

YORK STREET PROJECT
COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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Anzelone Associates, LLC

CERTIFIED PUBLIC ACCOUNTANTS

917 Mountain Avenue · Mountainside, New Jersey 07092 · Tel (908) 654-6150 · Fax (908) 654-6161

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
York Street Project and York Street Project Legacy Fund
Jersey City, New Jersey

We have audited the accompanying combined financial statements of the York Street Project and the York Street Project Legacy Fund, Inc. (a nonprofit organization) (the "Entity"), which comprise the combined statements of financial position as of June 30, 2017 and 2016, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the York Street Project and the York Street Project Legacy Fund, Inc. as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Anzelone Associates LLC

Mountainside, New Jersey
September 30, 2017

YORK STREET PROJECT
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 748,191	\$ 446,047
Investments	2,718,497	3,078,949
Accounts receivable	55,925	44,355
Prepaid expenses	642	-
Rent receivable	2,524	3,681
Due from state assistance agency	<u>69,447</u>	<u>64,888</u>
Total current assets	<u>3,595,226</u>	<u>3,637,920</u>
Fixed assets:		
Property and equipment, net of accumulated depreciation of \$835,729 and \$816,421 respectively	<u>520,616</u>	<u>431,789</u>
Total assets	<u>\$ 4,115,842</u>	<u>\$ 4,069,709</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 81,853	\$ 47,241
Accrued payroll	61,225	57,463
Accrued expenses	57,850	53,799
Deferred revenue	<u>5,000</u>	<u>15,000</u>
Total current liabilities	<u>205,928</u>	<u>173,503</u>
Other liabilities:		
Security deposit	<u>1,000</u>	<u>1,000</u>
Total other liabilities	<u>1,000</u>	<u>1,000</u>
Net assets:		
Unrestricted - York Street Project	780,599	233,727
Unrestricted - Legacy Fund	2,913,345	3,426,508
Temporarily restricted - York Street Project	<u>214,970</u>	<u>234,971</u>
Total net assets	<u>3,908,914</u>	<u>3,895,206</u>
Total liabilities and net assets	<u>\$ 4,115,842</u>	<u>\$ 4,069,709</u>

The accompanying notes are an integral part of the financial statements.

**YORK STREET PROJECT
COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Support						
Grants	\$ 12,432	\$ 661,991	\$ 674,423	\$ 16,798	\$ 567,716	\$ 584,514
Intra-Institute grants	-	45,000	45,000	-	104,000	104,000
Intra-Institute contributions	-	16,637	16,637	-	30,150	30,150
Contributions and bequests	1,034,040	-	1,034,040	903,946	10,000	913,946
Fundraising events	-	-	-	26,639	-	26,639
Facilities contribution	1,137,091	-	1,137,091	1,137,091	-	1,137,091
Providence direct subsidy	922,117	-	922,117	922,117	-	922,117
Total support	3,105,680	723,628	3,829,308	3,006,591	711,866	3,718,457
Revenue						
Tuition and residence fees	864,181	-	864,181	501,495	-	501,495
Rents	308,403	-	308,403	318,491	-	318,491
Investment income	40,891	-	40,891	46,821	102	46,923
Reimbursements	31,081	-	31,081	8,643	-	8,643
Realized gain (loss) on securities	191,126	-	191,126	(9,378)	10,557	1,179
Unrealized gain (loss) on securities	89,187	-	89,187	(22,203)	-	(22,203)
Total revenue	1,524,869	-	1,524,869	843,869	10,659	854,528
Net assets released from restrictions:						
Satisfaction of usage restrictions	743,628	(743,628)	-	704,430	(704,430)	-
Total support and revenue	5,374,177	(20,000)	5,354,177	4,554,890	18,095	4,572,985
EXPENSES						
Transitional housing	1,536,506	-	1,536,506	1,248,372	-	1,248,372
Child development	908,808	-	908,808	868,064	-	868,064
Supportive services	464,608	-	464,608	450,511	-	450,511
Residency	919,259	-	919,259	950,296	-	950,296
Education	521,401	-	521,401	629,672	-	629,672
General and administrative - all programs	571,873	-	571,873	550,488	-	550,488
Fund raising and public relations - all programs	418,014	-	418,014	331,692	-	331,692
Total expenses	5,340,469	-	5,340,469	5,029,095	-	5,029,095
Change in net assets	33,708	(20,000)	13,708	(474,205)	18,095	(456,110)
Other changes						
Net assets, beginning of year	3,660,237	234,971	3,895,206	4,134,442	216,875	4,351,316
Net assets, end of year	3,693,945	214,971	3,908,914	3,660,237	234,971	3,895,206

The accompanying notes are an integral part of the financial statements.

YORK STREET PROJECT
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services				Supporting Services			Total
	Transitional Housing	Child Development	Supportive Services	Housing	Education	General Administrative	Fund Raising and Public Relations	
Salaries	\$ 443,454	\$ 545,785	\$ 227,971	\$ 225,518	\$ 265,033	\$ 177,305	\$ 206,934	\$ 2,092,000
Benefits and payroll taxes	155,843	210,335	74,858	73,026	79,311	66,386	44,871	704,630
Equipment	2,580	227	-	-	-	1,739	-	4,546
Repairs and maintenance	6,568	1,523	1,007	57,109	673	2,125	63	69,068
Supplies and materials	78,574	71,230	2,257	70,934	9,333	1,059	141	233,528
Rental assistance	343,198	-	-	-	-	21,360	-	364,558
Member benefits	-	5,013	-	130	-	316	-	5,459
Purchased services	32,910	3,964	26,800	8,714	11,160	43,913	35,180	162,641
Professional fees	-	-	-	-	-	62,150	-	62,150
Occupancy	458,989	60,535	131,715	479,641	150,800	88,927	8,232	1,378,838
Postage	724	337	-	-	-	2,779	2,840	6,680
Telephone	2,903	3,499	-	-	-	19,812	1,346	27,560
Office expenses	-	-	-	-	-	14,440	6,631	21,071
Other expenses	10,763	6,360	-	4,187	5,092	24,940	10,458	61,800
Fund raising activities	-	-	-	-	-	83	101,263	101,346
Capital campaign	-	-	-	-	-	-	55	55
Depreciation	-	-	-	-	-	44,539	-	44,539
Total functional expenses	\$ 1,536,506	\$ 908,808	\$ 464,608	\$ 919,259	\$ 521,401	\$ 571,873	\$ 418,014	\$ 5,340,469

The accompanying notes are an integral part of the financial statements.

YORK STREET PROJECT
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services					Supporting Services			Total
	Transitional Housing	Child Development	Supportive Services	Residency	Education	General Administrative	Fund Raising and Public Relations		
Salaries	\$ 398,302	\$ 501,804	\$ 224,827	\$ 210,020	\$ 357,401	\$ 181,724	\$ 119,784	\$ 1,993,862	
Benefits and payroll taxes	159,452	212,211	67,378	98,997	97,812	68,850	45,703	750,403	
Equipment	3,214	544	-	1,222	-	2,563	-	7,543	
Repairs and maintenance	12,954	7,690	1,857	50,226	565	5,509	116	78,917	
Supplies and materials	89,988	59,265	1,436	75,446	4,628	1,924	90	232,777	
Rental assistance	84,198	-	-	-	-	7,773	-	91,971	
Member benefits	-	9,499	-	134	-	196	-	9,829	
Purchased services	39,256	3,548	25,159	12,979	11,050	26,838	22,362	141,192	
Professional fees	-	-	-	-	-	57,950	-	57,950	
Occupancy	449,183	63,071	129,854	497,076	150,800	88,463	8,116	1,386,563	
Postage	405	355	-	-	-	3,377	-	9,715	
Telephone	2,606	3,302	-	-	-	17,943	1,908	25,759	
Office expenses	-	-	-	-	-	16,256	17,723	33,979	
Major repairs	8,814	6,775	-	4,196	7,416	24,539	12,606	64,348	
Other expenses	-	-	-	-	-	-	-	-	
Program Subsidies	-	-	-	-	-	-	-	-	
Fund raising activities	-	-	-	-	-	4,729	94,576	99,305	
Capital campaign	-	-	-	-	-	-	3,130	3,130	
Depreciation	-	-	-	-	-	41,854	-	41,854	
Total functional expenses	\$ 1,248,372	\$ 868,064	\$ 450,511	\$ 950,296	\$ 629,672	\$ 550,488	\$ 331,692	\$ 5,029,095	

The accompanying notes are an integral part of the financial statements.

YORK STREET PROJECT
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grants and entitlements	\$ 724,391	\$ 630,879
Cash received from rentals	259,972	269,046
Section 8 subsidy received	109,588	110,022
Cash received from residents and students	900,998	529,977
Cash received from York Street Project support	865,745	1,034,877
Subsidies received	948,998	956,406
Contributions received	1,148,436	1,083,146
Cash received from fund raising events	-	26,639
Cash received from reimbursements	4,200	4,200
Interest and dividends received	40,891	46,923
Cash paid for employee costs	(2,760,588)	(2,820,000)
Cash paid for operating expenses	<u>(2,448,245)</u>	<u>(2,435,877)</u>
Net cash provided by (used for) operating activities	<u>(205,614)</u>	<u>(563,762)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(133,368)	(14,780)
Investment funds transferred to cash accounts	450,000	-
Proceeds from sale of investments	<u>191,126</u>	<u>140,137</u>
Net cash provided by (used for) investing activities	<u>507,758</u>	<u>125,357</u>
Net increase (decrease) in cash	302,144	(438,405)
Cash and cash equivalents at beginning of year	<u>446,047</u>	<u>884,454</u>
Cash and cash equivalents at end of year	<u>\$ 748,191</u>	<u>\$ 446,047</u>

RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

Change in net assets	\$ <u>13,708</u>	\$ <u>(456,110)</u>
Adjustment to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation expense	44,539	41,854
(Increase) decrease in accounts receivable	7,659	(37,766)
(Increase) decrease in contribution receivable	1,157	577
(Increase) decrease in rent receivables	(23,770)	(21,145)
(Increase) decrease in due from affiliates	35,149	(8,844)
Increase (decrease) in accounts payable	(107)	(53,601)
Increase (decrease) in accrued payroll	(642)	1,295
(Increase) decrease in prepaid expenses	7,357	-
Increase (decrease) in accrued expenses	-	(12,754)
Increase (decrease) in deferred income	-	(15,788)
(Gain) loss on securities transactions	(290,660)	21,024
Increase (decrease) in mortgage secured grant	-	(22,500)
Total adjustments	<u>(219,318)</u>	<u>(107,648)</u>
Net cash provided by (used for) operating activities	<u>\$ (205,614)</u>	<u>\$ (563,762)</u>

The accompanying notes are an integral part of these financial statements.

YORK STREET PROJECT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The York Street Project (the "Project") is a non-profit corporation which provides administrative and development support for the charitable purposes of its programs; The Kenmare School, St. Mary's Residence, and St. Joseph's Home. Prior to fiscal year 2015 The Kenmare School and St. Mary's Residence were separate affiliated non-profit organizations. For fiscal year 2015 these organizations were merged into the York Street Project. In fiscal year 2016 St. Joseph's Home, also an affiliated non-profit organization, was merged into the York Street Project as well. The description of these programs is as follows:

The Kenmare School, (the "School") provides an alternative education program for economically disadvantaged women who choose to complete their secondary education.

St. Mary's Residence, (the "Residence") provides a room with meals to single working women under rental agreements cancelable upon 30 days' notice.

St. Joseph's Home, (the "Home") provides shelter housing and rental assistance for economically disadvantaged women and their dependents and, under the name of The Nurturing Place, provides a development center for preschool children.

Basis of Combination

The combined financial statements include the accounts of the York Street Project Legacy Fund, Inc. (the "Legacy Fund"). The Legacy Fund is a not-for-profit corporation exempt from income taxes under 501(c)(3) of the Internal Revenue Code. It was created in 2008 as a perpetual source of funding for the York Street Project. Combined financial statements are presented because of the common control of the York Street Project and the Legacy Fund. All intercompany balances and transactions have been eliminated in the combination.

Income Tax Status

The Project is a non-profit organization qualifying as tax-exempt organizations under 501(c)(3) of the Internal Revenue Code. Accordingly, the Project is exempt from federal and state income taxes.

Basis of Accounting

The combined financial statements are prepared on the accrual basis of accounting.

Property and Equipment

The Project follows the practice of capitalizing expenditures in excess of \$1,000 for property and equipment at cost or at estimated fair value at date of gift, if donated. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

YORK STREET PROJECT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain accounts in prior-year financial statements may have been reclassified for comparative purposes to conform with the presentation in current-year financial statements. There were no such reclassifications in these financial statements.

Cash and cash equivalents

Cash and cash equivalents consist of cash in banks, interest-bearing deposits and short-term highly liquid investments with original maturities of three months or less. Bank accounts are federally insured up to \$250,000 under FDIC. At times, account balances may be in excess of the insurable limit. At June 30, 2017, there were no uninsured excess bank cash balances.

Public Support and Revenue

In accordance with current accounting pronouncements, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions.

Grants and other contributions of cash and other assets are reported as temporarily 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 statement of activities as net assets released from restrictions.

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of credit risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of money market funds. At June 30, 2017, the organization had no balances in excess of Securities Investor Protection Corporation insured limits.

Unearned Income

Income from special events is deferred and recognized over the periods to which the income relates.

YORK STREET PROJECT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Financial statement presentation follows the recommendations of current accounting pronouncements; the Project is required to report information regarding its financial position and activities to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets

Unrestricted net assets represent resources whose use is not limited or restricted by donors. They generally arise as a result of exchange transactions (including contracts with government agencies), unrestricted contributions (including board designated contributions), or restricted contributions whose restrictions have expired.

Temporarily restricted net assets

Temporarily restricted net assets represent resources whose use is limited by donors for the purpose and/or time in which they may be expended. Eventually, temporarily restricted net assets are reclassified to unrestricted as their time and purpose requirements are met.

Permanently restricted net assets

Permanently restricted net assets represent resources that must be maintained permanently. Like temporarily restricted net assets, permanent restrictions may be imposed only by a donor. However, permanently restricted net assets generally do not get reclassified, since, by definition, their restrictions never expire.

Fair Value of Financial Instruments

Investments consist of mutual funds investing in debt and equity securities. They are carried at fair value and any gain or loss on investments is reported in the statement of activities as increases or decreases in unrestricted net assets.

The Organization adopted FASB Codification No 820 Fair Value Measurement. The Codification provides guidance on how to measure fair value, when required, under existing accounting standards. The Codification also establishes a fair value hierarchy that priorities the inputs to valuation techniques used to measure fair value into three levels ('Level 1,2,3').

The Project's investment portfolio is held by a financial broker. Interest and dividends are reported as part of the investment income.

YORK STREET PROJECT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 - MERGER

Effective October 1, 2015, St. Joseph's Home, a related entity under common control, merged into York Street Project. On the date of the merger St. Joseph's Home, which provides shelter housing and rental assistance to economically disadvantaged women and their dependents, had net assets of \$256,543. The purpose of the merger of the related entities was to consolidate administrative and support functions.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2017	2016
Equipment and furniture	\$ 1,017,056	\$ 917,696
Leasehold Improvements	285,552	285,552
Vehicles	53,737	44,962
	1,356,345	1,248,210
Less - Accumulated Depreciation	(835,729)	(816,421)
	\$ 520,616	\$ 431,789

Depreciation expense for the years ended June 30, 2017 and 2016 amounted to \$44,539 and \$41,854, respectively.

NOTE 4 - FAIR VALUE MEASUREMENT

The Organization states its investments at fair value using Level 1 fair value measures (quoted prices in active markets) to reflect unrealized gains in the Statement of Revenue and Expenses and Changes in Net Assets. Investment income of unrestricted net assets is recorded as revenue in the Unrestricted Fund. At June 30, 2017 and 2016, investments consisted of the following:

	June 30, 2017	June 30, 2016
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices in Active Markets for Identical Assets (Level 1)
Unrestricted Investments		
Equity Securities	\$ 1,600,111	\$ 1,819,206
Mutual Funds	\$ 1,118,386	\$ 1,259,743
Totals	\$ 2,718,497	\$ 3,078,949

YORK STREET PROJECT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 4 - FAIR VALUE MEASUREMENT (Continued)

A summary of the net return on investments consist of the following for the years ended June 30, 2017 and 2016, respectively:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 40,891	\$ 46,923
Net realized gain (loss)	191,126	-
Net unrealized gain/(loss)	<u>89,187</u>	<u>(22,203)</u>
Net return/(loss) on investments	<u>\$ 321,204</u>	<u>\$ 24,720</u>

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	<u>Total</u>	
	June 30,	
	<u>2017</u>	<u>2016</u>
Provisions of bequests	\$ 214,970	\$ 214,970
Other restricted grants	<u>-</u>	<u>20,000</u>
Total temporarily restricted net assets	<u>\$ 214,970</u>	<u>\$ 234,970</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors in the following programs:

	<u>St. Joseph's</u>	<u>York St.</u>	<u>Kenmare</u>	<u>Total</u>	
	Home	Project	School	June 30,	
				<u>2017</u>	<u>2016</u>
Purpose restriction accomplished:					
Foundation and government Grants	\$ -	\$ 165,562	\$ -	\$ 165,562	\$ 159,214
HUD Grant	69,784	-	-	69,784	390,550
NJ Department of Agriculture	54,470	-	-	54,470	50,073
HUD Rapid Rehousing	<u>453,812</u>	<u>-</u>	<u>-</u>	<u>453,812</u>	<u>102,593</u>
Total temporarily restricted net assets released from restriction	<u>\$ 578,066</u>	<u>\$ 165,562</u>	<u>\$ -</u>	<u>\$ 743,628</u>	<u>\$ 704,430</u>

YORK STREET PROJECT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 - HOUSING AND URBAN DEVELOPMENT GRANT

On January 6, 1988, the Project was awarded a grant from the U.S. Department of Housing and Urban Development (“HUD”) in the amount of \$1,879,660 ending in April, 1994. Since then, the Project has received grants every three years. In April 2001, the Project received a grant in the amount of \$1,675,604 for the period May 2001 through April 2004. Beginning May 1, 2004, the grant is for 12 months, renewable annually. Provisions of the grant agreement require the Project to obtain or provide matching funds for the project and operate the program in accordance with specific federal guidelines. The grant expired April 2016 and will not be renewed. During the year ended June 30, 2016, the Project received \$390,550 from the grant.

NOTE 7 - RELATED PARTY TRANSACTIONS

For the years ended June 30, 2017 and 2016, The Sisters of St. Joseph of Peace provided direct financial support to the York Street Project in the amount of \$922,117 each year.

The Sisters of St. Joseph of Peace also provided the use of facilities in which the programs and organization operate. That fair rental value amounted to \$1,137,091 at June 30, 2017, and at June 30, 2016. That amount is reported as support and occupancy expense in the combined financial statements.

NOTE 8 - MORTGAGE SECURED GRANT

The Project obtained financing in the amount of \$225,000 from the New Jersey Department of Community Affairs Division of Housing in order to renovate their facility. In connection with that financing the State of New Jersey secured the property with a mortgage and a mortgage note. The note provides that the outstanding principal balance will be due upon default on the terms of the note or upon sale of the premises at 81 York Street, Jersey City, New Jersey. Among other conditions, the note requires the Project to utilize the funds received to renovate the premises. No principal or interest will be due and the principal will be forgiven at the rate of 10% per year, provided the facility is used as transitional housing for homeless women. Management of the Project certified that the shelter has provided transitional housing for homeless women for the year ended June 30, 2016, the tenth year of the loan therefore 100% of the secured grant has been released.

NOTE 9 - PENSION PLAN

The Sisters of St. Joseph of Peace maintain separate pension plans for religious and lay employees who meet minimum age and service requirements. Pension contributions are 10% of salary. Pension expense for the York Street Project for the years ended June 30, 2017 and 2016 amounted to \$141,863 and \$158,226, respectively.

YORK STREET PROJECT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 10 - COMPENSATED ABSENCES

The Project's liability for compensated absences was not significant and has not been recorded in these financial statements since it was not considered material to the combined financial statements taken as a whole.

NOTE 11 - LEASE OBLIGATION

The School entered into a lease agreement on August 8, 2012 to lease a photocopier with monthly lease payments of \$650 for 60 months. The following is a schedule of future minimum rental payments required under this agreement as of June 30, 2017.

<u>Fiscal year</u>	<u>Amount</u>
2018	<u>1,300</u>
Total future minimum rental payments:	\$ <u>1,300</u>

NOTE 12 - CONCENTRATIONS

York Street Project receives approximately 46% of its revenue and support from related organizations and approximately 13% from federal and local grants. The current level of the Company's operations and program services may be negatively impacted, if the current level of funding and support is not maintained.

NOTE 13 - DONATED SERVICES

For the years ended June 30, 2017 and 2016 the Project received approximately 6,389 and 6,514 hours, respectively, of donated services from unpaid volunteers who assisted in the Child Development Center. No amounts have been recognized in the statement of activities for the services donated by unpaid volunteers, because the criteria for recognition under generally accepted accounting principles have not been satisfied. Noncash donations of materials and supplies to the Child Development Center approximated \$29,000 and \$23,000 for the years ended June 30, 2017 and 2016. Those amounts have been included in revenue and expenses for the respective years.

YORK STREET PROJECT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 14 - FUNCTIONAL ALLOCATION OF EXPENSES

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

NOTE 15 - SUBSEQUENT EVENTS

The Project has evaluated events and transactions for the potential recognition or disclosure through September 30, 2017, which is the date the financial statements were available to be issued. Management believes that no material events have occurred since June 30, 2017 that require recognition or disclosure in the combined financial statements.