



Audited Financial Statements

June 30, 2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Chess-in-the-Schools, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Chess-in-the-Schools, Inc. which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditor's 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 organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

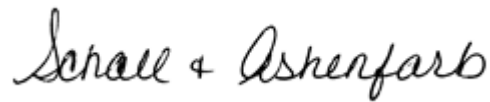
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chess-in-the-Schools, Inc. as of June 30, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Chess-in-the-Schools, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

January 25, 2018

CHES-IN-THE-SCHOOLS, INC.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2017
(With comparative totals at June 30, 2016)

	6/30/17	6/30/16
Assets		
Cash and cash equivalents	\$339,968	\$1,114,008
Investments (Note 4)	10,902,806	9,358,925
Program fees receivable	29,939	37,244
Government grants receivable	507,775	485,095
Pledges receivable (Note 3)	323,258	497,042
Inventory	25,050	38,297
Prepaid expenses	0	24,574
Investments held for endowment (Notes 4 and 7)	231,347	208,109
Fixed assets (net of accumulated depreciation) (Note 5)	146,153	129,862
	\$12,506,296	\$11,893,156
Total assets		
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$74,450	\$12,925
Deferred revenue	50,000	0
Deferred rent	56,558	68,292
Total liabilities	181,008	81,217
Net assets:		
Unrestricted:		
Operations	6,988,941	6,393,830
Board designated	5,000,000	5,000,000
Total unrestricted	11,988,941	11,393,830
Temporarily restricted (Note 6)	236,347	318,109
Permanently restricted (Note 7)	100,000	100,000
Total net assets	12,325,288	11,811,939
Total liabilities and net assets	\$12,506,296	\$11,893,156

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

CHESS-IN-THE-SCHOOLS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(With comparative totals for the year ended June 30, 2016)

	Unrestricted	Temporarily Restricted (Note 6)	Permanently Restricted (Note 7)	Total 6/30/17	Total 6/30/16
Public support and revenue:					
Contributions	\$467,983	\$50,000		\$517,983	\$863,315
Gala (net of expenses where donors received benefits of \$35,855)	667,946			667,946	1,085,644
Government grants	554,464			554,464	624,038
Program fee revenue	95,000			95,000	92,760
Miscellaneous income	0			0	1,300
Net assets released from restriction	167,037	(167,037)		0	0
Total public support and revenue	<u>1,952,430</u>	<u>(117,037)</u>	<u>0</u>	<u>1,835,393</u>	<u>2,667,057</u>
Expenses:					
Program services	1,996,504			1,996,504	2,047,217
Management and general	562,622			562,622	484,248
Fundraising	290,687			290,687	299,600
Total expenses	<u>2,849,813</u>	<u>0</u>	<u>0</u>	<u>2,849,813</u>	<u>2,831,065</u>
Change in net assets from operations	<u>(897,383)</u>	<u>(117,037)</u>	<u>0</u>	<u>(1,014,420)</u>	<u>(164,008)</u>
Non-operating activities:					
Interest and dividend income	317,893	26,243		344,136	227,497
Net realized gain/(loss) from investments	58,535	751		59,286	(9)
Net unrealized gain/(loss) from investments	1,116,066	8,281		1,124,347	(314,514)
Total non-operating activities	<u>1,492,494</u>	<u>35,275</u>	<u>0</u>	<u>1,527,769</u>	<u>(87,026)</u>
Total change in net assets	595,111	(81,762)	0	513,349	(251,034)
Net assets - beginning of year	<u>11,393,830</u>	<u>318,109</u>	<u>100,000</u>	<u>11,811,939</u>	<u>12,062,973</u>
Net assets - end of year	<u><u>\$11,988,941</u></u>	<u><u>\$236,347</u></u>	<u><u>\$100,000</u></u>	<u><u>\$12,325,288</u></u>	<u><u>\$11,811,939</u></u>

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

CHES-IN-THE-SCHOOLS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With comparative totals for the year ended June 30, 2016)

	Program Services						Management and General	Fundraising	Total Expenses 6/30/17	Total Expenses 6/30/16
	School Programs	College Bound Program	Project Chess	Tournament Program	Program Department	Total Program Services				
Salaries	\$644,843	\$311,618	\$6,679	\$190,201	\$67,124	\$1,220,465	\$138,578	\$151,242	\$1,510,285	\$1,415,342
Payroll taxes and benefits	116,099	56,105	1,203	34,244	12,085	219,736	24,950	27,230	271,916	282,254
Scholarships and grants				20,950		20,950			20,950	45,254
Other program expenses	9,889	21,771	13,305	41,662	7,559	94,186	736	11,799	106,721	87,645
Office expenses	24,632	11,700	5,187	10,863	7,064	59,446	12,417	20,539	92,402	95,471
Telephone	5,588	2,540	59	1,746	550	10,483	1,145	754	12,382	13,391
Insurance	18,011	8,187	190	5,625	1,774	33,787	3,693	2,432	39,912	38,525
Consultants				350		350	147,310	11,853	159,513	210,757
Professional fees						0	83,426	2,350	85,776	78,610
Public relations and advertising						0	42,000	3,571	45,571	39,076
Travel and meals	26	30,873			615	31,514	1,805	1,552	34,871	60,822
Depreciation and amortization	10,239	4,654	109	3,198	1,009	19,209	2,097	1,382	22,688	18,400
Miscellaneous	225	720		250	1,421	2,616	330	4,259	7,205	15,101
Occupancy	132,307	60,143	1,398	41,322	13,033	248,203	27,122	17,867	293,192	293,725
Annuity and pension expense (Note 9)						0	62,554		62,554	62,554
Repairs and maintenance	11,022	5,011	116	3,442	1,086	20,677	2,259	1,488	24,424	30,624
Utilities	7,933	3,606	84	2,478	781	14,882	2,200	1,071	18,153	21,760
Indirect fundraising expenses						0		31,298	31,298	21,754
Bad debt						0	10,000		10,000	0
Total	\$980,814	\$516,928	\$28,330	\$356,331	\$114,101	\$1,996,504	\$562,622	\$290,687	\$2,849,813	\$2,831,065

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

CHESS-IN-THE-SCHOOLS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(With comparative totals for the year ended June 30, 2016)

	6/30/17	6/30/16
Cash flows from operating activities:		
Change in net assets	\$513,349	(\$251,034)
Adjustments to reconcile change in net assets to net cash flows used for operating activities:		
Depreciation and amortization	22,688	18,400
Realized (gains)/losses on sale of investments	(59,286)	9
Unrealized (gains)/losses on sale of investments	(1,124,347)	314,514
Changes in assets and liabilities:		
Program fees receivable	7,305	(11,621)
Government grants receivable	(22,680)	(41,095)
Pledges receivable	173,784	(46,612)
Inventory	13,247	1,276
Prepaid expenses	24,574	(15,574)
Accounts payable and accrued expenses	61,525	(21,149)
Conditional contributions	50,000	(50,000)
Deferred rent	(11,734)	(5,532)
Total adjustments	(864,924)	142,616
Net cash flows used for operating activities	(351,575)	(108,418)
 Cash flows from investing activities:		
Sales of investments	2,376,102	1,007,789
Purchases of investments	(2,759,588)	(246,750)
Purchase of fixed assets	(38,979)	(2,527)
Net cash flows (used for)/provided by investing activities	(422,465)	758,512
 Net (decrease)/increase in cash and cash equivalents	(774,040)	650,094
 Cash and cash equivalents - beginning of year	1,114,008	463,914
 Cash and cash equivalents - end of year	\$339,968	\$1,114,008

No interest or income taxes were paid.

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

CHES-IN-THE-SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Nature of Entity

Chess-in-the-Schools, Inc. ("CIS") fosters the intellectual and social development of low-income youth through chess education.

CIS has been notified by the Internal Revenue Service that it is a not-for-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined in Section 509(a).

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements of CIS have been prepared on the accrual basis of accounting, which is the process of recording revenue, public support and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation

CIS reports information regarding its financial position and activities according to the following classes of net assets:

- *Unrestricted* – represents all activity without donor-imposed restrictions, as well as activity with donor-imposed restrictions that expire within the same period that the donation is received. The Board of Trustees has established a capital reserve, which is displayed as board designated.
- *Temporarily restricted* – represents activity based on specific donor restrictions that are expected to be satisfied by passage of time or performance of activities. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.
- *Permanently restricted* – represents activity restricted by donors that must remain intact in perpetuity.

CIS defines operations as all activity excluding income from investments.

c. Cash and Cash Equivalents

CIS considers liquid investments that have an initial maturity of three months or less to be cash and cash equivalents. However, amounts held by the investment custodian for long term purposes are included with investments.

d. Concentration of Credit Risk

Financial instruments that potentially subject CIS to concentration of credit risk consist of cash, money market accounts and investment securities, which are placed with financial institutions that management deems to be creditworthy. Investments are subject to market fluctuations and principal is not guaranteed. At year-end and at various times during the year, CIS had material uninsured balances. CIS has not experienced any losses due to the failure of any of these institutions.

e. Pledges Receivable

CIS records unconditional promises to give as revenue in the period received at net realizable value if expected to be received within one year, or at fair value using a risk adjusted discount rate of return if expected to be received after one year.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges receivable are reviewed for collectability based upon historical experience and factors related to specific donors. Based on this evaluation, no allowance is deemed necessary.

f. Investments

Investments with readily available market prices are reflected at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in income on the statement of activities as non-operating activities. See Note 4 for additional information.

g. Fixed Assets

Fixed assets to which CIS retains title and that benefit future periods are capitalized at cost, or if donated, at the estimated fair value at the time of donation.

Fixed assets consist of leasehold improvements, furniture, equipment and computers. Depreciation is charged over the assets' useful lives and lease terms using the straight-line method with a one-half year convention.

h. Deferred Rent

Rent expense is recorded on the straight-line basis over the life of the lease. Rent expense recognized in excess of cash payments, primarily due to free rent received at the beginning of the lease, is reflected as deferred rent. As future payments exceed the annual expense recognized, deferred rent will be reduced to zero by the end of the lease term.

i. Contributions

Contributions are recorded upon receipt of cash or at the time a pledge becomes unconditional in nature. Contributions restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. All other contributions are recorded as unrestricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. However, when a contribution has a restriction that is met in the period that the contribution is received, it is recorded as unrestricted.

- j. Management Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.
- k. Expense Allocation
The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of CIS.
- l. Summarized Comparative Information
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CIS's financial statements for the year ended June 30, 2016, from which the summarized information was derived.
- m. Accounting for Uncertainty of Income Taxes
CIS does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2014 and later are subject to examination by applicable taxing authorities.
- n. Subsequent Events
Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through January 25, 2018, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date, through our evaluation date that would require adjustment to or disclosure in the financial statements.
- o. New Accounting Pronouncement
On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*. The ASU, which becomes effective for the June 30, 2019 year, with early implementation permitted, focusses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the June 30, 2021 year, requires the full obligation of long term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

CIS has not yet evaluated the impact these new standards will have on future statements.

Note 3 - Pledges Receivable

Pledges receivable are due in the following years:

Year ending:	June 30, 2018	\$250,000
	June 30, 2019	<u>80,000</u>
		330,000
Less: adjustment to fair value		<u>(6,742)</u>
Total		<u>\$323,258</u>

Note 4 - Investments

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

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that CIS has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The following summarizes the composition of investments:

	<u>June 30, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money funds	\$1,616,155	\$0	\$0	\$1,616,155
Exchange-traded fund:				
Single currency	16,776	0	0	16,776
Stocks	5,004	0	0	5,004
Mutual funds:				
Diversified emerging markets	1,232,578	0	0	1,232,578
Large blend	2,550,901	0	0	2,550,901
Real estate	107,305	0	0	107,305
Foreign large blend	1,894,153	0	0	1,894,153
Large value	2,393,433	0	0	2,393,433
Single currency	17,054	0	0	17,054
Private investments	0	0	842,275	842,275
Real estate	0	0	458,519	458,519
Total	<u>\$9,833,359</u>	<u>\$0</u>	<u>\$1,300,794</u>	<u>\$11,134,153</u>

June 30, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money funds	\$221,327	\$0	\$0	\$221,327
Exchange-traded fund:				
Single currency	169,648	0	0	169,648
Stocks	1,174	0	0	1,174
Mutual funds:				
Diversified emerging markets	1,036,977	0	0	1,036,977
Large blend	3,047,426	0	0	3,047,426
Real estate	1,112,364	0	0	1,112,364
Foreign large blend	1,590,313	0	0	1,590,313
Large value	1,172,603	0	0	1,172,603
Single currency	173,323	0	0	173,323
Private investments	<u>0</u>	<u>0</u>	<u>1,041,879</u>	<u>1,041,879</u>
Total	<u>\$8,525,155</u>	<u>\$0</u>	<u>\$1,041,879</u>	<u>\$9,567,034</u>

Level 1 securities are valued at the closing price reported on the active market that they are traded on.

Level 2 securities are valued using observable market inputs for securities that are similar to those owned.

The valuation of certain private investments and hedge funds as of June 30, 2017 and 2016, are reported at fair value utilizing the net asset values provided by fund managers as a practical expedient. While the net asset values utilize significant unobservable inputs (level 3), management reviews and evaluates the values provided by the fund managers and agrees with the valuation methods and assumptions used in determining the fair value. Other private investments are valued using outside appraisals conducted by third party appraisers.

Those methods produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements.

Changes in Level 3 investments are as follows:

	<u>6/30/17</u>	<u>6/30/16</u>
Beginning balance	\$1,041,879	\$1,192,284
Reinvested income	71,474	0
Transfers out	(12,018)	0
Unrealized gain/(loss)	<u>199,459</u>	<u>(150,405)</u>
Total	<u>\$1,300,794</u>	<u>\$1,041,879</u>

Note 5 - Fixed Assets

Fixed assets consist of:

	<u>6/30/17</u>	<u>6/30/16</u>
Leasehold improvements	\$1,111,168	\$1,111,168
Computers and equipment	305,820	266,841
Furniture and fixtures	<u>120,541</u>	<u>120,541</u>
	1,537,529	1,498,550
Less: accumulated depreciation and amortization	<u>(1,391,376)</u>	<u>(1,368,688)</u>
Net fixed assets	<u>\$146,153</u>	<u>\$129,862</u>

Note 6 - Temporarily Restricted Net Assets

The following schedule summarizes temporarily restricted net assets:

	<u>June 30, 2017</u>			
	Net Assets <u>7/1/16</u>	Contributions/ Other Changes	Released from Restrictions	Net Assets <u>6/30/17</u>
School program	\$60,000	\$0	(\$60,000)	\$0
Website	0	50,000	(20,000)	30,000
Time restrictions	150,000	0	(75,000)	75,000
Endowment	<u>108,109</u>	<u>35,275</u>	<u>(12,037)</u>	<u>131,347</u>
Total	<u>\$318,109</u>	<u>\$85,275</u>	<u>(\$167,037)</u>	<u>\$236,347</u>

	<u>June 30, 2016</u>			
	Net Assets <u>7/1/15</u>	Contributions/ Other Changes	Released from Restrictions	Net Assets <u>6/30/16</u>
School program	\$0	\$60,000	\$0	\$60,000
Time restrictions	0	150,000	0	150,000
Endowment	<u>100,550</u>	<u>7,559</u>	<u>0</u>	<u>108,109</u>
Total	<u>\$100,550</u>	<u>\$217,559</u>	<u>\$0</u>	<u>\$318,109</u>

Note 7 - Permanently Restricted Net Assets

The endowment consists of an individual donor-restricted fund, the Karff Fund, which was established in November 1998 for the purpose of funding the Edward Lasker Memorial Prizes to be awarded by the Marshall Chess Club. The endowment includes earnings from investment gains that have not yet been appropriated by the Board of Trustees.

Interpretation of Relevant Law

CIS follows the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Board of Trustees of CIS has interpreted NYPMIFA as requiring certain amounts to

be retained permanently. Absent explicit donor stipulations to the contrary, CIS will preserve the fair value of the original gift as of the gift date of all donor-restricted endowment funds. However, under certain circumstances, CIS has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, CIS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Absent any specific donor-stipulations, when endowment funds have earnings in excess of amounts that need to be retained permanently, these excess amounts are classified as temporarily restricted net assets until appropriated for expenditure by the organization's governing board. The endowment agreement specifies that the amount to be paid out from the fund each year is the lesser of the prior year's net income or 5% of the total value of the fund at the beginning of the year, if requested.

Spending Policies

In accordance with NYPMIFA, CIS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of CIS and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of CIS;
- (7) The investment policies of CIS;
- (8) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on CIS.

Changes in endowment net assets are as follows:

	<u>June 30, 2017</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$0	\$108,109	\$100,000	\$208,109
Reinvested income	0	26,243	0	26,243
Awards	0	(12,037)	0	(12,037)
Realized gain	0	751	0	751
Unrealized gain	<u>0</u>	<u>8,281</u>	<u>0</u>	<u>8,281</u>
Endowment net assets, end of year	<u>\$0</u>	<u>\$131,347</u>	<u>\$100,000</u>	<u>\$231,347</u>

	<u>June 30, 2016</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$0	\$100,550	\$100,000	\$200,550
Reinvested income	0	19,357	0	19,357
Unrealized loss	<u>0</u>	<u>(11,798)</u>	<u>0</u>	<u>(11,798)</u>
Endowment net assets, end of year	<u>\$0</u>	<u>\$108,109</u>	<u>\$100,000</u>	<u>\$208,109</u>

Endowment Investment Policies

CIS has adopted an investment policy for endowment assets that relies on the accumulation of interest, dividends and other market value gains for future appropriation.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires CIS to retain as a fund of perpetual duration. There were no such deficiencies as of June 30,

Note 8 - Commitments and Contingencies

On January 8, 2011, CIS entered into a non-cancelable lease extension agreement for office space which expires in 2020. Future minimum payments, excluding utilities and other escalations, under the lease are as follows:

Year ending:	June 30, 2018	\$288,213
	June 30, 2019	294,698
	June 30, 2020	<u>148,988</u>
Total		<u>\$731,899</u>

Note 9 - Special Events

The following is the breakdown of the special fundraising events:

	<u>6/30/17</u>	<u>6/30/16</u>
Gross revenue	\$703,801	\$1,135,779
Less: expenses with a direct benefit to donors	<u>(35,855)</u>	<u>(50,135)</u>
	667,946	1,085,644
Less: other event expenses	<u>(31,298)</u>	<u>(21,754)</u>
Total	<u>\$636,648</u>	<u>\$1,063,890</u>

Note 10 - Employee Benefits

CIS sponsors a tax-deferred annuity plan that is qualified under Section 403(b) of the Internal Revenue Code. The plan covers all full-time employees, who can make

contributions up to the maximum statutory amount. CIS contributed \$16,000 to the plan during 2017.

Additionally, in 1991, CIS entered into a deferred compensation agreement with a former executive director. Under the terms of that agreement, CIS pays that individual approximately \$63,000 annually, representing 50% of their average salary during the 36 months prior to their retirement. As per the terms of the agreement, the deferred compensation is not funded and is paid out of operating funds.

Note 11 - Significant Concentrations

CIS receives funding from the New York City Department of Education and the New York City Department of Youth and Community Development to operate its major programs. Total funding from these two government agencies amount to 35% of total revenue for the year ended June 30, 2017.

Approximately 73% of outstanding pledges are from one donor.