LITTLE FLOWER CHILDREN AND FAMILY SERVICES OF NEW YORK

Wading River, New York

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Including Independent Auditors' Report

As of and for the Years Ended June 30, 2016 and 2015

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FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Little Flower Children and
Family Services of New York
Wading River, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Little Flower Children and Family Services of New York (the "Agency"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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. 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.

Board of Directors
Little Flower Children and
Family Services of New York

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 18 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 financial statements. The information has been subjected to the auditing procedures applied in the audit 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Melville, New York
November 30, 2016

Statements of Financial Position

As of June 30,	**2016**	2015
Assets		
Current Assets:		
Cash and cash equivalents	**$ 2,257,987**	$ 2,153,753
Cash held as agent	**387,070**	378,911
Short-term investments	**4,411,366**	5,128,447
Accounts receivable, net of allowance for doubtful accounts of $64,816 and $60,000 as of June 30, 2016 and 2015, respectively	**8,722,418**	8,659,264
Grants receivable	**308,030**	217,039
Due from affiliate	**17,524**	8,125
Prepaid expenses and other current assets	**317,274**	515,827
Total Current Assets	**16,421,669**	17,061,366
Land, Buildings and Improvements, and Equipment, net	**10,005,624**	10,121,736
Construction in Progress	**23,435**	110,457
Due From Affiliate - Long-Term	**331,336**	341,319
Other Assets	**45,713**	5,813
Total Assets	**$ 26,827,777**	$ 27,640,691
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 3,207,886**	$ 2,233,615
Accounts payable held as agent	**387,070**	378,911
Due to governmental agencies	**4,472,768**	4,435,471
Accrued salaries and related costs	**1,015,623**	1,383,312
Refundable advances	**255,228**	118,922
Current portion of long-term debt	**246,440**	228,287
Current portion of capital leases payable	**100,825**	107,027
Total Current Liabilities	**9,685,840**	8,885,545
Long-Term Debt	**1,645,373**	1,724,301
Capital Leases Payable	**138,981**	214,993
Accrued Compensated Absences Payable	**2,601,651**	2,972,395
Deferred Rent Payable	**428,910**	551,457
Total Liabilities	**14,500,755**	14,348,691
Commitments and Contingencies		
Net Assets:		
Unrestricted	**11,710,926**	12,651,860
Temporarily restricted	**616,096**	640,140
Total Net Assets	**12,327,022**	13,292,000
Total Liabilities and Net Assets	**$ 26,827,777**	$ 27,640,691

Statements of Activities and Changes in Net Assets

For the Years Ended June 30,	**2016**	2015
Unrestricted Net Assets		
Revenue:		
Program services:		
Foster Boarding Home	**$ 18,231,208**	$ 19,416,970
Bridges to Health	**4,354,748**	4,516,955
Medical/Mental Health	**4,486,516**	4,233,074
Residential Treatment Center	**11,233,079**	10,964,783
Adult Residential Services	**8,786,882**	8,715,459
Day Habilitation	**538,779**	573,959
Family Care	**3,371,750**	2,541,772
Managed Service Coordination	**636,146**	596,512
Elder Care	**192,751**	181,972
Bridges to Families and BIP	**404,900**	56,470
Grants	**449,860**	195,454
Total program services	**52,686,619**	51,993,380
Other revenue:		
Contributions, including in-kind donations of $280,925 and $10,000 for the years ended June 30, 2016 and 2015, respectively	**589,328**	341,476
Fundraising and special events, net of direct expenses	**247,685**	231,019
Other income	**316,065**	313,118
Interest and investment (loss) gain, net	**(241,699)**	35,788
Net assets released from restrictions	**126,684**	123,065
Total other revenue	**1,038,063**	1,044,466
Total Revenue	**53,724,682**	53,037,846
Expenses:		
Program services:		
Foster Boarding Home	**18,384,292**	18,489,412
Bridges to Health	**3,537,920**	3,717,706
Medical/Mental Health	**4,589,624**	4,516,683
Residential Treatment Center	**10,210,707**	9,965,341
Adult Residential Services	**7,672,317**	8,373,062
Day Habilitation	**493,685**	484,545
Family Care	**2,599,790**	2,317,936
Managed Service Coordination	**676,851**	609,297
Elder Care	**189,256**	182,482
Bridges to Families and BIP	**404,901**	56,470
Grants	**494,232**	26,590
Total program services	**49,253,575**	48,739,524
Supporting services:		
Management and general	**4,913,393**	4,771,319
Fundraising	**449,717**	456,693
Total supporting services	**5,363,110**	5,228,012
Total Expenses	**54,616,685**	53,967,536
Change in Unrestricted Net Assets before Accrual Adjustments	**(892,003)**	(929,690)
Foster Care Accrual Adjustment	**350,407**	1,168,340
Accrual for Potential Liability to Government Agency	**(399,338)**	-
Change in Unrestricted Net Assets	**(940,934)**	238,650
Temporarily Restricted Net Assets:		
Contributions	**102,505**	166,710
Interest and investment income, net	**135**	2,023
Net assets released from restrictions	**(126,684)**	(123,065)
Change in Temporarily Restricted Net Assets	**(24,044)**	45,668
Changes in Net Assets	**(964,978)**	284,318
Net Assets, beginning of year	**13,292,000**	13,007,682
Net Assets, end of year	**$ 12,327,022**	$ 13,292,000

See notes to financial statements.

Statements of Cash Flows

For the Years Ended June 30,	**2016**	2015
Cash Flows from Operating Activities:		
Changes in net assets	**$ (964,978)**	$ 284,318
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	**920,977**	892,033
Increase (decrease) in allowance for doubtful accounts	**4,816**	(1,546)
Net realized and unrealized losses	**241,564**	151,764
Deferred rent payable	**(122,547)**	(122,546)
Donated equipment	**(280,925)**	-
Write-off of other assets	**-**	87,333
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Cash held as agent	**(8,159)**	(41,618)
Accounts receivable	**(67,970)**	(1,318,448)
Grants receivable	**(90,991)**	(61,083)
Due from affiliate	**(9,399)**	(507)
Prepaid expenses and other current assets	**198,553**	(101,409)
Other assets	**(39,900)**	12,477
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	**974,271**	103,064
Accounts payable held as agent	**8,159**	41,618
Due to governmental agencies	**37,297**	918,667
Accrued salaries and related costs	**(367,689)**	206,527
Refundable advances	**136,306**	24,201
Workers' compensation trust fund deficit payable	**-**	(203,828)
Accrued compensated absences payable	**(370,744)**	352,470
Net Cash Provided by Operating Activities	**198,641**	1,223,487
Cash Flows from Investing Activities:		
Proceeds from sale of investments	**552,118**	271,377
Purchase of investments	**(76,601)**	(165,050)
Purchase of land, building and improvements, and equipment	**(504,614)**	(588,917)
Decrease (increase) in construction in progress	**87,022**	(35,892)
Decrease in due from affiliate - long-term	**9,983**	9,698
Decrease in restricted cash	**-**	58,482
Net Cash Provided by (Used in) Investing Activities	**67,908**	(450,302)
Cash Flows from Financing Activities:		
Principal payments on long-term debt	**(261,882)**	(218,663)
Proceeds from long-term debt	**201,107**	-
Principal payments on capital leases	**(101,540)**	(74,837)
Net Cash Used in Financing Activities	**(162,315)**	(293,500)
Net Increase in Cash and Cash Equivalents	**104,234**	479,685
Cash and Cash Equivalents, beginning of year	**2,153,753**	1,674,068
Cash and Cash Equivalents, end of year	**$ 2,257,987**	$ 2,153,753
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest	**$ 156,533**	$ 160,456

Noncash Transactions:

During the year ended June 30, 2016, the Agency refinanced approximately $614,000 of existing debt.
During the years ended June 30, 2016 and 2015, the Agency acquired one and five vehicles, respectively, via capital lease financing in the amounts of approximately $19,000 and $107,000, respectively. The Agency also acquired scanning equipment via capital lease financing in the amount of approximately $45,000 during the year ended June 30, 2015.

See notes to financial statements.

Notes to Financial Statements

As of and for the Years Ended June 30, 2016 and 2015

1. Description of Organization and Summary of Significant Accounting Policies

Nature of operations - Little Flower Children and Family Services of New York (the "Agency") is a non-profit corporation operating in New York State. The Agency was organized to care for neglected and dependent children in a residential or foster home setting and to provide for the spiritual, physical and intellectual welfare of such children. The Agency also provides social, mental health and residential services for adults. During the year ended June 30, 2016, the Agency created two new entities, LFCFS of New York LLC and LFCFS Holding LLC, which did not have any assets, liabilities, net assets, revenues, or expenses as of and for the year ended June 30, 2016.

Basis of presentation - The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Agency's financial statements distinguish net assets between unrestricted and temporarily restricted net assets. The Agency does not possess any permanently restricted net assets.

Contributions - The Agency reports gifts of cash or other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Temporarily restricted contributions that originate in a given year and are released from restriction in the same year by meeting the donors' restricted purposes are reflected in the change in unrestricted net assets.

The Agency reports gifts of property, plant and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Investments - Investments are carried at fair value based upon quoted market prices, when available, or estimates of fair value. Investments subject to the provisions of Accounting Standards Update 2009-12, *"Investments in Certain Entities that Calculate Net Asset Value per Share"*, with no readily determinable fair values are recorded at net asset value per share as a practical expedient to estimating fair value. Investments are shown net of the related commission and consulting fees, which approximated $23,000 and $24,000 for the years ended June 30, 2016 and 2015, respectively. Realized and unrealized gains and losses on investments are reported in the statements of activities and changes in net assets as increases or decreases in unrestricted net assets unless their use is restricted by donor or law.

Plant assets, depreciation and amortization - Plant assets are stated at cost when purchased and donated assets are stated at fair value at date of donation. The Agency capitalizes property and equipment with a cost of $5,000 or higher, and a useful life of at least two years. Depreciation of buildings and improvements and equipment is provided over the estimated useful lives of the respective assets (ranging from 3 to 40 years) on a straight-line basis. Depreciation and amortization expense for the years ended June 30, 2016 and 2015 approximated $921,000 and $892,000, respectively.

Deferred rent payable - Deferred rent payable represents the cumulative difference between rental expense determined on a straight-line basis, in accordance with accounting principles generally accepted in the United States of America, and the stated amount per the lease agreement.

Accounts receivable and revenues - Accounts receivable and revenues for services are recorded at rates established by state, city and local governments and agencies. Additionally, the Agency receives contributions and grants from individuals, organizations, and fundraising events.

Allowance for doubtful accounts - Periodically, the accounts receivable balances are reviewed and evaluated as to their collectability. An allowance is then set-up based on these evaluations. A receivable balance is considered past due once it has not been received by its scheduled due date.

Donated goods and services - Donated services requiring specific expertise and donated goods are recorded as in-kind contributions and expensed or capitalized at their fair value as determined by donors.

During the years ended June 30, 2016 and 2015, a number of general volunteers have donated significant amounts of their time in program services and fundraising campaigns. Such services have not been recognized, since they do not meet the criteria for recognition. During the year ended June 30, 2016, the Agency received donated software with a fair value of approximately $281,000 which was capitalized as equipment. During the year ended June 30, 2015, the Agency received donated advertising services of $10,000.

Statement of cash flows - For purposes of the statement of cash flows, the Agency considers all highly liquid debt instruments with original maturities of three months or less, at the date of purchase, to be cash equivalents.

Functional allocation of expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes - The Agency qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and as a non-profit corporation in New York State. Accordingly, no provision for federal or state income taxes is required.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Uncertain tax positions - Management evaluated the Agency's tax positions and concluded that the Agency had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of FASB Accounting Standards Codification No. 740. With few exceptions, the Agency is no longer subject to income tax examinations by the United States federal, state or local tax authorities for the years before 2013, which is the standard statute of limitations look-back period.

Evaluation of subsequent events - Management has evaluated subsequent events through November 30, 2016, the date the financial statements are available for issuance, for inclusion or disclosure in the financial statements.

Recent accounting pronouncements - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *"Revenue from Contracts with Customers (Topic 606)"*. The core principle of ASU 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. The Agency is assessing the impact this standard will have on its financial statements.

In May 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-07, *"Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)"* ("ASU 2015-07"). ASU 2015-07 removes the requirement to include investments in the fair value hierarchy for which fair value is measured using the net asset value per share practical expedient under ASC 820. ASU 2015-07 is effective fiscal years beginning after December 15, 2015. The Agency is assessing the impact this standard will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *"Leases (Topic 842)"*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2019. The Agency is assessing the impact this standard will have on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *"Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities".* The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Agency is assessing the impact this standard will have on its financial statements.

2. Cash Held as Agent

The Agency acts as agent for adult consumers that participate in its programs who receive benefits and retirement income payments from governmental and private sources. The Agency maintains the records and is responsible for disbursing payments out of these funds for consumer's personal expenses. Separate bank accounts are maintained for these funds as required. Cash held as agent represents the net amount available to the consumers as of June 30, 2016 and 2015.

3. Short-Term Investments

Short-term investments consist of the following:

As of June 30, 2016	**Cost**	**Fair Value**
Short-Term Investments in Mutual Funds and Alternative Investments	**$ 4,396,610**	**$ 4,411,366**

As of June 30, 2015	Cost	Fair Value
Short-Term Investments in Mutual Funds and Alternative Investments	$ 4,791,583	$ 5,128,447

4. Fair Value Measurements

The Agency adopted current accounting standards for fair value measurements which provide a framework for measuring, reporting and disclosing fair value under generally accepted accounting principles. The fair value measurement standards apply to all assets and liabilities that are measured, reported and/or disclosed on a fair value basis.

Notes to Financial Statements

As of and for the Years Ended June 30, 2016 and 2015

As defined in current accounting standards, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Agency uses various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible, the Agency attempts to utilize valuation methods that maximize the use of observable inputs and minimizes the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods, the organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

The tables below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy. There have been no changes in the valuation methods and no transfers between levels in 2016.

As of June 30, 2016	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Mutual Funds:				
Intermediate-Term Bond	**$ 177,522**	**$ -**	**$ -**	**$ 177,522**
Specialty	**1,575,955**	**-**	**-**	**1,575,955**
Moderate Allocation	**889,100**	**-**	**-**	**889,100**
Large-Cap Blend	**206,262**	**-**	**-**	**206,262**
Small-Blend	**160,469**	**-**	**-**	**160,469**
Large Growth	**235,672**	**-**	**-**	**235,672**
Total Mutual Funds	**3,244,980**	**-**	**-**	**3,244,980**
Other:				
Hedge Funds	**-**	**704,469**	**461,917**	**1,166,386**
Total Investments	**$ 3,244,980**	**$ 704,469**	**$ 461,917**	**$ 4,411,366**

As of June 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual Funds:				
Intermediate-Term Bond	$ 392,194	$ -	$ -	$ 392,194
Specialty	1,759,916	-	-	1,759,916
Moderate Allocation	718,895	-	-	718,895
Large-Cap Blend	395,564	-	-	395,564
Small-Blend	176,865	-	-	176,865
Large Growth	408,141	-	-	408,141
Total Mutual Funds	3,851,575	-	-	3,851,575
Other:				
Hedge Funds	-	790,363	486,509	1,276,872
Total Investments	$ 3,851,575	$ 790,363	$ 486,509	$ 5,128,447

Notes to Financial Statements

As of and for the Years Ended June 30, 2016 and 2015

Reconciliation of Level 3 Assets for the Years Ended June 30,	**2016**	2015
Balance, beginning of year	**$ 486,509**	$ 475,332
Net Change in Unrealized (Depreciation) Appreciation from Investments Still Held at the Reporting Date	**(24,592)**	11,177
Balance, end of year	**$ 461,917**	$ 486,509

Fair values for Level 1 mutual funds are based on closing sales prices on public exchanges on June 30, 2016 and 2015.

The Agency invests in three hedge funds (the "Funds") that have no readily determinable fair value. The Funds are recorded at net asset value, which represents fair value, and are based on the values provided by the general partner and/or fund managers of the Funds.

The objective of the first Fund is to achieve capital appreciation principally through investing in investment funds managed by third-party investment managers that employ a variety of alternative investment strategies. These investment strategies allow flexibility of using leverage or short-side positions to take advantage of perceived inefficiencies across the global markets, often referred to as "alternative" strategies.

The objective of the second Fund is to produce positive long-term returns of 10% to 12% per annum over the risk-free rate. Diversification is achieved at both the Trading Fund trading style and market sector level. This Fund, through its allocation of assets to the Trading Funds, invests in a range of trading styles, including long-term trend following, short-term systematic, value, discretionary macro and specialist FX strategies; market exposure is broadly diversified with positions in global currency and financial and commodity markets.

The objective of the third Fund is to seek total return. Over an investment cycle, the Fund expects to achieve net returns commensurate with the long-term return on equities with less volatility, and a relatively low degree of correlation to the equity markets. The Fund seeks to achieve its objective by investing directly or indirectly in private funds or other pooled investment vehicles or accounts organized outside the United States ("Portfolio Funds") generally believed not to be highly correlated with the Standard & Poor's 500 Index over a long-term time horizon. The Fund may also invest directly in securities (other than those of Portfolio Funds) or other financial instruments.

Because investment funds following alternative investment strategies are often described as hedge funds, the investment programs of these Funds can be described as funds of hedge funds. As of June 30, 2016 and 2015, the Funds did not have any unfunded commitments. Redemption of the first Fund can occur with written notice of 65 days and are at the sole discretion of the Fund's board of directors and may be restricted if they will negatively impact the Fund's overall performance. The second fund has no redemption restrictions. The third fund offers redemption from time to time, but no assurance can be given that these redemptions will occur as scheduled or at all as they will be conducted at the sole discretion of the Fund's board of directors.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible that changes in market conditions in the near term would materially affect the amounts reported in the accompanying financial statements.

5. Accounts Receivable and Revenues

Accounts receivable and revenues by funding source are as follows:

As of June 30, 2016	**Accounts Receivable**	**Revenue**
New York City	**$ 3,601,785**	**$ 20,339,923**
New York State	**3,199,732**	**21,553,851**
Suffolk County	**1,561,821**	**8,749,266**
Nassau County	**305,986**	**1,768,382**
Other	**53,094**	**275,197**
	$ 8,722,418	**$ 52,686,619**

As of June 30, 2015	Accounts Receivable	Revenue
New York City	$ 3,877,095	$ 21,634,011
New York State	2,930,761	19,994,961
Suffolk County	1,566,474	8,689,933
Nassau County	248,559	1,413,337
Other	36,375	261,138
	$ 8,659,264	$ 51,993,380

6. Land, Building and Improvements, and Equipment, Net

Land, building and improvements, and equipment, net, consist of the following:

As of June 30,	**2016**	2015
Land	**$ 302,144**	$ 302,144
Buildings and Improvements	**17,284,411**	16,911,077
Furniture and Equipment	**2,811,045**	2,420,975
Vehicles	**1,319,043**	1,299,717
Other	**483,931**	461,796
	22,200,574	21,395,709
Less Accumulated Depreciation and Amortization	**12,194,950**	11,273,973
	$ 10,005,624	$ 10,121,736

7. Construction in Progress

As of June 30, 2016 and 2015, construction in progress of $23,435 and $110,457, respectively, consisted of payments made for miscellaneous improvement projects and restoration work. There are no future commitments as of June 30, 2016 in regards to construction in progress.

8. Management Services Agreement

On March 1, 2014, the Agency entered into a management services agreement (the "Agreement") with St. John's Residence for Boys, Inc. ("St. John's") for a period of one year. The Agreement automatically renews for successive one year periods unless terminated by 90 days written notice by either party or written notice by one party within 30 days of a breach by the other. The Agency provides administrative and financial functions to St. John's under this agreement. During the years ended June 30, 2016 and 2015, amounts charged to St. John's under this agreement amounted to approximately $157,000 and $156,000, respectively.

Notes to Financial Statements
As of and for the Years Ended June 30, 2016 and 2015

9. Due to Governmental Agencies

Due to governmental agencies represents net payments received in prior years, in excess of amounts earned, and overpayments received from New York City and New York State. Amounts are due upon final audit and reconciliation by the governmental agencies and are not expected to be materially different from the recorded amounts. The liability adjustment due to the completion of final audit and reconciliation of prior years is reflected as a foster care accrual adjustment on the statements of activities and changes in net assets for the years ended June 30, 2016 and 2015.

The New York State Office for People With Developmental Disabilities ("OPWDD") conducted an audit of certain of the Agency's billings for the period from January 1, 2013 to December 31, 2014. OPWDD has indicated that certain amounts may be due back to them as a result of this audit. The Agency has accrued approximately $399,000 as of June 30, 2016 related to this liability.

10. Long-Term Debt

Long-term debt consists of the following:

As of June 30,	**2016**	2015
Mortgage payable in monthly installments of $4,531 through September 2020, bearing interest at 9.10% per annum, collateralized by the respective property.	**$ 202,373**	$ 236,524
Mortgage payable in monthly installments of $14,121 through January 2019 and $6,833 from February 2019 through January 2028, bearing interest at 4.46% per annum, collateralized by the respective property.	**874,177**	991,148
Vehicle capital leases, which are payable in total monthly installments of $8,076, with maturity dates between August 2016 and February 2021, bearing interest at rates ranging from 0.57% to 7.55% per annum.	**206,560**	264,250
Mortgages payable in total monthly installments of $7,382 through June 2018 and $5,536 through June 2018, bearing interest rates ranging from 2.50% to 5.00%, collateralized by the respective property. In February 2016, these mortgages were refinanced - see (a) below.	**799,637**	696,537
Vehicle loan payable in monthly installments of $1,147 through August 2017, bearing interest at 4.49% per annum.	**15,626**	28,379
Telephone capital lease payable in monthly installments of $1,099 through November 2016, bearing interest at 9.48% per annum.	**5,196**	16,464
Scanner software capital lease payable in monthly installments of $1,414 through May 2017, bearing interest at 12.63% per annum.	**28,050**	41,306
	2,131,619	2,274,608
Less Current Maturities	**347,265**	335,314
	$ 1,784,354	$ 1,939,294

Long-term debt matures approximately as follows:

For the Years Ending June 30,	Capital Leases	Long-Term Debt	Total
2017	$ 101,000	$ 246,000	$ 347,000
2018	75,000	190,000	265,000
2019	36,000	151,000	187,000
2020	22,000	163,000	185,000
2021	6,000	152,000	158,000
Thereafter	-	990,000	990,000
	$ 240,000	$ 1,892,000	$ 2,132,000

(a) In February 2016, the Agency refinanced two existing mortgages of approximately $614,000 and acquired approximately $201,000 of additional funding through the issuance of the Dormitory Authority of the State of New York ("DASNY") Series 2016 bonds. The Series 2016 bonds consist of two bonds, one tax-exempt bond in the amount of approximately $760,000 and one taxable bond in the amount of $55,000. Each bond requires monthly payments at varying amounts through maturity. The tax-exempt bond matures in July 2028 and the taxable bond matures in July 2017. The interest rate for the tax-exempt bond is fixed per year and varies over the life of the bond ranging from 2% to 4%. The interest rate for the taxable bond is fixed at 1.5% for two years. The DASNY bonds are collateralized by the respective property. The Agency is required to comply with a certain financial covenant on an annual basis throughout the life of the bonds. As of June 30, 2016, the Agency was in compliance with this financial covenant.

The book value of equipment underlying the capital lease obligations, net of accumulated amortization of approximately $308,000 and $188,000, approximated $255,000 and $355,000 as of June 30, 2016 and 2015, respectively. Amortization expense for the years ended June 30, 2016 and 2015 approximated $120,000 and $130,000, respectively.

Interest expense for the years ended June 30, 2016 and 2015 approximated $157,000 and $160,000, respectively.

11. Net Assets

Temporarily restricted net assets - Temporarily restricted net assets as of June 30, 2016 and 2015 consist of amounts restricted by donors for the provision of the culinary arts program, scholarships, the campus industry program and special events for children and are approximately as follows:

As of June 30,	**2016**	2015
Purpose Restrictions:		
Culinary arts program	**$ 274,000**	$ 363,000
Scholarships	**172,000**	154,000
Campus industry program	**131,000**	89,000
Chapel restoration	**28,000**	29,000
Special events for children	**11,000**	5,000
	$ 616,000	$ 640,000

Release of temporarily restricted net assets - During the years ended June 30, 2016 and 2015, net assets of approximately $127,000 and $123,000, respectively, were released from restrictions by incurring expenses satisfying the restricted purpose as stipulated by the donors as follows:

For the Years Ended June 30,	**2016**	2015
Purpose Releases:		
Culinary arts program	**$ 92,000**	$ 43,000
Scholarships	**19,000**	16,000
Campus industry program	**11,000**	51,000
Chapel restoration	**1,000**	-
Special events for children	**4,000**	13,000
	$ 127,000	$ 123,000

12. Fundraising and Special Events, Net

The Agency generated revenue from the following special events during the years ended June 30, 2016 and 2015:

	Gross Revenue	**Direct Benefit to Donors**	**2016 Net Revenue**
Golf Outing	**$ 163,680**	**$ 31,938**	**$ 131,742**
Humanitarian Award	**148,760**	**32,817**	**115,943**
Total	**$ 312,440**	**$ 64,755**	**$ 247,685**

	Gross Revenue	Direct Benefit to Donors	2015 Net Revenue
Golf Outing	$ 128,610	$ 32,745	$ 95,865
Humanitarian Award	197,993	62,839	135,154
Total	$ 326,603	$ 95,584	$ 231,019

13. Transactions with Affiliate

The Agency is a related party to the Little Flower Union Free School District (the "School"), which operates on its premises. Certain officers of the Agency are also board members of the School. Current amounts due from affiliate represent certain operating expenses of the School paid by the Agency, and general and administrative services provided by the Agency, which aggregated approximately $14,000 and $6,000 for years ended June 30, 2016 and 2015, respectively.

During fiscal year 2013, the Agency entered into a contract to renovate the lobby at the School. During the year ended June 30, 2013, approximately $197,000 of costs were incurred related to this renovation. Additional costs of approximately $154,000 were incurred related to this renovation during fiscal year 2014. The renovation was completed during fiscal year 2014. The Agency and the School finalized a written repayment agreement related to this renovation, wherein the School agreed to repay the Agency the $351,000 in renovation costs, plus interest of 2.905% per annum, amortized over 25 years. As of June 30, 2016 and 2015, approximately $335,000 and $343,000, respectively, was outstanding under this agreement.

14. Pension Plan

The Agency maintains a tax deferred annuity plan (the "403(b) Plan") which is available to all employees. As of January 1, 2014, the 403(b) Plan was amended and restated to include St. John's Residence for Boys, Inc., an entity which has a management agreement with the Agency, as a participating employer. Effective July 1, 2014, the 403(b) Plan allowed for employer basic contributions for eligible employees. For the years ended June 30, 2016 and 2015, the Agency contributed approximately $700,000 and $682,000, respectively, to the 403(b) Plan.

The Agency maintains a noncontributory supplemental retirement plan and trust (the "Supplemental Plan") as defined by Section 403(b) of the United States Internal Revenue Code. The Supplemental Plan covers all eligible employees. Contributions to the Supplemental Plan are discretionary and determined by the board of directors each year. For the years ended June 30, 2016 and 2015, no contributions were made. The Agency terminated the Supplemental Plan during fiscal year 2016.

Through June 30, 2014, the Agency was a participant in a pension plan that has been characterized for financial accounting purposes as a multi-employer pension plan (the "Diocesan Plan"), a noncontributory defined benefit plan established by the Diocese of Brooklyn. During the year ended June 30, 2015, a multiple-employer defined benefit pension plan (the "Catholic Federation Plan") was created by the Agency and six other entities that were previously participating employers in the Diocesan Plan. The Diocesan Plan transferred the identified portion of assets and liabilities of the Agency and the six other entities to the Catholic Federation Plan. The Catholic Federation Plan is designed to provide retirement benefits for eligible employees of the participating entities. The risks of participating in a multi-employer plan are different from single-employer plans in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating entity stops contributing to the multi-employer plan, the unfunded obligations of the plan may be borne by the remaining participating entities.
- If an entity petitions to stop participating in the multi-employer plan, the entity may be required to pay the plan a withdrawal liability based on the funded status of the plan.

The Catholic Federation Plan is frozen as of June 30, 2014 and final accrued benefits were calculated for all participants as of the freeze date. The contribution policy will be to amortize the initial deficit over 20 years from July 1, 2014. In the future, any gains or losses and administrative expenses incurred will also be amortized over a 20 year period from the date they are first recognized. Required annual contributions are allocated among participating employers using a pro-rate method relative to the size of each entity's pension liabilities. Amounts charged to pension costs for the years ended June 30, 2016 and 2015 totaled approximately $853,000 and $457,000, respectively, and are included in the accompanying statements of activities and changes in net assets. Required annual contributions represent approximately 22.5% and 29.4% of total contributions to the Catholic Federation Plan for each of the years ended June 30, 2016 and 2015, respectively.

The following table discloses the name and funded status of the Catholic Federation of Social Services Agencies of Brooklyn and Queens Pension Plan (EIN 26-4439481), referred to above as the Catholic Federation Plan, as of July 1, 2015 (the date of the latest actuarial valuation):

Valuation Date	Actuarial Present Value of Accumulated Plan Benefits	Fair Value of Plan Assets	Total Net Contributions	Funded Status
July 1, 2015	$139,190,000	$101,099,000	$3,797,000	Between 65% and 80% funded.
July 1, 2014	$135,215,000	$103,095,000	$1,554,000	Between 65% and 80% funded.

During the years ended June 30, 2016 and 2015, the Agency did not pay a surcharge to the Catholic Federation Plan nor did the Catholic Federation Plan have a rehabilitation plan implemented or pending.

In May 2015, the Agency created a 457(b) deferred compensation plan (the "457(b) Plan"), which allows for both participant deferral contributions and employer discretionary contributions, for one employee. The employee will be fully vested at all times in both their deferral contributions and employer discretionary contributions. Pursuant to the agreement, the 457(b) Plan's assets are considered general assets of the Agency until the assets are distributed to the beneficiary. The Agency did not make any contributions to the 457(b) Plan during the years ended June 30, 2016 and 2015.

The Agency also created a 457(f) deferred compensation plan (the "457(f) Plan") in May 2015, which allows for participant deferral contributions, for one employee. The employee will be fully vested in their 457(f) Plan account in June 2025.

15. Commitments and Contingencies

Operating leases - The Agency is obligated under various noncancellable operating leases for certain of its facilities and equipment, expiring through July 18, 2020. Future minimum lease payments under these operating leases are as follows:

For the Years Ending June 30,	Real Property	Equipment	Total
2017	$ 1,158,000	$ 64,000	$ 1,222,000
2018	1,118,000	40,000	1,158,000
2019	1,140,000	40,000	1,180,000
2020	382,000	19,000	401,000
2021	-	1,000	1,000
	$ 3,798,000	$ 164,000	$ 3,962,000

Facility rent expense for the years ended June 30, 2016 and 2015 approximated $1,266,000 and $1,321,000, respectively.

Equipment rental expense for the years ended June 30, 2016 and 2015 approximated $220,000 and $199,000, respectively.

Guarantee - The Agency has pledged investments up to $800,000 to the Suffolk County National Bank to secure borrowings of the Little Flower Union Free School District ("LFUFSD"). LFUFSD owed $800,000 under a revenue anticipation note agreement as of June 30, 2016. This guarantee expires on June 9, 2017.

Collective bargaining agreement - Approximately 55% of the Agency's labor force is covered by a collective bargaining agreement that expired on June 30, 2016 and was renewed through June 30, 2019.

16. Government Funding and Possible Rate Adjustments

Substantial funding of programs is provided to the Agency by New York State, New York City, and the counties of Suffolk and Nassau. Continuation of such funding is dependent on budgetary allocations from such agencies. In addition, reimbursements under contracts or rates are subject to audit by various agencies on a regular basis. Liabilities, if any, resulting from these audits are not presently determinable, except as disclosed in Note 9.

Changes in contract amounts due or payable resulting from audit adjustments or rate appeals are reflected in the operations of the Agency when such adjustments are determined or can be reasonably estimated.

17. Off-Balance Sheet Risk and Concentrations of Credit Risk

Financial instruments which potentially subject the Agency to concentrations of credit risk consist principally of temporary cash investments and accounts receivable from government agencies. The Agency places its temporary cash investments with high credit quality financial institutions. Accounts receivable are predominately from state and local government agencies, including Medicaid, other third-party and private payors. At times throughout the year, the Agency's cash balances with any one financial institution may exceed the federal depository insurance coverage limit.

18. Litigation

The Agency is subject to lawsuits and claims with respect to matters arising in the normal course of business. The Agency defends its position on all actions. In the opinion of management, the ultimate liabilities, if any, from these lawsuits or claims will not materially affect the financial position of the Agency. Nevertheless, due to the uncertainty of the settlement process, management's view of the outcome may be modified in the future.

19. Reversion Clause

The Agency's main facility is located on land in Wading River, New York, that is owned by the Roman Catholic Diocese of Brooklyn (the "Diocese"). This land is subject to reversion to the Diocese should the Agency cease to operate in accordance with its mission.

SUPPLEMENTARY INFORMATION

Schedule of Functional Expenses

For the Year Ended June 30, 2016 (with comparative totals for 2015)

	Program Services															
	Foster Boarding Home	Bridges to Health	Medical/ Mental Health	Residential Treatment Center	Adult Residential Services	Day Habilitation	Family Care	Managed Service Coordination	Elder Care	Bridges to Families and BIP	Grants	Total	Management and General	Fundraising	**2016 Total Expenses**	2015 Total Expenses
Salaries	$ 6,721,414	$2,418,533	$2,379,694	$ 5,859,627	$4,384,323	$ 222,621	$ 456,953	$ 489,210	$ 123,896	$ 185,469	$127,767	$23,369,507	$2,628,848	$ 197,078	**$ 26,195,433**	$25,841,859
Payroll Taxes and Employee Benefits	2,165,041	758,391	780,085	2,085,221	1,374,585	73,253	152,088	161,181	40,840	59,247	39,419	7,689,351	883,315	61,227	**8,633,893**	7,385,966
Total Salaries, Payroll Taxes and Employee Benefits	8,886,455	3,176,924	3,159,779	7,944,848	5,758,908	295,874	609,041	650,391	164,736	244,716	167,186	31,058,858	3,512,163	258,305	**34,829,326**	33,227,825
Expenses:																
Foster parent payments	6,154,476	-	-	-	-	-	1,752,588	-	-	-	-	7,907,064	-	-	**7,907,064**	8,132,986
Transportation	180,468	118,760	6,293	50,060	32,248	123,078	19,831	24,552	981	7,918	1,414	565,603	25,391	2,776	**593,770**	614,363
Allowance and activities	270,340	190	-	190,352	11,472	1,676	204	-	-	-	-	474,234	-	-	**474,234**	368,186
Scholarships	-	-	-	-	-	-	-	-	-	-	-	-	18,750	-	**18,750**	15,000
Contracted services	524,041	18,822	870,024	151,043	146,534	8,464	58,049	-	1,915	-	72,000	1,850,892	222,408	6,792	**2,080,092**	3,118,468
Food	-	-	-	439,753	169,525	2,754	-	-	-	-	-	612,032	-	602	**612,634**	601,713
Clothing	-	-	-	59,308	25,742	-	92	-	-	-	-	85,142	-	-	**85,142**	90,771
Supplies and small equipment	63,301	6,160	227,481	132,111	229,939	11,826	17,170	-	143	545	87,748	776,424	33,595	320	**810,339**	777,682
Rent - facilities	926,674	66,891	77,451	-	133,799	-	12,833	-	11,078	-	-	1,228,726	18,032	19,652	**1,266,410**	1,321,383
Leased equipment	85,568	13,654	27,078	11,127	17,607	2,854	15,793	-	1,432	-	-	175,113	38,167	6,544	**219,824**	199,483
Utilities	134,425	23,263	59,418	229,223	126,527	1,842	25,467	-	995	-	-	601,160	55,136	4,599	**660,895**	814,109
Repairs and maintenance	136,594	9,901	29,081	344,468	143,278	5,345	18,605	-	1,050	-	57,632	745,954	40,300	14,598	**800,852**	775,717
Telephone	125,240	14,932	20,148	53,694	44,762	1,012	7,649	-	991	131	564	269,123	14,256	1,849	**285,228**	292,235
Supplies	118,226	10,931	20,607	16,265	12,856	930.00	13,215	-	1,510	262	135	194,937	46,830	6,621	**248,388**	296,234
Dues and licenses	19,150	1,170	1,995	4,702	11,647	200	6,119	-	116	-	28,885	73,984	105,099	17,666	**196,749**	153,982
Conferences and training	21,986	2,991	167	39,615	29,820	1,329	9,986	7	-	113,330	-	219,231	4,486	137	**223,854**	113,753
Miscellaneous expenses	24,908	7,965	669	183	6,784	99	1,073	1,811	-	36,984	36,623	117,099	19,214	63,749	**200,062**	128,701
Publicity and recruitment	2,955	3,747	3,387	9,624	6,073	3,188	4,171	90	-	1,015	2,954	37,204	10,886	1,464	**49,554**	90,680
Professional fees	298,878	-	-	-	297,637	-	-	-	-	-	-	596,515	251,070	-	**847,585**	731,730
Insurance	164,142	48,057	57,729	239,502	159,032	5,009	27,443	-	1,365	-	-	702,279	86,174	3,096	**791,549**	811,477
Taxes	119,409	1,876	17,295	3,169	1,936	78	369	-	2,690	-	-	146,822	4,502	4,497	**155,821**	117,446
Depreciation and amortization	52,442	10,509	9,829	270,007	149,346	15,972	3,203	-	248	-	39,091	550,647	368,703	1,627	**920,977**	892,033
Interest and bank charges	2,941	147	215	28,510	162,158	1,619	75.00	-	6	-	-	195,671	38,231	34,823	**268,725**	227,538
Bad debt expense (recovery)	71,673	1,030	978	(6,857)	(5,313)	10,536	(3,186)	-	-	-	-	68,861	-	-	**68,861**	54,041
	9,497,837	360,996	1,429,845	2,265,859	1,913,409	197,811	1,990,749	26,460	24,520	160,185	327,046	18,194,717	1,401,230	191,412	**19,787,359**	20,739,711
Total Expenses	$18,384,292	$3,537,920	$4,589,624	$10,210,707	$7,672,317	$ 493,685	$2,599,790	$ 676,851	$ 189,256	$ 404,901	$494,232	$49,253,575	$ 4,913,393	$ 449,717	**$ 54,616,685**	$53,967,536