

Bowery Residents' Committee, Inc. and Affiliated Organizations

Combined Financial Statements and
Supplementary Information
Year Ended June 30, 2018

**Bowery Residents' Committee, Inc.
and Affiliated Organizations**

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Supplementary Information
Year Ended June 30, 2018

Bowery Residents' Committee, Inc. and Affiliated Organizations

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Independent Auditor's Report

The Board of Directors
Bowery Residents' Committee, Inc.
and Affiliated Organizations
New York, New York

We have audited the accompanying combined financial statements of Bowery Residents' Committee, Inc. and Affiliated Organizations (collectively, the Organization), which comprise the combined statement of financial position as of June 30, 2018, and the related combined statements of activities, changes in net assets (deficit), functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined 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 the 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 Organization as of June 30, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit of the combined financial statements was conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Report on Summarized Comparative Information

We have audited the Organizations' 2017 combined financial statements and our report, dated December 12, 2017, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

BDO USA, LLP

February 22, 2019

Bowery Residents' Committee, Inc. and Affiliated Organizations

Combined Statement of Financial Position (with comparative totals for 2017)

| <i>June 30,</i> | 2018 | 2017 |
|------------------------------------------------------------------|-----------------------|----------------------|
| Assets | | |
| Current | | |
| Cash and cash equivalents | \$ 5,829,765 | \$ 5,667,910 |
| Investments, at fair value (Note 4) | 53,560 | 41,372 |
| Accounts receivable, net (Note 5) | 15,548,887 | 5,250,745 |
| Pledges receivable (Note 6) | 1,493,667 | 255,740 |
| Prepaid expenses and other assets | 1,366,826 | 1,858,260 |
| Total Current Assets | 24,292,705 | 13,074,027 |
| Assets Limited to Use (Note 7) | 2,760,080 | 3,136,303 |
| Fixed Assets, Net (Note 8) | 98,984,051 | 82,966,361 |
| Total Assets | \$ 126,036,836 | \$ 99,176,691 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 7,136,939 | \$ 7,050,109 |
| Accrued compensation and related taxes | 2,230,451 | 2,488,883 |
| Accrued interest payable | 2,674,914 | 2,363,580 |
| Deferred revenue (Note 12) | 10,085,492 | 4,671,090 |
| Line of credit (Note 9) | 5,000,000 | 3,000,000 |
| Current portion of loans payable (Note 10) | 424,738 | 12,719,339 |
| Total Current Liabilities | 27,552,534 | 32,293,001 |
| Deferred Rent (Note 11) | 6,455,055 | 7,421,680 |
| Deferred Revenue, net of current portion (Note 12) | 3,806,028 | 4,001,209 |
| Loans Payable, net of current portion (Note 10) | 74,481,068 | 46,905,470 |
| Total Liabilities | 112,294,685 | 90,621,360 |
| Commitments and Contingencies (Note 9, 10, 11, 12 and 13) | | |
| Net Assets (Notes 14 and 15) | | |
| Unrestricted | 5,990,915 | 2,683,263 |
| Temporarily restricted | 3,264,251 | 908,488 |
| Noncontrolling interest | 4,486,985 | 4,963,580 |
| Total Net Assets | 13,742,151 | 8,555,331 |
| Total Liabilities and Net Assets | \$ 126,036,836 | \$ 99,176,691 |

See accompanying notes to combined financial statements.

Bowery Residents' Committee, Inc. and Affiliated Organizations

Combined Statement of Activities (with comparative totals for 2017)

Year ended June 30,

| | Unrestricted | Temporarily Restricted | Combined Totals | |
|----------------------------------------------------|----------------------|---------------------------|----------------------|---------------------|
| | | | 2018 | 2017 |
| Revenues | | | | |
| Government and other grants | \$ 67,665,109 | \$ - | \$ 67,665,109 | \$ 62,405,090 |
| Medicaid | 6,132,981 | - | 6,132,981 | 6,044,625 |
| Program service fees | 3,353,008 | - | 3,353,008 | 3,736,400 |
| Rental income | 3,490,674 | - | 3,490,674 | 3,091,715 |
| Contributions | 1,156,356 | 3,482,512 | 4,638,868 | 2,415,802 |
| Development fees | 1,279,823 | - | 1,279,823 | - |
| Other | 1,319,916 | - | 1,319,916 | 484,901 |
| Net assets released from restrictions (Note 14) | 1,126,749 | (1,126,749) | - | - |
| Total Revenues Before Special Events | 85,524,616 | 2,355,763 | 87,880,379 | 78,178,533 |
| Special events revenue | 648,479 | - | 648,479 | 959,010 |
| Less: cost of direct benefit to donors | (215,394) | - | (215,394) | (261,538) |
| Net Revenue from Special Events | 433,085 | - | 433,085 | 697,472 |
| Total Revenues | 85,957,701 | 2,355,763 | 88,313,464 | 78,876,005 |
| Expenses | | | | |
| Program services: | | | | |
| Gateway Services | 20,682,034 | - | 20,682,034 | 19,672,071 |
| Homeless Services | 29,359,738 | - | 29,359,738 | 25,171,702 |
| Housing Services | 9,802,145 | - | 9,802,145 | 9,561,994 |
| Treatment Service | 12,754,329 | - | 12,754,329 | 12,664,950 |
| Total Program Services | 72,598,246 | - | 72,598,246 | 67,070,717 |
| Supporting services: | | | | |
| Management and general | 6,903,986 | - | 6,903,986 | 7,031,167 |
| Fundraising | 722,840 | - | 722,840 | 348,293 |
| Total Supporting Services | 7,626,826 | - | 7,626,826 | 7,379,460 |
| Affiliated organizations' expenses | 2,901,572 | - | 2,901,572 | 2,990,632 |
| Total Expenses | 83,126,644 | - | 83,126,644 | 77,440,809 |
| Change in Net Assets | 2,831,057 | 2,355,763 | 5,186,820 | 1,435,196 |
| Net Assets, beginning of year | 7,646,843 | 908,488 | 8,555,331 | 7,120,135 |
| Net Assets, end of year | \$ 10,477,900 | \$ 3,264,251 | \$ 13,742,151 | \$ 8,555,331 |

See accompanying notes to combined financial statements.

Bowery Residents' Committee, Inc. and Affiliated Organizations

Combined Statement of Changes in Net Assets (Deficit)

Year ended June 30, 2018

| | Controlling Interests | | | | | | | Total |
|------------------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------------------|------------------------------------------|----------------------------------------------------------------------|----------------------------------------|----------------------------|----------------------|-------|
| | Bowery Residents' Committee, Inc. Unrestricted Net Assets | Affiliated Organizations Unrestricted Net Asset Deficit | Subtotal - Unrestricted Net Assets | Bowery Residents' Committee, Inc. Temporarily Net Assets | Subtotal - Controlling Interests | Noncontrolling Interest | | |
| Net Assets (Deficit), June 30, 2017 | \$ 6,947,447 | \$ (4,264,184) | \$ 2,683,263 | \$ 908,488 | \$ 3,591,751 | \$ 4,963,580 | \$ 8,555,331 | |
| Increase (decrease) in unrestricted net assets | 2,212,328 | (31,425) | 2,180,903 | - | 2,180,903 | (476,595) | 1,704,308 | |
| Restricted contributions | - | - | - | 3,482,512 | 3,482,512 | - | 3,482,512 | |
| Net assets released from restrictions | 1,126,749 | - | 1,126,749 | (1,126,749) | - | - | - | |
| Net Assets (Deficit), June 30, 2018 | \$ 10,286,524 | \$ (4,295,609) | \$ 5,990,915 | \$ 3,264,251 | \$ 9,255,166 | \$ 4,486,985 | \$ 13,742,151 | |

See accompanying notes to combined financial statements.

Bowery Residents' Committee, Inc. and Affiliated Organizations

Combined Statement of Functional Expenses (with comparative totals for 2017)

Year ended June 30,

| | Program Services | | | | | Supporting Services | | | Combined Totals | | | | |
|--------------------------------------------|----------------------|----------------------|---------------------|-----------------------|---------------------------|---------------------------|-------------------|---------------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | Gateway Services | Homeless Services | Housing Services | Treatment Services | Total Program Services | Management and General | Fundraising | Total Supporting Services | Total BRC | Affiliated Organizations | Eliminations | 2018 | 2017 |
| Expenses | | | | | | | | | | | | | |
| Salaries | \$ 11,229,828 | \$ 13,099,303 | \$ 3,220,716 | \$ 5,975,696 | \$ 33,525,543 | \$ 3,431,358 | \$ 525,495 | \$ 3,956,853 | \$ 37,482,396 | \$ 633,267 | \$ - | \$ 38,115,663 | \$ 35,147,754 |
| Employee taxes and fringe benefits | 2,468,451 | 2,870,277 | 701,960 | 1,305,365 | 7,346,053 | 727,795 | 92,407 | 820,202 | 8,166,255 | 142,582 | - | 8,308,837 | 8,764,603 |
| Total Salaries and Related Expenses | 13,698,279 | 15,969,580 | 3,922,676 | 7,281,061 | 40,871,596 | 4,159,153 | 617,902 | 4,777,055 | 45,648,651 | 775,849 | - | 46,424,500 | 43,912,357 |
| Temporary services | 595,893 | 1,365,288 | 130,948 | 484,865 | 2,576,994 | 134,602 | - | 134,602 | 2,711,596 | 18,015 | - | 2,729,611 | 2,028,937 |
| Real estate, water and sewer taxes | 126,310 | 281,144 | 84,688 | 36,203 | 528,345 | 45,765 | - | 45,765 | 574,110 | 54,255 | - | 628,365 | 757,302 |
| Rent | 3,237,031 | 5,421,387 | 3,970,706 | 1,783,455 | 14,412,579 | 476,489 | - | 476,489 | 14,889,068 | 12,319 | (62,400) | 14,838,987 | 13,617,163 |
| Utilities | 294,591 | 457,144 | 276,884 | 349,546 | 1,378,165 | 31,993 | - | 31,993 | 1,410,158 | 85,317 | - | 1,495,475 | 1,386,650 |
| Communications | 28,514 | 82,100 | 63,498 | 94,653 | 268,765 | 8,024 | - | 8,024 | 276,789 | 9,051 | - | 285,840 | 470,258 |
| Printing and postage | 266 | 7,015 | 923 | 1,481 | 9,685 | 10,317 | 7,081 | 17,398 | 27,083 | 79 | - | 27,162 | 21,126 |
| Insurance | 265,480 | 388,710 | 135,759 | 184,743 | 974,692 | 27,307 | - | 27,307 | 1,001,999 | 173,331 | - | 1,175,330 | 1,109,398 |
| Professional fees | 344,311 | 305,321 | 112,605 | 439,087 | 1,201,324 | 460,753 | 14,759 | 475,512 | 1,676,836 | 37,700 | - | 1,714,536 | 1,845,603 |
| Staff training and recruitment | 43,320 | 88,420 | 21,005 | 32,009 | 184,754 | 37,323 | 217 | 37,540 | 222,294 | 5,009 | - | 227,303 | 178,916 |
| Dues and subscriptions | - | - | - | - | - | - | - | - | - | - | - | - | 121,854 |
| Office expenses | 157,145 | 224,412 | 71,858 | 111,534 | 564,949 | 161,475 | 32,639 | 194,114 | 759,063 | 7,992 | - | 767,055 | 640,507 |
| Supplies | 262,159 | 703,041 | 171,808 | 190,682 | 1,327,690 | 15,689 | 8 | 15,697 | 1,343,387 | 22,594 | - | 1,365,981 | 1,291,162 |
| Equipment | 10,702 | 35,525 | 14,779 | 20,775 | 81,781 | 302 | - | 302 | 82,083 | 4,040 | - | 86,123 | 544,265 |
| Maintenance and repairs | 668,197 | 697,517 | 269,958 | 242,087 | 1,877,759 | 48,530 | 330 | 48,860 | 1,926,619 | 103,426 | - | 2,030,045 | 1,380,299 |
| Travel | 30,652 | 35,846 | 28,073 | 29,977 | 124,548 | 18,161 | 2,287 | 20,448 | 144,996 | 455 | - | 145,451 | 395,145 |
| Client related expenses | 695,755 | 2,711,906 | 356,296 | 815,586 | 4,579,543 | 2,136 | 17,206 | 19,342 | 4,598,885 | 2,738 | - | 4,601,623 | 4,266,024 |
| Interest | 95,107 | - | - | 1,745 | 96,852 | 77,387 | - | 77,387 | 174,239 | 465,142 | - | 639,381 | 621,482 |
| Bad debt expense | - | 360,039 | 90,118 | 502,201 | 952,358 | 218,159 | - | 218,159 | 1,170,517 | - | - | 1,170,517 | 394,558 |
| Property management cost | - | - | 1,150 | 250 | 1,400 | - | - | - | 1,400 | 63,703 | - | 65,103 | - |
| Management fee expense | - | - | - | - | - | - | - | - | - | 28,624 | (28,624) | - | - |
| Other | 64,251 | 112,194 | - | 26,413 | 202,858 | 127,062 | 30,411 | 157,473 | 360,331 | 262,048 | (152,557) | 469,822 | 176,179 |
| Total Expenses Before Depreciation | 20,617,963 | 29,246,589 | 9,723,732 | 12,628,353 | 72,216,637 | 6,060,627 | 722,840 | 6,783,467 | 79,000,104 | 2,131,687 | (243,581) | 80,888,210 | 75,159,185 |
| Depreciation | 64,071 | 113,149 | 78,413 | 125,976 | 381,609 | 843,359 | - | 843,359 | 1,224,968 | 1,013,466 | - | 2,238,434 | 2,281,624 |
| Total Expenses | \$ 20,682,034 | \$ 29,359,738 | \$ 9,802,145 | \$ 12,754,329 | \$ 72,598,246 | \$ 6,903,986 | \$ 722,840 | \$ 7,626,826 | \$ 80,225,072 | \$ 3,145,153 | \$ (243,581) | \$ 83,126,644 | \$ 77,440,809 |

See accompanying notes to combined financial statements.

Bowery Residents' Committee, Inc. and Affiliated Organizations

Combined Statement of Cash Flows (with comparative totals for 2017)

| <i>Year ended June 30,</i> | 2018 | 2017 |
|-------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 5,186,820 | \$ 1,435,196 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 2,238,434 | 2,281,624 |
| Unrealized gain on investments | (12,188) | (13,414) |
| Provision for bad debts | (1,270,279) | 394,558 |
| (Increase) decrease in assets: | | |
| Accounts receivable | (9,027,863) | (985,875) |
| Pledges receivable | (1,237,927) | 60,908 |
| Prepaid expenses and other assets | 491,434 | (289,026) |
| Assets limited to use | 376,223 | (626,320) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | 86,830 | 769,084 |
| Accrued compensation and related taxes | (258,432) | (101,581) |
| Accrued interest payable | 311,334 | 406,701 |
| Deferred revenue | 5,219,221 | 1,084,192 |
| Deferred rent | (966,625) | (966,624) |
| Net Cash Provided by Operating Activities | 1,136,982 | 3,449,423 |
| Cash Flows from Investing Activities | | |
| Purchases of fixed assets | (18,256,124) | (22,060,069) |
| Cash Flows from Financing Activities | | |
| Proceeds from line of credit | 5,000,000 | 1,000,000 |
| Principal payments on line of credit | (3,000,000) | - |
| Proceeds from loans | 31,933,413 | 18,665,932 |
| Principal payments on loans | (16,652,416) | (626,901) |
| Net Cash Provided by Financing Activities | 17,280,997 | 19,039,031 |
| Net Increase in Cash and Cash Equivalents | 161,855 | 428,385 |
| Cash and Cash Equivalents, beginning of year | 5,667,910 | 5,239,525 |
| Cash and Cash Equivalents, end of year | \$ 5,829,765 | \$ 5,667,910 |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid during the year for interest | \$ 578,287 | \$ 621,482 |

See accompanying notes to combined financial statements.

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combined Financial Statements

1. Nature of Organizations

Bowery Residents' Committee, Inc. (BRC) and Affiliated Organizations (collectively, the Organization) were formed for the purpose of addressing the needs of persons with limited resources in the metropolitan New York City area. This included the homeless, hungry, chemically dependent, psychiatrically disabled, aged and persons with HIV and AIDS. BRC provides a comprehensive array of services including health care, vocational rehabilitation, temporary and permanent housing, community education and advocacy. By providing these services, BRC offers its clients the means to function successfully in the society and seeks to improve the quality of life in its community.

This mission is also serviced by the following Affiliated Organizations:

Pitt Street Housing Development Fund Corporation (Pitt) operates programs that provide housing to former homeless people with mental illness.

330 East 4th Street Housing Development Fund Corporation (330 E. 4th) was organized to own, construct and operate a permanent housing project for formerly homeless elderly persons who participate in case management, crisis intervention, nutritional and recreational services.

Fulton Street Housing Development Fund Corporation (Fulton) was organized to own and operate a community residence for individuals diagnosed with severe and persistent mental illness.

Palace Renaissance, Inc. (Palace) was organized to provide space to further BRC's mission.

139-141 Avenue D HDFC is a charitable not-for-profit corporation organized exclusively for the purpose of developing and operating a housing project for persons of low income.

139-141 Avenue D G.P., Inc. (Avenue D G.P.) was organized as the general partner for 139-141 Avenue D L.P with a .01% interest ownership.

902 Liberty Avenue Housing Development Fund Corporation (Liberty Avenue) was organized as the general partner for 902 Liberty Avenue, L.P. with a .01% interest ownership.

902 Liberty Avenue GP provides housing to individuals and families of low income. Liberty Avenue GP has .01% interest in 902 Liberty Avenue, L.P. 902 Liberty Avenue, L.P. operates a low and moderate-income housing project, which is managed by BRC.

West 25th Street Housing Development Fund Corporation (25th Street HDFC) was organized to provide transitional housing for individuals of low income.

BRC Landing Road I Housing Development Fund Corporation (BRC Landing Road I) was organized to own, construct and operate transitional and permanent housing for individuals of low income.

BRC AIDS Services Corporation (BRC AIDS) operates programs that provide healthcare services to individuals living with HIV/AIDS.

139-141 Avenue D L.P. (Glass Factory, L.P.) was formed as a limited partnership under the laws of the State of New York on March 19, 1996 to acquire, rehabilitate, own and operate low and moderate-income housing for single adults with AIDS. The project consists of one building with 45 units located in New York City, and is currently operating under the name of Glass Factory, L.P. The project

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combined Financial Statements

qualified for the low-income housing tax credits established under the program described in Section 42 of the Internal Revenue Code (IRC). Glass Factory, L.P. has one general partner, 139-141 Avenue D G.P., which has a .01% interest, and one limited partner, National Equity Fund 1996 Series II Limited Partnership, which has a 99.99% interest. The project is managed by BRC.

902 Liberty Avenue, L.P. is a limited partnership organized on November 1, 2008 under the laws of the State of New York for the purposes of investing in real property and providing low-income housing through the renovation, rehabilitation and operation of the property, containing 46 apartments and one superintendent unit in Brooklyn, New York. The project went into service on October 25, 2010.

BRC Landing Road II, L.P (BRC Landing L.P) was organized to own, construct and operate a housing project providing support housing to low-income individuals, some of whom meet other eligibility criteria. The project is currently under construction.

2. Principles of Combination

The accompanying combined financial statements include the accounts of BRC and the affiliated organizations, which are affiliated through common Board membership, common management and/or ownership. All material intercompany transactions and balances have been eliminated.

3. Summary of Significant Accounting Policies

Basis of Presentation

The combined 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). In the combined statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets—permanently restricted, temporarily restricted, and unrestricted—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. Temporarily restricted contributions and grants, the requirements of which are met in the year of donation, are reported as unrestricted.

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combined Financial Statements

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations. If a part of net assets is restricted and those restrictions are satisfied in the same year, then this part of net assets should be classified as unrestricted.

Cash and Cash Equivalents

The Organization considers all highly liquid financial instruments with maturity dates of three months or less from the date purchased to be cash equivalents, excluding assets whose use is limited.

Investments at Fair Value

Investments are carried at their fair value based on quoted market prices. Realized gains and losses from the sale of investments are based on the average cost method. Income from investments, including unrealized gains and losses, is reported in the combined statement of activities as changes in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions.

Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, "Fair Value Measurement," defines fair value and establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs, requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as BRC would use in pricing BRC's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of BRC are traded. BRC estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants who have investments in the same or similar assets would use, as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable, as follows:

Level 1 - Valuation is based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuation is based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly. This category generally includes certain U.S. government and agency mortgage-backed debt securities and corporate debt securities.

Level 3 - Valuation is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combined Financial Statements

Assets Limited to Use

Assets limited to use include assets set aside by BRC for future long-term purposes and debt finances for future payout.

Revenue Recognition

Revenue from cost reimbursement government grants is recognized as the expenditures for each grant are incurred. Revenue from fee-for-service programs is recognized when the services have been performed. Reimbursements are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. Revenue from retroactive adjustments is recognized in the year the adjustments are made.

BRC receives third-party payments for some program participants. A portion of the payment represents the participant's program fees and is recognized as revenue when received. Any portion of the payment that is for the participant's personal use is recognized as a liability due to the client and recorded within accounts payable and accrued expenses on the combined statement of financial position. For the year ended June 30, 2018, client funds payable totaled \$864,831.

Development fees are pursuant to development agreements between BRC and certain other entities for which BRC performed development services. BRC records development fees upon receipt. For the year ended June 30, 2018, development fees totaled \$1,279,823.

Unconditional promises to give (pledges) are recognized as contribution revenue in the period received and are classified as either unrestricted, temporarily restricted, or permanently restricted support. Promises to give are recorded at net realizable value if expected to be collected in one year. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of these estimated future cash flows. Pledge receivables at June 30, 2018 are expected to be collected within one year.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at the estimated fair market value at the time of the contribution.

Deferred Revenue

Revenue from contracts is recognized as earned when contract expenses are incurred to the maximum amount allowed for each contract award. Any payments received that have not been earned are classified as deferred revenue on the combined statement of financial position.

Provision for Doubtful Accounts

Accounts receivable is mainly comprised of amounts from governmental agencies and third-party reimbursement agencies.

The Organization provides an allowance for doubtful accounts for accounts receivable, which are specifically identified by management as to their uncertainty in regard to collectability. As of June 30, 2018, the allowance for doubtful accounts balance was approximately \$1,362,000.

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combined Financial Statements

Fixed Assets

Fixed assets are stated at cost. Fixed assets with a purchase price in excess of \$5,000 are capitalized. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets, as follows:

| | |
|-------------------------------------|-------------|
| Buildings and building improvements | 10-40 years |
| Furniture and equipment | 5 years |
| Vehicles | 4 years |

Leasehold improvements are amortized over the shorter of the lease term or estimated useful life of the asset.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including fixed assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of June 30, 2018, there have been no such losses.

Income Taxes

BRC, Pitt, 330 E. 4th, Fulton, BRC AIDS, 25th Street HDFC, 139-141 Avenue D HDFC, BRC Landing Road I and Liberty Avenue are exempt from federal income tax under Section 501(c)(3) of the IRC and have been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the IRC.

Landing GP, 93 Pitt Street G.P., Avenue D G.P. and 902 Liberty Avenue G.P. are New York corporations subject to federal income tax and applicable state and local taxes.

Palace is an exempt organization from federal income tax under Section 501(c)(2) of the IRC.

The income tax regulations associated to Glass Factory, L.P., 902 Liberty Avenue, L.P. and BRC Landing, L.P. provide that all taxes on income of the limited partnership are payable by the partners. Therefore, the combined financial statements reflect no provision or liability for such taxes.

The Organization adheres to provisions from ASC 740, "Income Taxes." Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained upon examination by a taxing authority. BRC does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Organization has filed IRS Form 990 returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2018, there was no interest or penalties recorded or included in the combined statement of activities. The Organization believes it is no longer subject to income tax examinations for the years prior to 2015, which is the standard statute of limitation look-back period. There was no unrelated business income during 2018.

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combined Financial Statements

Use of Estimates

The preparation of combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allocation Methodology

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

Functional Allocation of Expenses - Affiliated Organizations

Expenses for the Affiliated Organizations for June 30, 2018 were classified on a functional basis as follows:

| | | |
|------------------------|-----------|------------------|
| Program expenses | \$ | 2,611,415 |
| Supporting services: | | |
| Management and general | | 290,157 |
| Total Expenses | \$ | 2,901,572 |

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to significant concentrations of credit risk, consist primarily of cash and cash equivalents and trade accounts receivable. At times, cash and cash equivalents may include deposits at various financial institutions in excess of Federal Deposit Insurance Corporation insured limits.

Noncontrolling Interests

In accordance with ASC 810, "Consolidation," the Organization reports noncontrolling interests, sometimes referred to as minority interests, as part of total net assets in the combined statement of financial position. Furthermore, the Organization reports the changes in net assets (deficit) of both the controlling and noncontrolling interests, for all periods presented, in the combined statement of changes in net assets (deficit). For the year ended June 30, 2018, the change in the noncontrolling interest balance was \$476,595.

Comparative Financial Information

The combined financial statements include certain prior-year summarized comparative information. With respect to the combined statement of activities, the prior-year information is presented in total, not by net asset class. With respect to the combined statement of functional expenses, the prior-year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with BRC's combined

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combined Financial Statements

financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2017 combined financial statements in order to conform to the 2018 presentation.

Recently Adopted Accounting Pronouncement

In August 2014, the FASB issued Accounting Standards Update (ASU) 2014-15, "Presentation of Financial Statements - Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern." This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the combined financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for reporting periods beginning after December 15, 2016, with early adoption permitted. The Organization adopted the provisions of this standard and there were no material effects.

Accounting Pronouncements Issued but Not Yet Adopted

Statements of Not-for-Profit Entities

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) modifying the presentation of underwater endowment funds and related disclosures; (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise; (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs; (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (f) presenting investment return net of external and direct expenses; and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Organization's combined financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented, although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its combined financial statements.

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combined Financial Statements

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14, which deferred the effective date for the Organization until annual periods beginning after December 15, 2018. Earlier adoption is permitted, subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its combined financial statements.

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2019 and the Organization is currently evaluating the impact of the pending adoption of ASU 2016-02.

4. Investments at Fair Value

The cost and respective fair values of investments at June 30, 2018 are as follows:

| | Fair Value | Cost |
|-------------------|------------|-----------|
| Equity securities | \$ 53,560 | \$ 23,205 |

The fair value of the investments detailed above is determined by reference to market quotations at June 30, 2018.

BRC's financial assets are recorded at fair value on a recurring basis as of June 30, 2018. BRC's financial assets recorded at fair value have been categorized based upon a fair value, in accordance with ASC 820. See Note 3 for a discussion of BRC's policies regarding this hierarchy. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. BRC's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the asset or liability's placement within the fair value hierarchy levels.

All BRC's investments were categorized as Level 1 at June 30, 2018. There were no transfers between levels during the year ended June 30, 2018.

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combined Financial Statements

5. Accounts Receivable, Net

At June 30, 2018, accounts receivable, net consist of the following:

June 30, 2018

| | BRC | Affiliated Organizations | Total |
|---------------------------------------|---------------|-----------------------------|---------------|
| Government and other grants | \$ 15,030,225 | \$ - | \$ 15,030,225 |
| Medicaid | 1,012,044 | - | 1,012,044 |
| Other | 501,327 | 367,908 | 869,235 |
| Less: allowance for doubtful accounts | (1,166,598) | (196,019) | (1,362,617) |
| | \$ 15,376,998 | \$ 171,889 | \$ 15,548,887 |

6. Pledges Receivable, Net

As of June 30, 2018, pledges receivable totaled \$1,493,667, which consists of amounts due to BRC in less than one year. Management expects all pledges to be fully collected and, accordingly, no allowance for doubtful accounts on pledges receivable has been recorded as of June 30, 2018.

7. Assets Limited to Use

As of June 30, 2018, assets limited to use consist of the following:

June 30, 2018

| | |
|------------------------|--------------|
| Operating reserve | \$ 1,217,414 |
| Replacement reserve | 360,103 |
| Capital reserve | 521,931 |
| Building reserve | 31,480 |
| Social service reserve | 8,930 |
| Escrow deposit | 620,222 |
| | \$ 2,760,080 |

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combined Financial Statements

8. Fixed Assets, Net

Fixed assets, net consist of the following:

June 30, 2018

| | BRC | Affiliated Organizations | Total |
|-------------------------------------|----------------------|-----------------------------|----------------------|
| Land | \$ - | \$ 4,660,014 | \$ 4,660,014 |
| Buildings and building improvements | 26,344,469 | 48,360,468 | 74,704,937 |
| Leasehold improvements | 5,393,268 | 3,722,645 | 9,115,913 |
| Furniture and equipment | 3,498,184 | 652,895 | 4,151,079 |
| Vehicles | 643,304 | - | 643,304 |
| Total Fixed Assets | 35,879,225 | 57,396,022 | 93,275,247 |
| Less: accumulated depreciation | (13,595,566) | (15,670,892) | (29,266,458) |
| Construction-in-progress* | - | 34,975,262 | 34,975,262 |
| Fixed Assets, Net | \$ 22,283,659 | \$ 76,700,392 | \$ 98,984,051 |

* At June 30, 2018, the estimated costs to complete construction-in-progress was \$3,005,542. The construction-in-progress is for the development of a 200-bed employment shelter and 136 apartment units, which was completed in November 2018.

Depreciation expense for the year ended June 30, 2018 was \$2,238,434.

9. Line of Credit

BRC has a \$5,000,000 unsecured revolving line of credit with a financial institution. This line of credit is available through May 29, 2019 and bears interest at the London Interbank Offered Rate (LIBOR) plus 100 basis points per three months which was 3.1% at June 30, 2018. The total amount outstanding as of June 30, 2018 was \$5,000,000. BRC incurred \$77,387 in interest expense during the year ended June 30, 2018 related to this line of credit.

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combined Financial Statements

10. Loans Payable

Loans payable consist of the following:

June 30, 2018

BRC

Mortgage due to the Low-Income Investment Fund, payable in monthly installments of \$12,116 including interest at 6.5% per annum. The mortgage matures on February 1, 2024 and is secured by leasehold mortgage on 317 Bowery, New York, NY and an assignment of certain receivables. \$ 865,219

In February 2015, BRC was awarded a multi-year recoverable grant from the Deutsche Bank Americas Foundation in the amount of \$120,000. There is no interest on the loan. The loan is due in three annual installments of \$40,000, beginning March 31, 2018. 80,000

Total BRC 945,219

Affiliated Organizations

330 East HDFC:

330 East HDFC is the holder of the mortgage dated March 30, 1990 to The City of New York for the principal sum of \$1,525,000 and another mortgage dated March 20, 1992 for the principal sum of \$193,921, which were consolidated into a single lien securing the principal sum of \$1,718,921. These consolidated mortgages had interest of \$394,435 accrued and payable as of August 2014.

On August 2014, the terms of the mortgages and accrued interest were modified. The debt and accrued interest for the mortgage in the amount of \$1,525,000 is due and payable on August 7, 2074 at the rate of 1% per annum. The debt for the mortgage in the amount of \$193,921 is due and payable on December 30, 2023. However, this loan shall be reduced and deemed paid in five equal annual decrements of \$38,784, starting on December 30, 2019 and annually thereafter until December 30, 2023, as long as 330 E. 4th is still owned by a not-for-profit corporation and no default occurs under the mortgage. If any amount is not paid when due, interest on such unpaid amount shall be payable at the rate of 12% per annum from the date such payment was due until paid.

330 East HDFC also obtained an additional loan in the amount of \$1,474,000 from the City of New York to rehabilitate the premises as housing for low-income persons, of which only \$620,371 has been drawn down as of June 30, 2018. 2,339,292

Palace Renaissance:

Loan payable due to the City of New York. The loan will not accrue interest (0% loan) and will not require any debt service payments during years 1 through 25, provided there has been no default thereunder through that date. The loan shall be decreased each year during years 26 through 30 to the extent of 20% of the principal. The loan matures on August 14, 2031. 2,854,573

Mortgage payable due to Rebel Realty LLC, accrued interest and principal are due on or before January 2, 2028. The interest rate is 8%. The mortgage is secured by real property. 10,000

Mortgage payable due to 315 Bowery Lender LLC. The mortgage is payable in annual installments plus interest at 3.75%. Mortgage matures on August 30, 2038 and is secured by a leasehold mortgage on 315 Bowery, New York, NY. 21,000

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combined Financial Statements

June 30, 2018

Affiliated Organizations (Continued)

Palace Renaissance (continued):

Mortgage payable due to 317 Bowery Lender LLC. The mortgage is payable in annual installments plus interest at 3.75%. Mortgage matures on August 30, 2038 and is secured by a leasehold mortgage on 317 Bowery, New York, NY. \$ 21,000

BRC Landing Road I:

In March 2018, BRC Landing Road I HDFC obtained a note payable from the Community Preservation Corporation in the amount of \$18,575,688. There is a 5.57% annual interest rate on the loan. The loan principal and interest are due in monthly installments beginning on May 1, 2018. The maturity date on the loan is April 1, 2048. 18,535,001

Pitt Street HDFC:

Mortgage due to The City of New York Department of Housing Preservation and Development of \$2,276,588, which consists of two portions; (1) Shelter plus care loan, \$552,000, 0.25% interest rate, 30-year term maturing in July 2025 and (2) Capital budget loan, \$1,724,588, 1.25% interest rate, 30-year term maturing in July 2025. For the first 25 years, interest-only monthly payments of \$115 are due on the shelter plus care portion of the loan. Beginning in the 26th year, the outstanding principal and interest balance will be reduced by 20% each year, provided no default exists under the mortgage. The loans are secured by interest in building and improvements. 2,276,588

139-141 Avenue D L.P.:

Mortgage payable to The City of New York Department of Housing Preservation and Development. The loan is noninterest-bearing and matures in December 2048, at which time outstanding principal and service fees are due. The loan is secured by an interest in real estate. 4,202,370

902 Liberty Ave., L.P.:

Mortgage payable to The City of New York Department of Housing Preservation and Development. The interest rate is 3.10% per annum. The mortgage requires no interest or principal payments until maturity in March 2052. The loan is secured by an interest in real estate. 6,446,813

Mortgage payable to NYS Housing Finance Agency. The loan is noninterest-bearing with principal due March 2052. The loan is secured by an interest in real estate. 1,400,000

Construction loan payable 26,016

BRC Landing II, L.P.:

Mortgage payable (1st Building Loan Agreement (BLA)) to New York City Housing Development Corporation (HDC). The interest rate is 5.7% per annum. The mortgage requires interest and principal payments until maturity in November 2048. The loan is secured by an interest in real estate. 19,735,761

Mortgage payable (2nd Tranche A) to HDC. The interest rate is 2.72% per annum up to the release date and 2.47% per annum through maturity. The mortgage requires interest and principal payments until maturity in November 2048. The loan is secured by an interest in real estate. 3,112,092

Mortgage payable (2nd Tranche B - BLA) to HDC. The interest rate is 2.72% per annum up to the release date and 2.47% per annum through maturity. The mortgage requires interest and principal payments until maturity in November 2048. The loan is secured by an interest in real estate. 6,189,935

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combined Financial Statements

June 30, 2018

Affiliated Organizations (Continued)

BRC Landing II, L.P. (continued):

Mortgage payable (2nd Tranche B Project Loan Agreement) to HDC. The interest rate is 5.70% per annum. The mortgage requires interest and principal payments until maturity in November 2048. The loan is secured by an interest in real estate. 2,222,667

Mortgage payable (Tranche A - BLA) to HDC. The interest rate is 2.47% per annum. The mortgage requires interest and principal payments until maturity in May 2018. The loan is secured by an interest in real estate. 2,720,000

Mortgage payable to New York State Homeless Housing and Assistance Corporation. The interest rate is 1% per annum. The mortgage requires no interest or principal payments until maturity in November 2047. The loan is secured by an interest in real estate. 1,478,080

139-141 Avenue D HDFC:

139-141 Avenue D HDFC is the holder of a mortgage dated June 2017 to the City of New York for the principal sum of \$647,792. As of June 30, 2018, 139-141 Avenue D HDFC was advanced \$369,399 of the mortgage principal. The loan is non-interest bearing and matures in December 2048, at which time the outstanding principal and service fees are due. The mortgage is secured by an interest in the real estate of 139-141 Avenue D. 369,399

| | |
|---------------------------------------|-------------------|
| Total Affiliated Organizations | 73,960,587 |
|---------------------------------------|-------------------|

| | |
|----------------------------|----------------------|
| Total Loans Payable | \$ 74,905,806 |
|----------------------------|----------------------|

At June 30, 2018, aggregate annual maturities of loans payable are as follows:

Year ending June 30,

| | |
|------------|------------|
| 2019 | \$ 424,738 |
| 2020 | 447,892 |
| 2021 | 432,456 |
| 2022 | 458,514 |
| 2023 | 486,160 |
| Thereafter | 72,656,046 |

| | |
|----------------------------|-------------------|
| Total Loans Payable | 74,905,806 |
|----------------------------|-------------------|

| | |
|------------------------------|------------------|
| Less: current portion | (424,738) |
|------------------------------|------------------|

| | |
|----------------------------------------------|----------------------|
| Loans Payable, net of current portion | \$ 74,481,068 |
|----------------------------------------------|----------------------|

11. Deferred Rent

In February 2010, BRC entered into a long-term lease for 100,000 square feet of program and office space. As part of that lease, the landlord made substantial contributions toward base building renovations. This amount is included in deferred rent and is being amortized over the life of the lease.

In addition, the landlord agreed to pay a substantial portion of the tenant fit-out costs. These costs are being repaid in the form of higher rent during the first ten years of the lease. This amount is included in deferred rent and is being amortized over a ten-year period.

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combined Financial Statements

As of June 30, 2018, total deferred rent was \$6,455,055.

12. Deferred Revenue

During fiscal year 2018, BRC received advances, which primarily consist of cash received on cost reimbursement contracts that have not been expended at year-end. The BRC deferred revenue balance related to these advances totaled \$9,018,098 at June 30, 2018.

In December 2013, Palace assigned its leasehold interest in 313-315 Bowery to a third party in the amount of \$5,516,000. The amount was recorded as deferred revenue and is being amortized over the remaining life of the lease. The unamortized balance at June 30, 2018 is \$4,001,209.

As of June 30, 2018, total deferred revenue was \$13,891,520.

13. Commitments and Contingencies

Leases

The Organization leases space for their programs, pursuant to noncancelable operating leases expiring through 2043. Rental expense to non-related parties was \$14,901,390 for the year ended June 30, 2018. The following represents the future minimum annual lease payments:

| | | |
|------------|----|-------------|
| 2019 | \$ | 13,478,632 |
| 2020 | | 9,520,159 |
| 2021 | | 7,694,260 |
| 2022 | | 5,679,439 |
| 2023 | | 4,455,672 |
| Thereafter | | 69,154,197 |
| | \$ | 109,982,359 |

Litigation

BRC is involved in various claims and legal actions arising out of the normal course of its operations, the final outcome of which cannot presently be determined. BRC management is of the opinion that the ultimate liability, if any, with respect to all of these matters will not have a material adverse effect on BRC's financial position.

14. Net Assets Released from Restrictions

Temporarily restricted net assets that were released from donor restrictions by incurring expenses satisfying the restricted purpose as of June 30, 2018 are as follows:

| | | |
|-----------------------|----|-----------|
| Horizon program | \$ | 761,308 |
| Landing project | | 353,261 |
| Mental health program | | 12,180 |
| | \$ | 1,126,749 |

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combined Financial Statements

15. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purpose at June 30, 2018:

| | | |
|-------------------------|----|-----------|
| Real estate development | \$ | 3,264,251 |
|-------------------------|----|-----------|

16. Pension Benefits

BRC maintains two defined contribution pension plans that cover substantially all of its employees. Under the terms of the pension plans, BRC matches the contributions of certain employees, as defined in the plans' provisions. BRC's pension expense amounted to \$643,848 for the year ended June 30, 2018 for both plans.

17. Subsequent Events

BRC's management has performed subsequent event procedures through February 22, 2019, which is the date the combined financial statements were available to be issued, and there were no subsequent events requiring adjustments to the combined financial statements or disclosures as stated herein.

Supplementary Information

Bowery Residents' Committee, Inc. and Affiliated Organizations

**Combining Schedule of Financial Position
(with comparative totals for 2017)**

June 30,

| | Bowery Residents' Committee | Pitt Street HDFC | 330 East HDFC | Fulton St HDFC | Palace Renaissance | 139-141 Ave D HDFC | 139-141 Ave D GP | 902 Liberty Ave HDFC | 902 Liberty Ave GP | West 25th St HDFC | BRC Landing Road I HDFC | BRC Aids Services | Pitt St GP | 139-141 Ave D LP | 902 Liberty Ave LP | BRC Landing Road II LP | Eliminations | Combining Totals | |
|-------------------------------------------------------------------|-----------------------------|---------------------|---------------------|-------------------|---------------------|--------------------|-------------------|----------------------|--------------------|-------------------|-------------------------|--------------------|------------------|---------------------|----------------------|------------------------|-----------------------|-----------------------|----------------------|
| | | | | | | | | | | | | | | | | | | 2018 | 2017 |
| Assets | | | | | | | | | | | | | | | | | | | |
| Current | | | | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | \$ 3,415,151 | \$ 136,844 | \$ - | \$ - | \$ 328,479 | \$ 77,298 | \$ - | \$ - | \$ - | \$ 102,272 | \$ 702,436 | \$ - | \$ - | \$ 68,210 | \$ 69,496 | \$ 929,579 | \$ - | \$ 5,829,765 | \$ 5,667,910 |
| Investments, at fair value (Note 4) | 53,560 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 53,560 | 41,372 |
| Accounts receivable, net (Note 5) | 15,376,998 | 12,931 | - | - | 537,237 | 8,106 | 47,761 | - | - | - | 900 | - | 25,595 | 149,787 | 68,909 | 21,816 | (701,153) | 15,548,887 | 5,250,745 |
| Pledges receivable (Note 6) | 1,493,667 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,493,667 | 255,740 |
| Prepaid expenses and other assets | 1,012,646 | - | - | - | 116,028 | - | - | - | - | - | - | - | - | - | 233,046 | 5,106 | - | 1,366,826 | 1,858,260 |
| Total Current Assets | 21,352,022 | 149,775 | - | - | 981,744 | 85,404 | 47,761 | - | - | 102,272 | 703,336 | - | 25,595 | 217,997 | 371,451 | 956,501 | (701,153) | 24,292,705 | 13,074,027 |
| Assets Limited to Use (Note 7) | 636,081 | 1,025,916 | - | - | - | - | - | - | - | - | 402,084 | - | - | 8,930 | 179,737 | 507,332 | - | 2,760,080 | 3,136,303 |
| Investment in Limited Partnerships at Cost (Note 3) | 100 | - | - | - | - | - | 500,100 | - | - | - | - | - | 100 | - | - | - | (500,300) | - | - |
| Fixed Assets, Net (Note 8) | 22,283,659 | 1,305,422 | 1,242,909 | 526,308 | 902,984 | 426,404 | (12,400) | - | - | - | 19,120,739 | 580,638 | - | 2,142,004 | 12,539,075 | 37,926,309 | - | 98,984,051 | 82,966,361 |
| Total Assets | \$ 44,271,862 | \$ 2,481,113 | \$ 1,242,909 | \$ 526,308 | \$ 1,884,728 | \$ 511,808 | \$ 535,461 | \$ - | \$ - | \$ 102,272 | \$ 20,226,159 | \$ 580,638 | \$ 25,695 | \$ 2,368,931 | \$ 13,090,263 | \$ 39,390,142 | \$ (1,201,453) | \$ 126,036,836 | \$ 99,176,691 |
| Liabilities and Net Assets | | | | | | | | | | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | | | | | | | | | | |
| Accounts payable and accrued expenses | \$ 4,627,724 | \$ 5,332 | \$ - | \$ - | \$ 600 | \$ 1,147 | \$ 750 | \$ 1,912 | \$ 750 | \$ - | \$ 964,001 | \$ 2,200 | \$ 750 | \$ 168,621 | \$ 61,870 | \$ 1,516,051 | \$ (214,769) | \$ 7,136,939 | \$ 7,050,109 |
| Due to/from affiliates | 1,864,715 | (104,609) | (307,483) | 757,801 | (5,070,750) | 24,834 | (15,451) | (25,221) | (86,522) | 103,787 | 136,281 | 1,885,190 | 1,615 | 524,069 | 168,206 | 176,100 | (32,562) | - | - |
| Accrued compensation and related taxes | 2,230,451 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,230,451 | 2,488,883 |
| Accrued interest payable | 50,113 | 453,770 | 422,639 | 8,830 | - | - | - | - | - | - | 17,815 | - | - | - | 1,702,651 | 19,096 | - | 2,674,914 | 2,363,580 |
| Deferred revenue (Note 12) | 9,018,098 | 22,072 | - | - | 198,681 | - | - | - | - | - | - | - | - | - | 735,309 | 111,332 | - | 10,085,492 | 4,671,090 |
| Line of credit (Note 9) | 5,000,000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 5,000,000 | 3,000,000 |
| Related party loans | 529,712 | - | - | - | - | - | - | - | - | - | - | - | - | - | 89,841 | 81,600 | (701,153) | - | - |
| Current portion of loans payable (Note 10) | 170,540 | - | - | - | 2,000 | - | - | - | - | - | 252,198 | - | - | - | - | - | - | 424,738 | 12,719,339 |
| Total Current Liabilities | 23,491,353 | 376,565 | 115,156 | 766,631 | (4,869,469) | 25,981 | (14,701) | (23,309) | (85,772) | 103,787 | 1,370,295 | 1,887,390 | 2,365 | 692,690 | 2,757,877 | 1,904,179 | (948,484) | 27,552,534 | 32,293,001 |
| Deferred Rent (Note 11) | 6,455,055 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 6,455,055 | 7,421,680 |
| Deferred Revenue, net of current portion (Note 12) | - | - | - | - | 3,806,028 | - | - | - | - | - | - | - | - | - | - | - | - | 3,806,028 | 4,001,209 |
| Loans Payable, net of current portion (Note 10) | 774,679 | 2,276,588 | 2,339,292 | - | 2,904,573 | 369,399 | - | - | - | - | 18,282,803 | - | - | 4,202,370 | 7,872,829 | 35,458,535 | - | 74,481,068 | 46,905,470 |
| Total Liabilities | 30,721,087 | 2,653,153 | 2,454,448 | 766,631 | 1,841,132 | 395,380 | (14,701) | (23,309) | (85,772) | 103,787 | 19,653,098 | 1,887,390 | 2,365 | 4,895,060 | 10,630,706 | 37,362,714 | (948,484) | 112,294,685 | 90,621,360 |
| Commitments and Contingencies (Notes 9, 10, 11, 12 and 13) | | | | | | | | | | | | | | | | | | | |
| Net Assets (Deficit) (Notes 14 and 15) | | | | | | | | | | | | | | | | | | | |
| Unrestricted | 10,286,524 | (172,040) | (1,211,539) | (240,323) | 43,596 | 116,428 | 550,162 | 23,309 | 85,772 | (1,515) | 573,061 | (1,306,752) | 23,330 | (2,526,129) | - | - | (252,969) | 5,990,915 | 2,683,263 |
| Temporarily restricted | 3,264,251 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,264,251 | 908,488 |
| Noncontrolling interest | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,459,557 | 2,027,428 | - | 4,486,985 | 4,963,580 |
| Total Net Assets | 13,550,775 | (172,040) | (1,211,539) | (240,323) | 43,596 | 116,428 | 550,162 | 23,309 | 85,772 | (1,515) | 573,061 | (1,306,752) | 23,330 | (2,526,129) | 2,459,557 | 2,027,428 | (252,969) | 13,742,151 | 8,555,331 |
| Total Liabilities and Net Assets | \$ 44,271,862 | \$ 2,481,113 | \$ 1,242,909 | \$ 526,308 | \$ 1,884,728 | \$ 511,808 | \$ 535,461 | \$ - | \$ - | \$ 102,272 | \$ 20,226,159 | \$ 580,638 | \$ 25,695 | \$ 2,368,931 | \$ 13,090,263 | \$ 39,390,142 | \$ (1,201,453) | \$ 126,036,836 | \$ 99,176,691 |

Bowery Residents' Committee, Inc. and Affiliated Organizations

**Combining Schedule of Activities
(with comparative totals for 2017)**

Year ended June 30,

| | Bowery Residents' Committee | Pitt Street HDFC | 330 East HDFC | Fulton St HDFC | Palace Renaissance | 139-141 Ave D HDFC | 139-141 Ave D GP | 902 Liberty Ave HDFC | 902 Liberty Ave GP | West 25th St HDFC | BRC Landing Road I HDFC | BRC Aids Services | Pitt St GP | 139-141 Ave D LP | 902 Liberty Ave LP | BRC Landing Road II LP | Eliminations | Combining Totals | | |
|---------------------------------------------|-----------------------------|------------------|----------------|----------------|--------------------|--------------------|------------------|----------------------|--------------------|-------------------|-------------------------|-------------------|--------------|------------------|--------------------|------------------------|------------------|-------------------|-------------------|------------|
| | | | | | | | | | | | | | | | | | | 2018 | 2017 | |
| Public Support and Revenues | | | | | | | | | | | | | | | | | | | | |
| Government and other grants | \$ 67,598,442 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 66,667 | \$ - | \$ 67,665,109 | \$ 62,405,090 | |
| Medicaid | 6,132,981 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 6,132,981 | 6,044,625 | |
| Program service fees | 3,353,008 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,353,008 | 3,736,400 | |
| Rental income | 1,419,015 | 391,441 | - | 45,000 | 195,180 | 369,191 | - | - | - | - | 308,333 | - | - | - | 672,417 | 152,497 | (62,400) | 3,490,674 | 3,091,715 | |
| Contributions | 4,638,868 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,638,868 | 2,415,802 | |
| Management fees (Note 10) | 168,681 | - | - | - | - | - | - | - | 12,500 | - | - | - | - | - | - | - | - | (181,181) | - | |
| Development fees | 1,279,823 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,279,823 | |
| Other income | 896,009 | 5,700 | 5,700 | 7,329 | 27,752 | 118,131 | - | 26,583 | - | - | 612 | - | - | 4,866 | 3,381 | 223,853 | - | 1,319,916 | 484,901 | |
| Total Revenues Before Special Events | 85,486,827 | 397,141 | 5,700 | 52,329 | 222,932 | 487,322 | - | 26,583 | 12,500 | - | 308,945 | - | - | 4,866 | 675,798 | 443,017 | (243,581) | 87,880,379 | 78,178,533 | |
| Special events revenue | 648,479 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 648,479 | 959,010 |
| Less: cost of direct benefit to donors | (215,394) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (215,394) | (261,538) |
| Net Revenue from Special Events | 433,085 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 433,085 | 697,472 | |
| Total Revenues | 85,919,912 | 397,141 | 5,700 | 52,329 | 222,932 | 487,322 | - | 26,583 | 12,500 | - | 308,945 | - | - | 4,866 | 675,798 | 443,017 | (243,581) | 88,313,464 | 78,876,005 | |
| Expenses | | | | | | | | | | | | | | | | | | | | |
| Program services: | | | | | | | | | | | | | | | | | | | | |
| Gateway Services | 20,682,034 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 20,682,034 | 19,672,071 |
| Homeless Services | 29,359,738 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 29,359,738 | 25,171,702 |
| Housing Services | 9,802,145 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 9,802,145 | 9,561,994 |
| Treatment Service | 12,754,329 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 12,754,329 | 12,664,950 |
| Total Program Services | 72,598,246 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 72,598,246 | 67,070,717 | |
| Supporting services: | | | | | | | | | | | | | | | | | | | | |
| Management and general | 6,903,986 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 6,903,986 | 7,031,167 |
| Fundraising | 722,840 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 722,840 | 348,293 |
| Total Supporting Services | 7,626,826 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 7,626,826 | 7,379,460 | |
| Affiliated organizations' expenses | - | 601,261 | 59,178 | 25,480 | 268,570 | 370,894 | 750 | 3,274 | 807 | 93 | 187,660 | 30,387 | 1,376 | 13 | 1,400,965 | 194,445 | (243,581) | 2,901,572 | 2,990,632 | |
| Total Expenses | 80,225,072 | 601,261 | 59,178 | 25,480 | 268,570 | 370,894 | 750 | 3,274 | 807 | 93 | 187,660 | 30,387 | 1,376 | 13 | 1,400,965 | 194,445 | (243,581) | 83,126,644 | 77,440,809 | |
| Change in Net Assets | 5,694,840 | (204,120) | (53,478) | 26,849 | (45,638) | 116,428 | (750) | 23,309 | 11,693 | (93) | 121,285 | (30,387) | (1,376) | 4,853 | (725,167) | 248,572 | - | 5,186,820 | 1,435,196 | |
| Net Assets, beginning of year | 7,855,935 | 32,080 | (1,158,061) | (267,172) | 89,234 | - | 550,912 | - | 74,079 | (1,422) | 451,776 | (1,276,365) | 24,706 | (2,530,982) | 3,184,724 | 1,778,856 | (252,969) | 8,555,331 | 7,120,135 | |
| Net Assets, end of year | \$ 13,550,775 | \$ (172,040) | \$ (1,211,539) | \$ (240,323) | \$ 43,596 | \$ 116,428 | \$ 550,162 | \$ 23,309 | \$ 85,772 | \$ (1,515) | \$ 573,061 | \$ (1,306,752) | \$ 23,330 | \$ (2,526,129) | \$ 2,459,557 | \$ 2,027,428 | \$ (252,969) | \$ 13,742,151 | \$ 8,555,331 | |