

**WESTCHESTER INSTITUTE
FOR HUMAN DEVELOPMENT**

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Westchester Institute for Human Development

Report on the Financial Statements

We have audited the accompanying financial statements of Westchester Institute for Human Development (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, 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 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. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Westchester Institute for Human Development as of December 31, 2017 and 2016, 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.

INDEPENDENT AUDITORS' REPORT

(Continued)

Other Matters

Report on Summarized Comparative Information

We have previously audited the Westchester Institute for Human Development's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of functional expenses on page 17 are presented for purposes of additional analysis and are 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.

Shalik, Marini + Company, LLP

Woodbury, New York
May 25, 2018

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

| | <u>ASSETS</u> | |
|------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| | <u>2017</u> | <u>2016</u> |
| Current Assets: | | |
| Cash and cash equivalents | \$ 1,220,231 | \$ 2,767,590 |
| Investments, at market value (Note 2) | 4,062,982 | 2,323,558 |
| Medical accounts receivable, net of allowance for doubtful accounts of \$1,319,339 and \$1,216,391 | 513,013 | 539,144 |
| Grants receivable | 1,358,576 | 1,350,942 |
| Contract revenues receivable, net of allowance for doubtful accounts of \$405,549 and \$430,017 | 1,267,814 | 1,542,481 |
| Pledges receivable, less allowance for uncollectible pledges of \$38,031 and \$105,316 (Note 3) | 204,185 | 474,434 |
| Prepaid expenses | 333,210 | 272,530 |
| Total Current Assets | <u>8,960,011</u> | <u>9,270,679</u> |
| Property and equipment , net of accumulated depreciation of \$3,582,662 and \$3,294,568 (Note 5) | <u>1,222,199</u> | <u>926,596</u> |
| Total Assets | <u><u>\$ 10,182,210</u></u> | <u><u>\$ 10,197,275</u></u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | \$ 646,336 | \$ 616,603 |
| Accrued payroll and compensated absences | 798,320 | 677,871 |
| Due to third party payors | 139,808 | 608,485 |
| Government grant advances (Note 1) | 225,290 | 225,290 |
| Deferred revenue | 266,157 | 349,694 |
| Total Current Liabilities | <u>2,075,911</u> | <u>2,477,943</u> |
| Commitments and Contingencies (Note 9) | | |
| Net Assets (Note 1) | | |
| Unrestricted assets | 7,984,135 | 7,470,319 |
| Temporarily restricted (Note 3) | 122,164 | 249,013 |
| Total Net Assets | <u>8,106,299</u> | <u>7,719,332</u> |
| Total Liabilities and Net Assets | <u><u>\$ 10,182,210</u></u> | <u><u>\$ 10,197,275</u></u> |

See Independent Auditors' Report and Notes to the Financial Statements.

**WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT
STATEMENTS OF ACTIVITIES**

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| | Unrestricted | Temporarily Restricted Funds | 2017 | 2016 |
|-----------------------------------------------------------------------|--------------|---------------------------------|--------------|--------------|
| <u>Revenue and support:</u> | | | | |
| Patient service revenue (net of contractual allowances and discounts) | \$ 8,009,202 | \$ - | \$ 8,009,202 | \$ 7,704,549 |
| Provision for bad debts | (139,673) | - | (139,673) | (208,105) |
| Net patient service revenue less provision for bad debts | 7,869,529 | - | 7,869,529 | 7,496,444 |
| Contracted services | 9,445,819 | - | 9,445,819 | 8,925,415 |
| Grant and program support | 3,697,265 | - | 3,697,265 | 3,825,995 |
| Total revenue and support | 21,012,613 | - | 21,012,613 | 20,247,854 |
| <u>Operating Expenses:</u> | | | | |
| Medical services | 8,352,812 | - | 8,352,812 | 8,007,252 |
| Community services | 9,872,481 | - | 9,872,481 | 9,443,391 |
| Management and general | 2,802,517 | - | 2,802,517 | 2,467,581 |
| Total expenses | 21,027,810 | - | 21,027,810 | 19,918,224 |
| Increase (decrease) from operations | (15,197) | - | (15,197) | 329,630 |
| <u>Non-Operating Revenues (Expenses):</u> | | | | |
| Contributions | 121,228 | - | 121,228 | 252,800 |
| Rental income | 21,956 | - | 21,956 | 21,636 |
| Other income | 149,403 | - | 149,403 | 453,414 |
| Investment return | 293,984 | - | 293,984 | 146,633 |
| Fundraising | (184,407) | - | (184,407) | (141,773) |
| Net assets released from restriction | 126,849 | (126,849) | - | - |
| Total non-operating income | 529,013 | (126,849) | 402,164 | 732,710 |
| INCREASE (DECREASE) IN NET ASSETS | 513,816 | (126,849) | 386,967 | 1,062,340 |
| NET ASSETS AT BEGINNING OF YEAR | 7,470,319 | 249,013 | 7,719,332 | 6,656,992 |
| NET ASSETS AT END OF YEAR | \$ 7,984,135 | \$ 122,164 | \$ 8,106,299 | \$ 7,719,332 |

See Independent Auditors' Report and Notes to the Financial Statements.

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| | 2017 | 2016 |
|---------------------------------------------------------------------------------------------|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 386,967 | \$ 1,062,340 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 288,094 | 285,447 |
| (Increase) decrease in: | | |
| Medical accounts receivable | 26,131 | (74,346) |
| Grants receivable | (7,634) | 1,186,860 |
| Contract revenues receivable | 274,667 | 256,329 |
| Pledges receivable | 270,249 | 398,901 |
| Due from Westchester County Health Care Corporation | - | 1,800 |
| Prepaid expenses | (60,680) | 11,300 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 29,733 | (2,168,629) |
| Accrued payroll and compensated absences | 120,449 | 39,681 |
| Due to New York Medical College | - | (61,542) |
| Due to third party payors | (468,677) | (156,821) |
| Deferred revenue | (83,537) | (99,227) |
| Net cash provided by operating activities | 775,762 | 682,093 |
| Cash flows from investing activities: | | |
| Net (increase) in available-for-sale securities | (1,739,424) | (654,542) |
| Purchase of property and equipment | (583,697) | (299,720) |
| Net cash (used in) investing activities | (2,323,121) | (954,262) |
| Cash flows from financing activities: | | |
| Payments on capital lease | - | (6,665) |
| Net cash (used in) financing activities | - | (6,665) |
| Net (decrease) in cash and cash equivalents | (1,547,359) | (278,834) |
| Cash and cash equivalents, beginning of year | 2,767,590 | 3,046,424 |
| Cash and cash equivalents, end of year | \$ 1,220,231 | \$ 2,767,590 |
| Supplemental Information: | | |
| Cash Paid During the Year for: | | |
| Interest | \$ - | \$ 181 |

See Independent Auditors' Report and Notes to the Financial Statements.

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1- Summary of Significant Accounting Policies

Organization and Tax Exempt Status

Westchester Institute for Human Development (“WIHD”) provides health and human services to adults and children with developmental disabilities, and their families. WIHD operates a diagnostic and treatment center in Valhalla, New York, certified pursuant to Article 28 of the New York State Public Health Law. The treatment center offers a wide range of medical services to individuals with developmental disabilities.

WIHD contracts with third parties to provide social services to individuals with disabilities and at risk children and adults in Westchester County, New York and surrounding communities. Community services provided include early intervention for children under age five who have been diagnosed with a developmental disability or delay, foster care programs, programs for children who have been victims of abuse and a variety of support services, therapies and evaluations for individuals with autism and other developmental disabilities. WIHD offers various other community services to help individuals with developmental disabilities improve their quality of life.

For over twenty years, WIHD provided services as a division of Westchester County Health Care Corporation (“WCHCC”) in Valhalla, New York. WIHD became incorporated under New York State not-for-profit law in 2004. After obtaining approval from the New York Public Health Council, WIHD separated from WCHCC on July 1, 2005.

WIHD is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Operations are supported primarily by revenues from provision of services and government grants.

Financial Statement Presentation

The financial statements of WIHD have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. WIHD reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2017 and 2016, WIHD has no permanently restricted net assets.

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The allowance for uncollectible accounts receivable and recognition of net patient service revenue require significant use of estimates. Management believes that amounts recorded based on estimates and assumptions are reasonable and any differences between estimates and actual amounts should not have a material impact on WIHD’s financial position or results of operations.

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

Note 1- Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, WIHD considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. There were no restrictions on cash and cash equivalents as of December 31, 2017 and 2016, respectively.

WIHD maintains their cash and cash equivalents in highly rated financial institutions. Bank balances exceeding federally insured limits were approximately \$968,000 and \$2,500,000 at December 31, 2017 and 2016, respectively. WIHD has not experienced any losses to date resulting from this policy.

Investments

WIHD's investments are stated at fair value. Unrealized gains and losses are included in the statement of activities.

To the extent that valuations are based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. (See Note 2 regarding fair value hierarchy).

Medical Accounts Receivable and Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered.

Reimbursements received by payor reimbursement programs under the provisions of applicable reimbursement formulas or negotiated rates in effect, which cover substantially all payors, generally results in amounts received being less than WIHD's established billing rates. Revenue is recorded at the agreed upon rates established on a contractual basis with these programs.

Federal and state regulations provide for certain retrospective adjustments to current and prior year's payment rates based on industry-wide and WIHD-specific data. In addition, amounts previously paid to WIHD are subject to review and adjustment. WIHD has estimated the potential impact of such retrospective adjustments based on information presently available. Any differences between estimated retrospective adjustments and subsequent revisions will be reflected in the statement of activities in the year that revisions are calculated.

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

Note 1- Summary of Significant Accounting Policies (continued)

Medical Accounts Receivable and Net Patient Service Revenue (continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation for which action for noncompliance includes fines, penalties, and exclusion from the Medicare and Medicaid programs. WIHD believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

For each of the years ended December 31, 2017 and 2016 approximately 91% of net patient service revenue and 70% and 68% of medical accounts receivable as of December 31, 2017 and 2016, respectively, were derived from Medicare and Medicaid.

Allowance for Doubtful Accounts

WIHD allows for estimated losses on accounts receivable based on prior bad debt experience, a review of existing receivable balances and subsequent collections. Bad debt recoveries are charged against the allowance account as realized.

Due to Third Party Payors

Due to third party payors represents estimated amounts received for patient services in excess of billing and the estimated effect of potential retrospective rate adjustments.

Contract Revenues Receivable and Contracted Services Revenue

WIHD provides various services for individuals with developmental disabilities and at-risk children and adults through contracts with third parties.

Amounts received under such contracts are recognized as revenue as services are provided and costs are incurred. For the years ended December 31, 2017 and 2016 approximately 45% and 47% of contracted services revenue and 31% and 36% of contract revenues receivable, respectively, were derived through contracts with Westchester County, New York.

Contributions and Unrestricted, Temporarily Restricted and Permanently Restricted Net Assets

Contributions are recognized when the donor makes a promise to give to WIHD that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

WIHD reports gifts of cash and 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 statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support in such period. There were no permanently restricted net assets at December 31, 2017 and 2016, respectively. See Note 3 for temporarily restricted net assets at December 31, 2017 and 2016.

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

Note 1- Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost. Donated property and equipment are stated at fair value on the date received. WIHD reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Depreciation is provided using the straight line method over the estimated useful lives of the assets. Maintenance and repairs of equipment are charged to operations, and major improvements are capitalized.

Certain of WIHD's grant agreements specify that property and equipment purchased with the proceeds of the grant are deemed property of the grantor. Consistent with industry practice, management has recorded such assets as property and equipment since it is unlikely that the grantor will reclaim these assets based on their nature and purpose.

Deferred Revenue

Deferred revenue has been recorded as a result of WIHD either having received the funds, or having received notice of future payment related to programs and services to be performed at later dates.

Statement of Activities

Transactions deemed by management to be ongoing, major or central to the provision of health and human services including program revenue and grants are reported as operating revenues and expenses; peripheral or incidental transactions, including grants given to facilitate separation from WCHCC and contributions are reported as non-operating revenues.

Government Grants

WIHD receives funding or reimbursement from governmental agencies for various activities. Revenues associated with government grants are recognized as the related direct costs are incurred or as the grant period progresses depending on the provisions of the grant agreement.

Government grant advances are \$225,290 at December 31, 2017 and 2016 which represent cash received from a deficit funding grant.

WIHD has grant receivables which are subject to approval by grantors or pass-through entities. Grants may be subject to disallowances under terms of their agreements. No provision has been made for any potential disallowance.

Electronic Health Records Program

The American Recovery and Reinvestment Act of 2009 (ARRA) established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that "meaningfully use" certified electronic health record (EHR) technology.

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

Note 1- Summary of Significant Accounting Policies (continued)

Electronic Health Records Program (continued)

WIHD applied for and was approved for EHR funding under the Medicaid program. The funding was included in Other Income and amounted to \$46,750 and \$63,750 for the years ended December 31, 2017 and 2016, respectively.

Functional Expenses

The costs of providing WIHD's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Accounting for Uncertainty in Income Taxes

Generally accepted accounting principles provide guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements and require the evaluation of tax positions taken or expected to be taken to determine whether the tax positions are "more-likely-than-not" of being sustained upon examination by the applicable taxing authority. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income taxes.

Note 2 – Investments

Investments are classified as available-for-sale.

Investments at December 31, 2017 consist of the following:

| | <u>Cost</u> | <u>Market Value</u> |
|-------------------------|---------------------|-------------------------|
| Equity Securities | \$ 1,502,019 | \$ 1,638,405 |
| Fixed income | 1,240,291 | 1,263,771 |
| Certificates of deposit | 1,000,000 | 1,008,494 |
| Cash | 152,312 | 152,312 |
| | <u>\$ 3,894,622</u> | <u>\$ 4,062,982</u> |

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

Note 2 – Investments (continued)

Investments at December 31, 2016 consist of the following:

| | Cost | Market Value |
|-------------------|---------------------|---------------------|
| Equity Securities | \$ 360,935 | \$ 393,098 |
| Fixed income | 923,592 | 973,736 |
| Mutual funds | 723,310 | 787,636 |
| Cash | 169,088 | 169,088 |
| | \$ 2,176,925 | \$ 2,323,558 |

Investment return for the years ended December 31, 2017 and 2016 are summarized as follows:

| | 2017 | 2016 |
|------------------------------|-------------------|-------------------|
| Unrealized gain | \$ 95,673 | \$ 42,436 |
| Realized gain | 143,841 | 54,053 |
| Interest and dividend income | 54,470 | 50,144 |
| | \$ 293,984 | \$ 146,633 |

Accounting standards require enhanced disclosures about investments that are measured and reported at fair value. A hierarchical disclosure framework has been established, which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. The three levels of the fair value hierarchy under FASB ASC 820 follows:

Level I — Quoted prices (unadjusted) are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities, securities and listed derivatives. WIHD does not adjust the quoted price for these investments, even in situations where WIHD holds a large position and a sale could reasonably impact the quoted price.

Level II—Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and municipal bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. As of December 31, 2017, WIHD has Level II investments in the form of fixed income investments.

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

Note 2 – Investments (continued)

Level III—Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, mezzanine funds, funds of hedge funds, distressed debt and non-investment grade residual interests in securitizations and collateralized debt obligations. As of December 31, 2017, WIHD does not have any Level III investments.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table summarizes the levels in the fair value hierarchy that the Westchester Institute for Human Development's investments fall into as of December 31, 2017:

| <u>Type</u> | <u>Level I</u> | <u>Level II</u> | <u>Level III</u> | <u>Total</u> |
|-------------------------|---------------------|---------------------|------------------|---------------------|
| Equity Securities | \$ 1,638,405 | \$ - | \$ - | \$ 1,638,405 |
| Fixed income | - | 1,263,771 | - | 1,263,771 |
| Certificates of deposit | 1,008,494 | - | - | 1,008,494 |
| Cash | 152,312 | - | - | 152,312 |
| | <u>\$ 2,799,211</u> | <u>\$ 1,263,771</u> | <u>\$ -</u> | <u>\$ 4,062,982</u> |

The following table summarizes the levels in the fair value hierarchy that the Westchester Institute for Human Development's investments fall into as of December 31, 2016:

| <u>Type</u> | <u>Level I</u> | <u>Level II</u> | <u>Level III</u> | <u>Total</u> |
|-------------------|---------------------|-------------------|------------------|---------------------|
| Equity Securities | \$ 393,098 | \$ - | \$ - | \$ 393,098 |
| Fixed income | - | 973,736 | - | 973,736 |
| Mutual Funds | 787,636 | - | - | 787,636 |
| Cash | 169,088 | - | - | 169,088 |
| | <u>\$ 1,349,822</u> | <u>\$ 973,736</u> | <u>\$ -</u> | <u>\$ 2,323,558</u> |

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

Note 3 - Pledges Receivable and Temporarily Restricted Net Assets

Pledges receivable relating to various fundraising events are as follows:

Ansley Bacon Fund for the Future

During 2015, WIHD established the Ansley Bacon Fund for the Future. The Fund raised revenues of \$1,019,791.

Fundraising event pledges receivable at December 31, 2017 were:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|-------------------------------------------|---------------------|-----------------------------------|-------------------|
| Less than one year | \$ 78,948 | \$ - | \$ 78,948 |
| One to five year | - | 120,200 | 120,200 |
| Less: Allowance for uncollectible pledges | <u>(14,995)</u> | <u>(23,036)</u> | <u>(38,031)</u> |
| Net pledges receivable | <u>\$ 63,953</u> | <u>\$ 97,164</u> | <u>\$ 161,117</u> |

Fundraising event pledges receivable as of December 31, 2016 were:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|-------------------------------------------|---------------------|-----------------------------------|-------------------|
| Less than one year | \$ 185,215 | \$ - | \$ 185,215 |
| One to five year | - | 295,200 | 295,200 |
| Less: Allowance for uncollectible pledges | <u>(27,387)</u> | <u>(48,087)</u> | <u>(75,474)</u> |
| Net pledges receivable | <u>\$ 157,828</u> | <u>\$ 247,113</u> | <u>\$ 404,941</u> |

Ask Event

In 2013, WIHD held a fundraising event in which it received new pledges totaling \$71,545. WIHD initially received cash towards these pledges of \$18,345. The remaining pledges were payable in one to five years and were discounted to net present value using a rate of 6%.

Fundraising event pledges receivable at December 31, 2016, were:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|-------------------------------------------|---------------------|-----------------------------------|------------------|
| Less than one year | \$ 82,252 | \$ - | \$ 82,252 |
| One to five year | - | 2,500 | 2,500 |
| Less: Discount | <u>(17,428)</u> | <u>(335)</u> | <u>(17,763)</u> |
| Less: Allowance for uncollectible pledges | <u>(29,577)</u> | <u>(265)</u> | <u>(29,842)</u> |
| Net pledges receivable | <u>\$ 35,247</u> | <u>\$ 1,900</u> | <u>\$ 37,147</u> |

There were no pledges receivable for the Ask Event as of December 31, 2017.

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

Note 3 - Pledges Receivable and Temporarily Restricted Net Assets (continued)

Other Pledges Receivable

The Organization had additional pledges receivable of \$43,068 and \$32,346 as of December 31, 2017 and 2016, respectively.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of December 31, 2017 and 2016:

| | 2017 | 2016 |
|----------------------------------|------------|------------|
| Ask Event | \$ - | \$ 1,900 |
| Ansley Bacon Fund for the Future | 97,164 | 247,113 |
| Assistive Technology | 25,000 | - |
| | \$ 122,164 | \$ 249,013 |

Contributions pledged for the Ansley Bacon Fund for the Future and Assistive Technology are time restricted at the direction of the donor.

Note 4 – Line of Credit

WIHD has a line of credit agreement with Tompkins Mahopac Bank. The line bears interest at .75% below the prime rate. Pursuant to the terms of the line of credit agreement, WIHD can draw upon a maximum amount of \$1,500,000. In consideration of the bank extending the line of credit, WIHD has signed a grant of security interest. The line has no fixed expiration date and WIHD did not draw down on the line during 2017.

Note 5 – Property and Equipment

Property and equipment consists of the following:

| | 2017 | 2016 |
|-------------------------------------------------|--------------|-------------|
| Furniture and office equipment | \$ 207,456 | \$ 199,806 |
| Computer equipment and software | 2,779,733 | 2,611,718 |
| Medical equipment | 689,417 | 613,250 |
| Dental van | 525,226 | 204,611 |
| Transportation equipment | 32,493 | 32,493 |
| Leasehold improvement | 570,536 | 559,286 |
| Total property and equipment | 4,804,861 | 4,221,164 |
| Less: Accumulated depreciation and amortization | (3,582,662) | (3,294,568) |
| Net Book Value | \$ 1,222,199 | \$ 926,596 |

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

Note 5 – Property and Equipment (continued)

The estimated useful lives for property and equipment range from two to five years for all property and equipment except for the dental van. The estimated useful life for the dental van is seven years.

Depreciation and amortization expense was \$288,094 and \$285,447 for the years ended December 31, 2017 and 2016, respectively.

In July, 2013 WIHD entered into a three year capital lease agreement to finance the purchase of audiology equipment. The agreement called for monthly payments of \$908, including interest at 7.438%. The capital lease obligation was fully paid in 2016.

Note 6 – Lease Commitment

WIHD leases its office and medical space under a long-term lease agreement with the County of Westchester, New York which expired in 2015. The lease required annual rent of \$1,673,756.

Effective as of April 1, 2015, the lease agreement was extended for an additional three year term for the period April 1, 2015 through March 31, 2018. WIHD has exercised its option to renew the lease until March 31, 2020.

The minimum lease payments are as follows:

| | |
|------|---------------------|
| 2018 | \$ 2,357,327 |
| 2019 | 2,357,327 |
| 2020 | 589,332 |
| | <u>\$ 5,303,986</u> |

Rent expense was \$2,357,327 and \$2,346,822 for the years ended December 31, 2017 and 2016, respectively.

Note 7 – Post Retirement Benefits

In 2015 WIHD established a pension plan that provides for annual employer contributions, based upon age and length of services, ranging from 6.5% to 12.2% of each eligible employee's salary. Pension expense was \$550,183 and \$515,644 for the years ending December 31, 2017 and 2016, respectively.

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

(Continued)

Note 8 – Related Party Transactions

WIHD employs certain individuals who are related to board members. The combined compensation for these employees for the years ended December 31, 2017 and 2016 was \$2,096 and \$1,980, respectively.

Note 9 – Contingencies

WIHD is currently, and from time-to-time, subject to claims and suits arising in the ordinary course of its business. WIHD maintains insurance, and in most instances any potential liability would be limited to policy deductibles. In certain actions, plaintiffs may request punitive or other damages or nonmonetary relief, which may not be covered by insurance. WIHD accrues for any potential liabilities as they become known and can be reasonably estimated. However, no assurance can be given as to the ultimate outcome with respect to such claims and litigation.

Note 10 – Agreements with New York Medical College

Prior to January 1, 2015, certain staff were employed jointly by WIHD and the New York Medical College (“NYMC”) under a Staffing and Human Resources Agreement dated February 14, 2005. As of January 1, 2015, WIHD did not continue the Staffing and Human Resources Agreement for the majority of WIHD staff. Lend staff continued until June 30, 2015 when the grant year ended. The net amount due NYMC of \$61,542 as of December 31, 2015 was fully paid during 2016.

Note 11 – Subsequent Events

Management has evaluated all subsequent events or transactions for potential recognition or disclosure through May 25, 2018, the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT

SCHEDULES OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| | MEDICAL SERVICES | COMMUNITY SERVICES | FUNDRAISING | MANAGEMENT AND GENERAL | 2017 TOTAL | 2016 TOTAL |
|---------------------------------|-------------------------|---------------------------|--------------------|-------------------------------|----------------------|----------------------|
| Salaries | \$ 5,067,382 | \$ 6,387,661 | \$ 6,782 | \$ 1,254,645 | \$ 12,716,470 | \$ 11,793,133 |
| Fringe benefits | 936,751 | 1,318,614 | (4,500) | 290,052 | 2,540,917 | 2,488,989 |
| Payroll fees | 17,179 | 22,629 | 47 | 3,528 | 43,383 | 45,427 |
| Technical services | 478 | 32,829 | - | - | 33,307 | 31,970 |
| Hearing aids | 131,786 | - | - | - | 131,786 | 180,587 |
| Consultant fees | - | 21,618 | 100,900 | 437,171 | 559,689 | 429,153 |
| Legal fees | - | 8,767 | - | 6,505 | 15,272 | 18,730 |
| Employee travel | 3,549 | 90,194 | 40 | 6,091 | 99,874 | 74,284 |
| Membership fees | 8,983 | 2,310 | - | 28,853 | 40,146 | 35,016 |
| Training and development | 2,668 | 40,076 | - | 9,394 | 52,138 | 87,543 |
| Other program costs | 20,650 | 67,027 | 6,586 | 30,766 | 125,029 | 146,816 |
| Office supplies | 22,061 | 55,380 | 2,139 | 21,389 | 100,969 | 144,357 |
| Medical supplies | 184,108 | 1,407 | - | - | 185,515 | 160,981 |
| Repairs and maintenance | 11,607 | 14,789 | - | 8,354 | 34,750 | 38,587 |
| Contract services | 152,363 | 153,656 | 38,910 | 425,980 | 770,909 | 690,199 |
| Rent | 1,127,809 | 1,107,324 | 29,063 | 93,131 | 2,357,327 | 2,346,822 |
| Medical billing services | 244,965 | 21,966 | - | - | 266,931 | 260,092 |
| Insurance | 135,907 | 134,362 | - | 16,647 | 286,916 | 270,817 |
| Computer and telephone services | 203,710 | 288,418 | - | 47,390 | 539,518 | 524,235 |
| Other administrative costs | 110 | 603 | 593 | 21,971 | 23,277 | 6,631 |
| Depreciation and amortization | 80,746 | 102,851 | 3,847 | 100,650 | 288,094 | 285,447 |
| Interest | - | - | - | - | - | 181 |
| Total expenses | \$ 8,352,812 | \$ 9,872,481 | \$ 184,407 | \$ 2,802,517 | \$ 21,212,217 | \$ 20,059,997 |

See Independent Auditors' Report.