**Note 12 - Expenses**

Below are total expenses and percentage of total expenses charged to program and supporting services for the years ended June 30, 2018 and June 30, 2017:

	June 30, 2018		June 30, 2017	
	Amount	Percentage	Amount	Percentage
Program expenses	\$6,216,461	88.99%	\$6,554,170	88.93%
Management and general	689,907	9.88%	686,428	9.32%
Fundraising	78,990	1.13%	128,695	1.75%
Total	\$6,985,358	100.00%	\$7,369,293	100.00%

**BROOKLYN KINDERGARTEN SOCIETY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Grantor</u>	<u>Federal CFDA #</u>	<u>Pass-Through Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Health and Human Services:</u></b>			
Passed Through New York City Administration for Children's Services:			
Head Start Program	93.600	20171406835	1,494,641 *
Child Care and Development Block Grant	93.575	20171406835	1,142,177 *
Total U.S. Department of Health and Human Services, Passed Through New York City Administration for Children's Services			<u>2,636,818</u>
<b><u>U.S. Department of Agriculture:</u></b>			
Passed Through New York State Department of Health:			
Child and Adult Care Food Program	10.558		<u>268,459</u>
Total U.S. Department of Agriculture, Passed Through New York State Department of Health			<u>268,459</u>
Total Federal Expenditures			<u><u>\$ 2,905,277</u></u>

\* Indicates a major program

**BROOKLYN KINDERGARTEN SOCIETY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2018**

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal award activity of Brooklyn Kindergarten Society ("BKS") under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance")*. Because the schedule presents only a selected portion of the operations of BKS, it is not intended to and does not present the financial position, changes in net assets or cash flows of BKS.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable cost principles, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 - Indirect Cost Rates**

BKS has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.