

OPPORTUNITIES FOR BROOME, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
AND FOR THE YEARS THEN ENDED**

OPPORTUNITIES FOR BROOME, INC.

DECEMBER 31, 2015 AND 2014

C O N T E N T S

	<u>P A G E</u>
Independent Auditor's Report	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7 - 8
Notes to Financial Statements	9 - 26
Schedule of Expenditures of Federal Awards	27
Notes to Schedule of Expenditures of Federal Awards	28
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	29 - 30
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	31 - 32
Schedule of Findings and Questioned Costs	33
OTHER INFORMATION	
Schedule I - Reconciliation of Head Start Program Expenses to Financial Status Report (Form SF-425), Unaudited	34

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Opportunities for Broome, Inc.
Binghamton, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Opportunities for Broome, Inc. (a nonprofit organization), which comprise statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**INDEPENDENT AUDITOR'S REPORT
(CONTINUED)**

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Opportunities for Broome, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2016 on our consideration of Opportunities for Broome, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Opportunities for Broome, Inc.'s internal control over financial reporting and compliance.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information presented in Schedule I - Reconciliation of Head Start Program Expenses to Financial Status Report (Form SF-425), Unaudited, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Davidson, Fox & Company, LLP

Binghamton, New York
June 14, 2016

OPPORTUNITIES FOR BROOME, INC.

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014**

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 311,850	\$ 427,458
Security deposit cash	19,736	17,264
Restricted cash	57,000	57,000
Agency cash	1,804	4,227
Receivables		
Program receivables	31,376	31,474
Grants receivable	158,084	407,924
Rents receivable, less allowance of \$2,000, respectively	13,088	11,248
Other receivable	1,180	2,101
Due from affiliate	6,150	14,068
Prepaid expenses	<u>27,375</u>	<u>33,824</u>
TOTAL CURRENT ASSETS	<u>627,643</u>	<u>1,006,588</u>
 PROPERTY AND EQUIPMENT		
Land	811,434	798,911
Buildings and improvements	11,018,653	7,955,660
Furniture and equipment	481,042	492,793
Vehicles	<u>236,403</u>	<u>549,206</u>
	12,547,532	9,796,570
Less: accumulated depreciation	<u>(2,767,059)</u>	<u>(2,795,783)</u>
Property and equipment, net	<u>9,780,473</u>	<u>7,000,787</u>
 Construction in progress	<u>201,941</u>	<u>3,042,978</u>
TOTAL PROPERTY AND EQUIPMENT	<u>9,982,414</u>	<u>10,043,765</u>
	<u>\$ 10,610,057</u>	<u>\$ 11,050,353</u>

See accompanying notes to financial statements

LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 56,021	\$ 55,516
Line of credit	76,685	87,619
Accounts payable	40,929	343,898
Accrued expenses	87,363	141,494
Grant advance	2,201	12,254
Security deposits	19,736	17,264
Construction retainage	40,462	40,162
Amounts held on behalf of other organizations	<u>1,804</u>	<u>4,227</u>
TOTAL CURRENT LIABILITIES	<u>325,201</u>	<u>702,434</u>
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	477,177	533,206
Unfunded pension obligation	<u>155,854</u>	<u>196,461</u>
TOTAL LONG-TERM LIABILITIES	<u>633,031</u>	<u>729,667</u>
NET ASSETS		
Unrestricted	9,593,613	9,560,922
Temporarily restricted	<u>58,212</u>	<u>57,330</u>
TOTAL NET ASSETS	<u>9,651,825</u>	<u>9,618,252</u>
	\$ <u>10,610,057</u>	\$ <u>11,050,353</u>

OPPORTUNITIES FOR BROOME, INC.

**STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015		
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grant revenues	\$ 2,879,838	\$ 2,510	\$ 2,882,348
Program service revenue			
Universal Pre-kindergarten	268,424	-	268,424
Other programs	4,725	-	4,725
Rent income			
US Department of HUD - Shelter Plus Care	162,579	-	162,579
Tenants	256,406	-	256,406
Interest income	185	-	185
In-kind revenue	235,084	-	235,084
Fundraising income	43,677	-	43,677
Other income	40,267	-	40,267
Loss on disposal of capital assets	<u>(32,447)</u>	<u>-</u>	<u>(32,447)</u>
TOTAL SUPPORT AND REVENUE	<u>3,858,738</u>	<u>2,510</u>	<u>3,861,248</u>
Net assets released from restrictions	<u>1,628</u>	<u>(1,628)</u>	<u>-</u>
	<u>3,860,366</u>	<u>882</u>	<u>3,861,248</u>
EXPENSES			
Program services	3,397,401	-	3,397,401
Support services	<u>436,243</u>	<u>-</u>	<u>436,243</u>
TOTAL EXPENSES	<u>3,833,644</u>	<u>-</u>	<u>3,833,644</u>
Net result of revenues and expenses	26,722	882	27,604
Pension-related changes other than net-periodic pension expenses	<u>5,969</u>	<u>-</u>	<u>5,969</u>
TOTAL CHANGE IN NET ASSETS	32,691	882	33,573
NET ASSETS, beginning	<u>9,560,922</u>	<u>57,330</u>	<u>9,618,252</u>
NET ASSETS, ending	\$ <u>9,593,613</u>	\$ <u>58,212</u>	\$ <u>9,651,825</u>

See accompanying notes to financial statements

2014

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 4,969,259	\$ 1,525	\$ 4,970,784
209,376	-	209,376
11,205	-	11,205
166,104	-	166,104
233,012	-	233,012
169	-	169
302,974	-	302,974
45,390	-	45,390
11,433	-	11,433
<u>(56,747)</u>	<u>-</u>	<u>(56,747)</u>
<u>5,892,175</u>	<u>1,525</u>	<u>5,893,700</u>
<u>1,778</u>	<u>(1,778)</u>	<u>-</u>
<u>5,893,953</u>	<u>(253)</u>	<u>5,893,700</u>
3,316,720	-	3,316,720
<u>425,902</u>	<u>-</u>	<u>425,902</u>
<u>3,742,622</u>	<u>-</u>	<u>3,742,622</u>
2,151,331	(253)	2,151,078
<u>(187,304)</u>	<u>-</u>	<u>(187,304)</u>
1,964,027	(253)	1,963,774
<u>7,596,895</u>	<u>57,583</u>	<u>7,654,478</u>
\$ <u>9,560,922</u>	\$ <u>57,330</u>	\$ <u>9,618,252</u>

OPPORTUNITIES FOR BROOME, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Services					Support Services			2015 Total		
	Head Start	Universal Pre-K	Housing	Childcare	Other Programs	Total Programs	Management & General	Fundraising			Total Support
(1) Salaries and wages	\$ 950,774	\$ 183,170	\$ 101,646	\$ 18,968	\$ 212,040	\$ 1,466,598	\$ 255,604	\$ 2,500	\$ 258,104	\$ 1,724,702	(1)
(2) Payroll taxes/fringe benefits	271,688	45,895	36,388	2,732	65,154	421,857	57,124	291	57,415	479,272	(2)
(3) Direct assistance to individuals	-	-	-	-	18,129	18,129	-	-	-	18,129	(3)
Supplies:											
(4) Food	15,454	1,950	2,255	113,609	916	134,184	98	-	98	134,282	(4)
(5) Office	12,374	1,165	8,599	26	1,717	23,881	4,273	-	4,273	28,154	(5)
(6) Program	41,270	773	400	1,269	1,628	45,340	-	-	-	45,340	(6)
(7) Telephone	7,206	1,779	3,495	-	3,993	16,473	3,794	-	3,794	20,267	(7)
(8) Postage and shipping	1,215	21	1,084	-	435	2,755	943	14	957	3,712	(8)
(9) Insurance	47,035	3,325	21,621	563	12,376	84,920	453	-	453	85,373	(9)
(10) Occupancy costs	96,645	9,046	148,311	1,855	15,845	271,702	10,248	-	10,248	281,950	(10)
(11) Operating expenses	7,101	170	3,512	-	2,473	13,256	233	-	233	13,489	(11)
(12) Vehicle expenses	18,890	733	6,443	-	2,751	28,817	722	-	722	29,539	(12)
(13) Transportation services	176,350	12,340	-	-	-	188,690	-	-	-	188,690	(13)
(14) Advertising and promotion	4,732	186	282	-	77	5,277	683	-	683	5,960	(14)
(15) Travel	9,856	195	15	-	1,959	12,025	2,410	-	2,410	14,435	(15)
(16) Professional development	25,740	72	902	-	5,866	32,580	1,990	-	1,990	34,570	(16)
(17) Dues and subscriptions	412	338	1,128	-	1,471	3,349	(35)	-	(35)	3,314	(17)
(18) Professional fees	37,451	3,839	8,157	74	8,694	58,215	45,040	28,789	73,829	132,044	(18)
(19) Interest expense	10,588	-	-	-	7,059	17,647	4,183	-	4,183	21,830	(19)
(20) Service fees	329	93	1,389	-	(79)	1,732	321	89	410	2,142	(20)
(21) Miscellaneous expense	-	-	-	-	-	-	-	6,185	6,185	6,185	(21)
(22) Sub-total	1,735,110	265,090	345,627	139,096	362,504	2,847,427	388,084	37,868	425,952	3,273,379	(22)
(23) In-kind expenditures	218,224	-	-	-	1,805	220,029	-	-	-	220,029	(23)
(24) In-kind interest	-	-	15,055	-	-	15,055	-	-	-	15,055	(24)
(25) Depreciation expense	75,891	-	229,584	-	9,415	314,890	10,291	-	10,291	325,181	(25)
(26) Total expenses	\$ <u>2,029,225</u>	\$ <u>265,090</u>	\$ <u>590,266</u>	\$ <u>139,096</u>	\$ <u>373,724</u>	\$ <u>3,397,401</u>	\$ <u>398,375</u>	\$ <u>37,868</u>	\$ <u>436,243</u>	\$ <u>3,833,644</u>	(26)

See accompanying notes to financial statements

OPPORTUNITIES FOR BROOME, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Services					Support Services			2014 Total		
	Head Start	Universal Pre-K	Housing	Childcare	Other Programs	Total Programs	Management & General	Fundraising		Total Support	
(1) Salaries and wages	\$ 867,247	\$ 131,241	\$ 90,729	\$ 21,752	\$ 194,878	\$ 1,305,847	\$ 233,808	\$ 1,014	\$ 234,822	\$ 1,540,669	(1)
(2) Payroll taxes/fringe benefits	247,023	30,892	39,792	3,067	55,616	376,390	51,275	-	51,275	427,665	(2)
(3) Direct assistance to individuals	-	-	8	-	17,580	17,588	-	-	-	17,588	(3)
Supplies:											
(4) Food	13,530	2,099	4,474	111,965	713	132,781	1,355	227	1,582	134,363	(4)
(5) Office	14,402	475	7,385	50	4,730	27,042	4,512	-	4,512	31,554	(5)
(6) Program	14,016	852	-	124	1,778	16,770	-	-	-	16,770	(6)
(7) Telephone	15,497	529	1,893	-	3,105	21,024	1,974	-	1,974	22,998	(7)
(8) Postage and shipping	2,188	-	1,157	-	525	3,870	263	-	263	4,133	(8)
(9) Insurance	44,356	3,054	16,752	1,104	11,306	76,572	755	-	755	77,327	(9)
(10) Occupancy costs	98,990	5,829	161,164	3,254	28,450	297,687	14,093	-	14,093	311,780	(10)
(11) Operating expenses	11,479	694	1,652	-	2,440	16,265	843	-	843	17,108	(11)
(12) Vehicle expenses	43,180	1,291	6,147	96	7,543	58,257	2,336	36	2,372	60,629	(12)
(13) Transportation services	297,976	13,151	-	-	-	311,127	-	-	-	311,127	(13)
(14) Advertising and promotion	10,828	90	200	-	-	11,118	-	-	-	11,118	(14)
(15) Travel	3,752	99	710	5	4,255	8,821	3,584	-	3,584	12,405	(15)
(16) Professional development	23,863	460	1,116	211	6,831	32,481	6,068	-	6,068	38,549	(16)
(17) Dues and subscriptions	608	157	2,038	-	1,410	4,213	-	-	-	4,213	(17)
(18) Professional fees	18,470	1,108	9,254	87	3,625	32,544	38,176	27,507	65,683	98,227	(18)
(19) Interest expense	15,337	-	43	-	9,742	25,122	5,718	-	5,718	30,840	(19)
(20) Service fees	773	49	1,259	-	187	2,268	389	46	435	2,703	(20)
(21) Miscellaneous expense	-	-	400	-	-	400	-	-	-	400	(21)
(22) Sub-total	1,743,515	192,070	346,173	141,715	354,714	2,778,187	365,149	28,830	393,979	3,172,166	(22)
(23) In-kind expenditures	268,361	-	-	-	1,415	269,776	-	-	-	269,776	(23)
(24) In-kind interest	-	-	18,198	-	-	18,198	-	-	-	18,198	(24)
(25) Depreciation expense	87,831	-	162,728	-	-	250,559	31,923	-	31,923	282,482	(25)
(26) Total expenses	\$ 2,099,707	\$ 192,070	\$ 527,099	\$ 141,715	\$ 356,129	\$ 3,316,720	\$ 397,072	\$ 28,830	\$ 425,902	\$ 3,742,622	(26)

See accompanying notes to financial statements

OPPORTUNITIES FOR BROOME, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 33,573	\$ 1,963,774
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in funded status of defined benefit pension plan	(40,607)	133,019
Depreciation and amortization	325,180	282,482
Donated capital assets	-	(15,000)
Loss on disposal of capital assets	7,447	56,747
(Increase) decrease in		
Program receivables	98	(12,283)
Grants receivable	249,840	(118,608)
Rents receivable	(1,840)	11,408
Other receivable	921	(798)
Due from affiliate	7,918	(1,184)
Prepaid expenses	6,449	(7,986)
Increase (decrease) in		
Accounts payable	(302,969)	238,708
Accrued expenses	(54,131)	(32,968)
Grant advances	(10,053)	(6,927)
	<u>221,826</u>	<u>2,490,384</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of assets	25,000	46,764
Purchases of property, equipment and construction in progress	(296,276)	(2,323,330)
Construction retainage	300	(19,168)
Security deposits	2,472	(21)
	<u>(268,504)</u>	<u>(2,295,755)</u>
NET CASH USED IN INVESTING ACTIVITIES		
		(Continued)

See accompanying notes to financial statements

OPPORTUNITIES FOR BROOME, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on long-term debt	-	354,781
Principal payments on line of credit	(10,934)	(10,089)
Principal payments on long-term debt obligations	<u>(55,524)</u>	<u>(446,314)</u>
 NET CASH USED IN FINANCING ACTIVITIES	 <u>(66,458)</u>	 <u>(101,622)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (113,136)	 93,007
 CASH AND CASH EQUIVALENTS, beginning	 <u>444,722</u>	 <u>351,715</u>
 CASH AND CASH EQUIVALENTS, ending	 \$ <u>331,586</u>	 \$ <u>444,722</u> (Concluded)

See accompanying notes to financial statements

OPPORTUNITIES FOR BROOME, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

ORGANIZATION

Nature of Business

Opportunities for Broome, Inc. (the Organization) is a non-profit organization, and an affiliate of the Community Action Partnership. Established as an advocate for the poor and disadvantaged residents of Broome County, the Organization accomplishes its objective by planning, creating, implementing and evaluating programs serving the needs of such individuals. Through the combination of community involvement and coordination with established agencies, Opportunities for Broome, Inc. helps eligible participants achieve economic independence and self-respect.

Through a Federal grant from the U.S. Department of Health and Human Services, Opportunities for Broome, Inc. administers Head Start programs for early childhood development. The Organization also owns and manages several multi-family housing buildings that are rented to low-income Broome County residents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

In accordance with generally accepted accounting principles the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Basis of Accounting

Opportunities for Broome, Inc. uses the accrual method of accounting, recognizing revenues as earned and expenses as incurred, and conforms to standards of accounting and reporting appropriate to not-for-profit organizations.

Cash and Cash Equivalents

Opportunities for Broome, Inc. considers all unrestricted cash on hand, deposits and securities with maturities of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements. Estimates also affect the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

OPPORTUNITIES FOR BROOME, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Rents Receivable

Rents receivable are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off. Based on management's evaluation of uncollected accounts and rents receivable at the end of each year, bad debts are provided for on the allowance method.

Details of rents receivable as of December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Rents receivable	\$ 15,088	\$ 13,248
Allowance for doubtful accounts	<u>(2,000)</u>	<u>(2,000)</u>
Rents receivable, net	\$ <u>13,088</u>	\$ <u>11,248</u>

Allowance for Doubtful Accounts

The Organization uses the allowance method to account for uncollectible rents receivable. Rents receivable are presented net of an allowance for doubtful accounts of \$2,000 as of December 31, 2015 and 2014. Management estimates the reserve for uncollectible rents for specific tenant accounts that they believe will not likely be collected. The Organization considers all other accounts and grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is reflected for these receivables.

Property, Equipment and Depreciation

Property and equipment are stated at cost. Expenditures for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Donated equipment is initially recorded at fair market value. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is included in income. Depreciation is computed on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Vehicles	5
Furniture and equipment	3 - 10
Building and improvements	7 - 40

The provision for depreciation and amortization was \$325,181 and \$282,482 as of December 31, 2015 and 2014, respectively.

OPPORTUNITIES FOR BROOME, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials, Services and Property and Equipment

Donations of materials, supplies, property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, Opportunities for Broome, Inc. reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Opportunities for Broome, Inc. reclassifies temporarily restricted net assets to unrestricted net assets at that time. Donated playground, equipment, educational materials, and other donated non-cash items totaled \$33,901 and \$18,915 for the years ended December 31, 2015 and 2014, respectively.

Donated services are recognized as contributions in accordance with generally accepted accounting principles, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The value of donated services, program materials and interest reported in the financial statements as in-kind contributions and corresponding in-kind expenses for years ended December 31, 2015 and 2014 was \$201,182 and \$284,059, respectively.

The Organization also received donations of non-professional volunteer services valued at \$98,255 and \$113,185 as of December 31, 2015 and 2014, respectively. These amounts are not reportable for financial statement purposes, but are included in financial reports to federal agencies.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

Grant support is recorded as revenue in the year in which it is received by the Organization unless the grantor specifies that it is to be used in another year. In such case, the Organization records a refundable grant advance and does not recognize income until the time or purpose restrictions are met. During the current year, the Organization received grant monies to be expended for specific costs. The amounts expended are reflected in program functional expenses. When the grantor receives no direct or indirect benefit from making the grant the transaction is referred to as a non-reciprocal transfer of funds and is recorded as a contribution.

OPPORTUNITIES FOR BROOME, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Program revenue is recorded in accordance with the grant contracts. Adjustments to these contracts can be made retroactively by the various funding agencies. Any such adjustments would be recorded by the Organization in the year of notification.

Income Tax Status

Opportunities for Broome, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Organization is not liable for Federal or New York State corporate income taxes or for Federal unemployment insurance.

With few exceptions, the Organization is no longer subject to federal and state income tax examinations by the tax authorities for years before 2012.

Advertising

Opportunities for Broome, Inc. follows the policy of charging the cost of advertising to expense as incurred. Advertising expense was \$5,960 and \$11,118 for the years ended December 31, 2015 and 2014, respectively.

Functional Allocation of Expenses

The costs of providing program and supportive services have been summarized on a functional basis in the Statement of Activities and Functional Expenses. Accordingly, certain costs have been allocated among the programs and supportive services benefited.

Reclassifications

Certain amounts from the 2014 financial statements have been reclassified to conform to the 2015 presentation. These reclassifications had no impact on the total assets, liabilities, net assets or change in net assets.

Subsequent Events

The Organization has evaluated events and transactions that have occurred between January 1, 2016 and June 14, 2016, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. No significant subsequent events have been noted to have occurred within this time period.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

Opportunities for Broome, Inc. maintains its cash balances in various accounts at one financial institution located in Binghamton, New York. All interest bearing and noninterest bearing accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for 2015 and 2014. At December 31, 2015 and 2014, the Organization's uninsured cash balances totaled \$0- and \$251,830, respectively.

OPPORTUNITIES FOR BROOME, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 3 - RESTRICTED SAVINGS

Under the terms of two grants, which were used for renovation of three of the Organization's low income housing properties, restricted funds are to be maintained in separate savings accounts for replacement and operating reserves for these properties. The total amount restricted for replacement and operating reserves was \$57,000 for the years ended December 31, 2015 and 2014, respectively. In addition, \$7,000 is being held by the New York State Homeless Housing and Assistance Corporation under the Homeless Housing Assistance Program (HHAP) for future operational or fixed asset replacements.

NOTE 4 - GRANTS RECEIVABLE

Grants receivable consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
New York State Homeless Housing Assistance Corporation	\$ 62,121	\$ 327,814
Child and Adult Care Food Program (CACFP)	14,649	12,420
City of Binghamton – HOME Investment Partnership - 27 Pine	23,756	-
New York State Supportive Housing Program (NYSSHP)	17,700	15,706
Head Start	<u>39,858</u>	<u>51,984</u>
Total	\$ <u>158,084</u>	\$ <u>407,924</u>

Management considers all grants receivable to be fully collectible as of December 31, 2015.

NOTE 5 - RELATED PARTY TRANSACTIONS

The Organization has an agreement with East Hills Senior Living Limited Partnership (East Hills), a company related through common governance and management, to be paid a management fee equaling 5% of gross rental receipts earned by East Hills during the year. Pursuant to this agreement, the Organization provides accounting and management services to conduct the day-to-day operations of the senior living community.

The Organization earned \$9,448 and \$8,784 for the management of East Hills during December 31, 2015 and 2014, respectively.

The Organization received \$48,121 and \$44,444 from East Hills as reimbursement for costs incurred for management related expenses during December 31, 2015 and 2014, respectively; and has amounts receivable from East Hills of \$6,150 and \$14,068 as of December 31, 2015 and 2014, respectively.

OPPORTUNITIES FOR BROOME, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

NOTE 6 - SHORT-TERM FINANCING

Lines of Credit

The Organization has a \$100,000 line of credit with a local lending institution to be drawn upon as needed. Interest on outstanding borrowings is payable monthly at a fixed rate of 6.0% at December 31, 2015 and 2014. There were no outstanding balances on the line at December 31, 2015 and 2014. The line of credit is secured by a building and land.

The Organization has a \$150,000 building equity line of credit with a local lending institution. Interest on outstanding borrowings is payable monthly at a fixed rate of 5.0% at December 31, 2015 and 2014. The line of credit is secured by a building, land, and related rent income earned and matures October 2021. The Organization renewed the agreement in April 2014 with a change of effective interest rate from 6.0% to 5.0%. Borrowings against this line totaled \$76,685 and \$87,619 at December 31, 2015 and 2014, respectively.

NOTE 7 - LONG-TERM DEBT

Long-term debt consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Mortgage payable on 48 Griswold in the original amount of \$135,000, to a private lender in 180 monthly installments of \$750, including gifted interest at 7.0%, due in 2020. This mortgage is collateralized by seven residential buildings.	\$ 38,251	\$ 47,251
Mortgage payable on 46 Griswold in the original amount of \$75,000, to a private lender in 180 monthly installments of \$417, including gifted interest at 7.0%, due in 2020. This mortgage is collateralized by seven residential buildings.	21,268	26,266
Mortgage payable on 27 Pine in the original amount of \$135,000, to a private lender in 180 monthly installments of \$750, including gifted interest at 7.0%, due in 2020. This mortgage is collateralized by seven residential buildings.	38,251	47,251
Mortgage payable on 8-8½ Cypress in the original amount of \$58,000, to a private lender in 180 monthly installments of \$323, including gifted interest at 7.0%, due in 2020. This mortgage is collateralized by seven residential buildings.	16,397	20,267
Mortgage payable on 120 Walnut in the original amount of \$58,000, to a private lender in 180 monthly installments of \$323, including gifted interest at 7.0%, due in 2020. This mortgage is collateralized by seven residential buildings.	16,398	20,268

OPPORTUNITIES FOR BROOME, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 7 - LONG-TERM DEBT (Continued)

	<u>2015</u>	<u>2014</u>
Mortgage payable on 88-90 Carroll in the original amount of \$212,450, to a private lender in 180 monthly installments of \$1,180, including gifted interest at 7.0%, due in 2020. This mortgage is collateralized by seven residential buildings.	60,182	74,347
Mortgage payable on 5 West State, in the original amount of \$354,781, to a local lending institution in 120 monthly installments of \$2,356, including interest at 5%. The interest rate is to adjust every 5 years based on Federal Home Loan Rate, plus a margin of 3%. A final balloon payment is due in 2024. This mortgage is collateralized by a building and land.	<u>342,451</u>	<u>353,072</u>
Total long-term debt	533,198	588,722
Less: current portion of long-term debt	<u>(56,021)</u>	<u>(55,516)</u>
Long-term debt	\$ <u>477,177</u>	\$ <u>533,206</u>

Maturities of long-term debt are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2016	\$ 56,021
2017	56,904
2018	57,518
2019	351,320
2020	<u>11,435</u>
Total	\$ <u>533,198</u>

Opportunities for Broome, Inc.'s loans and line of credit agreements contain various restrictions and covenants. The more pertinent of these restrictions require the delivery of annual audited financial statements within 120 days of the close of the fiscal year. For the years ended December 31, 2015 and 2014, the financial institution has waived this requirement. Further, the Organization is required to maintain a minimum debt service ratio of 1.0 to 1.5 for the year ended December 31, 2015. As of December 31, 2015, the Organization was in compliance with this requirement.

OPPORTUNITIES FOR BROOME, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 7 - LONG-TERM DEBT (Continued)

The total carrying amount of assets representing collateral for long-term debts was approximately \$1,952,000 as of December 31, 2015 of which approximately \$374,000 was included in land and \$1,578,000 was included in buildings and improvements.

NOTE 8 - LEASE COMMITMENTS

Operating Leases

The Organization entered into a lease agreement, renewed annually, for classroom space, gymnasium usage and outside playground usage for its Windsor Head Start location within the Windsor Central School District. The lease called for monthly payments \$852. From July 2015 to June 2016, Windsor Central School District is providing rent and professional development as in-kind services and valued per appraisal.

Total rent expense under operating lease amounted to \$-0- and \$5,112 for the years ended December 31, 2015 and 2014, respectively.

NOTE 9 - ASSETS HELD ON BEHALF OF OTHER ORGANIZATIONS

During November 2012, the Endicott, Whitney Point, Palmer and Harpursville Head Start Parent Committees transferred their funds to the Organization to manage. Opportunities for Broome, Inc. provides bookkeeping services for the Parent Committees. The Organization deposits funds raised by the committees, and writes checks for disbursements approved by the committees.

The Organization receives no compensation for providing this service. At December 31, 2015 and 2014, the Organization held \$1,804 and \$4,227 for the parent committees, respectively.

NOTE 10 - GRANT AND CONTRIBUTION REVENUES

Grant and contribution revenues consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Head Start	\$ 2,065,668	\$ 2,105,930
New York State Supportive Housing (NYSSHP)	66,000	66,000
City of Binghamton	87,591	27,803
Child and Adult Care Food Program (CACFP)	138,179	130,226
Community Service Block Grant (CSBG)	332,744	337,270
Emergency Food & Shelter National Board Program	16,140	15,360
New York State Homeless Housing Assistance Corporation	98,184	2,286,278
Other grants and contributions	<u>77,842</u>	<u>1,917</u>
Total	\$ <u>2,882,348</u>	\$ <u>4,970,784</u>

OPPORTUNITIES FOR BROOME, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

NOTE 11 - 401(k) SAVINGS PLAN

Effective June 1, 2001, the Organization adopted a 401(k) profit sharing plan. Employees of the Organization may elect to participate in the Organization's profit sharing plan created in accordance with Internal Revenue Code Section 401(k). All employees who have attained age 21, and completed at least one year and 1,000 hours of continuous service are eligible to participate. Employees may elect to contribute a portion of their compensation up to the maximum allowable under IRC section 401(k). Participants are eligible to receive a matching employer contribution up to 4% upon becoming eligible to participate in the Plan. The employer's matching contributions are at the discretion of the Organization. In addition, the employer may make a discretionary contribution which is allocated to eligible employees who are currently participating in the plan. An employee is eligible for a discretionary contribution regardless of hours of service.

Effective November 1, 2015, the Organization amended and restated their 401(k) profit sharing plan. Employees other than non-resident aliens and those who work on a per diem basis of the Organization may elect to participate in the Organization's profit sharing plan created in accordance with Internal Revenue Code Section 401(k). All employees are eligible for the elective deferral one month after their date of hire. Employees may elect to contribute a portion of their compensation up to the maximum allowable under IRC section 401(k). Participants are eligible to receive a matching employer contribution up to 4% upon having attained age 21 and completed at least one year of service. In addition, the employer may make a discretionary profit sharing contribution which is allocated to eligible employees regardless of whether they are contributing to the plan.

Employer retirement plan contributions for 2015 were \$29,323 for program service employees and \$8,999 for administrative employees. Employer retirement plan contributions for 2014 were \$31,654 for program service employees and \$7,999 for administrative employees.

NOTE 12 - DEFINED BENEFIT PENSION PLAN (AND FROZEN STATUS)

The Organization sponsors a qualified, non-contributory defined benefit pension plan for eligible employees. During 2008, the Board of Directors voted to freeze the Plan for any new entrants and to cease the accrual of future benefits for active participants. These changes were effective December 31, 2008. The Plan operates on a calendar year basis and is normally funded on a current basis.

The measurement date for net periodic pension cost and various disclosure items is December 31, 2015.

Net periodic pension cost of the years ended December 31, 2015 and 2014, consists of the following:

	<u>2015</u>	<u>2014</u>
Interest cost of the projected benefit obligation	\$ 36,973	\$ 39,946
Actual return on plan assets	29,709	(39,262)
Net amortization of unrecognized transitional net assets		
And asset loss deferral	(47,287)	3,851
Recognition of settlement loss	<u>39,383</u>	<u>36,677</u>
Net periodic pension cost	\$ <u>58,778</u>	\$ <u>41,212</u>

OPPORTUNITIES FOR BROOME, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 12 - DEFINED BENEFIT PENSION PLAN (AND FROZEN STATUS) (Continued)

Pension Plan Obligations and Funded Status as of December 31:

	<u>2015</u>	<u>2014</u>
Projected benefit obligation	\$ (843,265)	\$ (933,252)
Fair value of plan assets	<u>687,411</u>	<u>736,791</u>
Funded status	\$ <u>(155,854)</u>	\$ <u>(196,461)</u>
Accumulated benefit obligation	\$ <u>843,265</u>	\$ <u>933,252</u>
Employer contributions	\$ <u>93,416</u>	\$ <u>95,497</u>
Benefits paid	\$ <u>113,087</u>	\$ <u>155,624</u>

Amounts Recognized in the Statement of Activities for years ended December 31:

	<u>2015</u>	<u>2014</u>
Plan net loss (gain)	\$ (99,385)	\$ 91,807
Transition amount	-	-
Other changes	<u>93,416</u>	<u>95,497</u>
Total pension-related changes other than net-periodic pension cost	(5,969)	187,304
Net periodic pension cost	<u>58,778</u>	<u>41,212</u>
	\$ <u>52,809</u>	\$ <u>228,516</u>

Amounts Recognized in the Statement of Financial Position at December 31:

	<u>2015</u>	<u>2014</u>
Unfunded pension liability	\$ <u>155,854</u>	\$ <u>196,461</u>

OPPORTUNITIES FOR BROOME, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 12 - DEFINED BENEFIT PENSION PLAN (AND FROZEN STATUS) (Continued)

Other Changes in Plan Assets and Benefit Obligations Previously
Recognized in Changes in Unrestricted Net Assets:

	<u>2015</u>	<u>2014</u>
Unrecognized loss	\$ 411,378	\$ 397,433
Transition liability	<u>184,202</u>	<u>204,116</u>
Amounts previously recognized in unrestricted net assets, not yet recognized as periodic pension cost at December 31	\$ <u>595,580</u>	\$ <u>601,549</u>

The estimated net loss and transition liability that will be amortized from changes in unrestricted net assets into net periodic pension cost in 2015 and 2014 are \$46,160 and \$43,920, respectively.

The following assumptions were used in accounting for the Pension Plan:

Weighted-average assumptions used to determine net-periodic pension cost and pension benefit obligations:

	<u>2015</u>	<u>2014</u>
Discount rate	4.25%	4.00%
Expected return on plan assets	8.00%	8.00%
Rate of compensation increase	N/A	N/A

The change in the discount rate was made to better reflect current trends. This change resulted in a decrease in the projected benefit obligation of \$32,307 for the year ended December 31, 2015.

Determination of long-term rate-of-return

The long-term rate-of-return-on-assets assumption was set based on historical returns earned by equities and fixed income securities, adjusted to reflect expectations of future returns as applied to the plan's target allocation of asset classes.

OPPORTUNITIES FOR BROOME, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 12 - DEFINED BENEFIT PENSION PLAN (AND FROZEN STATUS) (Continued)

Plan investment policies and strategies

Plan assets were fully invested in NBT Bank Trust and Investment Services Balanced Portfolio investment option. The NBT Bank Balanced Portfolio investment option (the Trust) contains its own investment objectives, investment strategies and risks, as detailed in the Private Placement Memorandum prospectus. The Trustee has been given discretion by the Plan Sponsor to determine the appropriate strategic asset allocation versus plan liabilities, as governed by Article XI - Trust Provisions of Prototype Defined Benefit Pension Plan and Trust Agreement (the Guidelines). The investment goal is to achieve investment results that will contribute to the proper funding of the pension plan by exceeding the rate of inflation over the long-term. In addition, investment managers for the Trust are expected to provide above average performance when compared to their peer managers. Performance volatility is also monitored. Risk/volatility is further managed by the distinct investment objectives of each of the Trust funds and the diversification within each fund. Accordingly, the composition of the Organization's Plan assets is broadly characterized as a 55% equity and 45% fixed income and cash allocation within the mutual funds that comprise NBT's Balanced Portfolio. The strategy utilizes indexed U.S. equity securities and investment grade debt securities within the individual mutual funds.

<u>December 31, 2015</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Cash and Cash Equivalents	\$ 36,629	\$ 36,629	\$ 36,629
Small Blend, Small Growth Securities	15,173	13,253	13,253
Small Blend, Small Growth Bonds	29,685	29,478	29,478
Commodities Bonds	14,860	11,778	11,778
Moderate Blend, Moderate Growth Securities	47,132	46,453	46,453
Moderate Blend, Moderate Growth Bonds	235,435	229,444	229,444
Moderate Blend, Foreign Moderate Growth Securities	29,680	28,112	28,112
Moderate Blend, Foreign Large Growth Securities	22,250	19,709	19,709
Diversified Emerging Markets, Fixed Income	16,356	15,015	15,015
Diversified Emerging Markets, Large Growth	45,527	34,557	34,557
Large Blend, Large Growth Securities	121,377	133,002	133,002
Large Blend, Large Foreign Growth Securities	<u>88,741</u>	<u>89,981</u>	<u>89,981</u>
	\$ <u>702,845</u>	\$ <u>687,411</u>	\$ <u>687,411</u>

OPPORTUNITIES FOR BROOME, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 12 - DEFINED BENEFIT PENSION PLAN (AND FROZEN STATUS) (Continued)

Plan investment policies and strategies (Continued)

<u>December 31, 2014</u>	<u>Fair Value Measurements at Reporting Date Using:</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Cash and Cash Equivalents	\$ 97,975	\$ 97,975	\$ 97,975
Small Blend, Small Growth Securities	10,600	10,452	10,452
Moderate Blend, Moderate Growth Securities	20,356	25,206	25,206
Moderate Blend, Moderate Growth Bonds	228,818	237,282	237,282
Limited Blend, Limited Foreign Growth	24,815	23,184	23,184
Diversified Emerging Markets, Large Growth	31,868	30,566	30,566
Large Blend, Large Growth Securities	193,994	258,828	258,828
Large Blend, Large Foreign Growth Securities	<u>40,780</u>	<u>53,298</u>	<u>53,298</u>
	\$ <u>649,206</u>	\$ <u>736,791</u>	\$ <u>736,791</u>

Level 1 - Fair Value Measurements

The fair values of cash and cash equivalents, mutual funds, and equity funds are based on quoted market prices. The unit price for these investments held in the Organization's pension account are revalued and published on an actively traded market at least daily.

Cash Flows

Expected Contribution

During the year ending December 31, 2016, the Organization expects to contribute \$80,000 to the Plan.

OPPORTUNITIES FOR BROOME, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 12 - DEFINED BENEFIT PENSION PLAN (AND FROZEN STATUS) (Continued)

Estimated Future Benefit Payments

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 24,217
2017	23,923
2018	27,058
2019	26,682
2020	26,264
Thereafter	<u>715,121</u>
Total	\$ <u><u>843,265</u></u>

An underfunded plan may be required to allocate the net liability between current and non-current liabilities. The current portion is the amount by which the coming years expected benefit payments exceed the fair value of Plan assets. The Plan is underfunded as of December 31, 2015. However, since the Plan assets exceed the expected payments for the next year, the entire \$24,217 is classified as a non-current liability in the Organization's statement of financial position as of December 31, 2015.

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2015 and 2014:

	<u>Balance January 1, 2015</u>	<u>Income</u>	<u>Released from Restrictions</u>	<u>Balance December 31, 2015</u>
Reading is Fundamental Homeless Housing replacement reserves	\$ 330	\$ 2,510	\$ 1,628	\$ 1,212
	<u>57,000</u>	<u>-</u>	<u>-</u>	<u>57,000</u>
	\$ <u><u>57,330</u></u>	\$ <u><u>2,510</u></u>	\$ <u><u>1,628</u></u>	\$ <u><u>58,212</u></u>

	<u>Balance January 1, 2014</u>	<u>Income</u>	<u>Released from Restrictions</u>	<u>Balance December 31, 2014</u>
Reading is Fundamental Homeless Housing replacement reserves	\$ 583	\$ 1,525	\$ 1,778	\$ 330
	<u>57,000</u>	<u>-</u>	<u>-</u>	<u>57,000</u>
	\$ <u><u>57,583</u></u>	\$ <u><u>1,525</u></u>	\$ <u><u>1,778</u></u>	\$ <u><u>57,330</u></u>

OPPORTUNITIES FOR BROOME, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 14 - REVENUE CONCENTRATIONS

Opportunities for Broome, Inc. realized approximately 62% and 42% of its revenues from United States Department of Health and Human Services for the years ended December 31, 2015 and 2014, respectively. Additionally, the Organization realized approximately 3% and 39% of its revenues from the New York State Homeless Housing Assistance Corporation for the years ended December 31, 2015 and 2014, respectively.

NOTE 15 - IN-KIND CONTRIBUTIONS

In connection with its Head Start and Housing programs, the Organization secures contributed goods and services of various professionals and individuals.

In-kind contributions recognized are summarized as follows:

	<u>2015</u>	<u>2014</u>
Educational services	\$ 124,778	\$ 201,736
Professional services and program materials	95,251	83,040
Interest	<u>15,055</u>	<u>18,198</u>
	\$ <u>235,084</u>	\$ <u>302,974</u>

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Opportunities for Broome, Inc. has received funding from the New York State Homeless Housing and Assistance Corporation (HHAC) to renovate and operate certain specified properties as housing for very low and low income families. In exchange for renovation awards, HHAC obtained a grant enforcement note and secured 25-year mortgages on three properties as follows:

	<u>Funds</u>	<u>Term</u>	<u>Begin Date</u>	<u>End Date</u>
92-94 Carroll Street, Binghamton, NY	\$ 506,767	25 Years	Oct-2000	Sep-2025
542 State Street, Binghamton, NY	\$ 792,000	25 Years	Sep-2003	Aug-2028
85 Liberty Street, Binghamton, NY	\$ 2,212,540	25 Years	June-2010	June-2035

The mortgages require no repayment of principal or interest. However, if the Organization ceases to operate these properties as housing for very low and low income families, they will be considered in default and HHAC will commence proceedings to recapture funding provided under these grants. As of December 31, 2015, all three properties were being operated as housing for very low and low income families. Management believes that the Organization is in compliance with the terms of the agreements.

OPPORTUNITIES FOR BROOME, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 16 - COMMITMENTS AND CONTINGENCIES (Continued)

Opportunities for Broome, Inc. has received funding from HHAC in the amount of \$3,482,479 to renovate and operate a low and very low income housing unit located at 86 Carroll Street, Binghamton, NY during 2012. In exchange for renovation awards, HHAC obtained a grant enforcement note and secured a 25-year mortgage on aforementioned property. As of December 31, 2015, the project was still under construction. Once this project is completed, it will be subject to the same requirements under HHAC as the projects noted above. Management believes that the Organization is in compliance with the terms of the agreement.

Opportunities for Broome, Inc. has received funding from the U.S. Department of Housing and Urban Development (HUD) HOME Investment Partnerships Program through the City of Binghamton to renovate specified properties as housing for very low and low income families. In exchange for renovation awards, HUD holds 15-year mortgages on the property as follows:

	<u>Funds</u>	<u>Term</u>	<u>Begin Date</u>	<u>End Date</u>
48 Griswold Street, Binghamton, NY	\$ 165,000	15 Years	June-2011	May-2026
46 Griswold Street, Binghamton, NY	\$ 100,000	10 Years	August-2013	July-2023
27 Pine Street, Binghamton, NY	\$ 89,591	15 Years	May-2015	May-2030

If the Organization ceases to operate these properties as housing for very low and low income families, it will be considered in default and the City of Binghamton, in accordance with HUD, will commence proceedings to recapture funding provided under this grant. As of December 31, 2015, these three properties have been operating as housing for very low and low income families. Management believes that the Organization is in compliance with the terms of the agreements.

Opportunities for Broome, Inc. has received funding from the RESTORE New York Program through the City of Binghamton to renovate certain specified properties as housing for very low and low income families. In exchange for renovation awards, the City of Binghamton holds 5-year mortgages on the properties as follows:

	<u>Funds</u>	<u>Term</u>	<u>Begin Date</u>	<u>End Date</u>
120 Walnut Street, Binghamton, NY	\$ 100,000	5 Years	Nov-2011	Oct-2016
85 Liberty Street, Binghamton, NY	\$ 100,000	5 Years	April-2011	April-2016

If the Organization ceases to operate these properties as housing for very low and low income families, it will be considered in default and the City of Binghamton will commence proceedings to recapture funding provided under these grants. As of December 31, 2015, these properties have been operating as housing for very low and low income families. Management believes that the Organization is in compliance with the terms of the agreements.

Opportunities for Broome, Inc. receives the majority of their revenues from government grants and awards. The ultimate determination of amounts received under these programs, generally, is based upon allowable costs reported to and audited by the government agencies. Until such audits occur and final settlements reached, there exists a contingency to refund any amount received in excess of allowable costs.

OPPORTUNITIES FOR BROOME, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 17 - SUPPLEMENTAL CASH FLOW DISCLOSURES

	<u>2015</u>	<u>2014</u>
Cash payments for interest:	\$ <u>21,830</u>	\$ <u>30,840</u>
Non-cash transactions:		
In-kind contributions, educational services	\$ <u>124,778</u>	\$ <u>201,736</u>
In-kind contributions, professional services	\$ <u>61,350</u>	\$ <u>64,125</u>
In-kind contributions, materials and donations	\$ <u>33,901</u>	\$ <u>3,915</u>
In-kind contributions, playground equipment	\$ <u>-</u>	\$ <u>15,000</u>
In-kind contributions, interest	\$ <u>15,055</u>	\$ <u>18,198</u>

No income taxes were paid during the years ended December 31, 2015 or 2014.

NOTE 18 - PROGRAM DESCRIPTIONS

The following program and supporting services are included in the accompanying financial statements:

Head Start Program

The Head Start program provides comprehensive early childhood development services to economically disadvantage preschool children, children with disabilities and their families. The targeted areas served by the program are Chenango Bridge, Chenango Valley, Deposit, Endicott, Harpursville, Vestal, Maine-Endwell, Windsor and Whitney Point. All areas are within Broome County, New York. The Head Start grant provisions allow certain expenditures to be incurred and liquidated within 90 days of the end of the program year, which runs from November through October.

While allowable under the contract/agreement, such items are not includible for purposes of financial statement presentation in accordance with generally accepted accounting principles. In addition, program expenditures for contract purposes include items which are properly recorded as prepayments and/or capitalized as property and equipment additions for financial statement purposes. The receipt of Head Start funds is subject to certain conditions. Administrative expenses are not to exceed 15% of total program expenditures and the Organization must secure in-kind contributions equal to at least 20% of program expenditures. See Schedule 1 – Reconciliation of Head Start. Program Expenditures to Financial Status Report (Form SF-425) (unaudited) reconciles amounts reported in the statement of functional expense for the Head Start Program with those previously reported to the Department of Health and Human Services (via Form SF-425) and indicates the results in comparison to the percentage requirements mentioned previously.

OPPORTUNITIES FOR BROOME, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 18 - PROGRAM DESCRIPTIONS (Continued)

Housing

Provides permanent, safe, and affordable housing opportunities for low-income individuals and families through a spectrum of informational, referral, and outreach services that include housing rights and responsibilities, access to permanent housing, food, and employment and economic development opportunities in the community.

New York State Supportive Housing Program (NYSSHP)

This program, through New York State Office of Temporary and Disability Assistance (OTDA), provides intensive case management services to residents that are currently receiving and/or eligible for Temporary Assistance for Needy Families (TANF) services. Assistance is provided to participant families and individuals living in poverty to obtain and maintain healthy interdependence with the rest of the community.

Child and Adult Care Food Program

This program, through the U.S. Department of Agriculture, provides nutritional training to registered families, and reimbursement of food costs for all children participating in the Head Start program.

Other Programs

Other programs of the Organization provide emergency food, housing, literacy, public health, energy, and family development programs for the low-income and disadvantaged residents of Broome County, New York.

OPPORTUNITIES FOR BROOME, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2015**

<u>Funding Source/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor Number</u>		<u>Expenditure of Federal Funds</u>
<u>U.S. Department of Agriculture</u>				
Passed through NY State Department of Health - Division of Nutrition				
Child and Adult Care Food Program	10.558	2095	\$	138,179
<u>U.S. Dept. of Health and Human Services</u>				
Head Start	93.600		\$	2,065,668
Passed through NY State Department of State - Division of Community Services				
Community Services Block Grant	93.569	C1000284	<u>332,744</u>	2,398,412
<u>U.S. Department of Homeland Security</u>				
Emergency Food and Shelter National Board Program	97.024			16,140
<u>U.S. Dept. of Housing and Urban Development</u>				
Passed through Binghamton Housing Authority - Continuum of Care	14.267	NY0872L2C111403	50,712	
	14.267	NY0705L2C111405	112,891	
Passed through City of Binghamton - HOME Investment Partnerships Program	14.239	27 Pine	<u>70,000</u>	<u>233,603</u>
Total			\$	<u><u>2,786,334</u></u>

See independent auditor's report
See accompanying notes to schedule of expenditures of federal awards

OPPORTUNITIES FOR BROOME, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal awards activity of Opportunities for Broome, Inc. under programs of the federal governments for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the federal awards schedule presents only a selected portion of the operations of Opportunities for Broome, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Expenditures reported on the federal awards schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance Subchapter F, *Cost Principles*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Indirect Costs

The Organization has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Pass-through Entities

Pass-through entity identifying numbers are presented where applicable.

NOTE 3 - SUBRECIPIENTS

There were no pass-through amounts to subrecipients associated with the programs appearing in the accompanying schedule of expenditures of federal awards.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Directors of
Opportunities for Broome, Inc.
Binghamton, New York

We have audited in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Opportunities for Broome, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Opportunities for Broome, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Opportunities for Broome, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Opportunities for Broome, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
(CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Opportunities for Broome, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Davidson, Fox & Company, LLP

Binghamton, New York
June 14, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

The Board of Directors of
Opportunities for Broome, Inc.
Binghamton, New York

Report on Compliance for Each Major Federal Program

We have audited Opportunities for Broome, Inc.'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB Compliance Supplement*) that could have a direct and material effect on each of Opportunities for Broome, Inc.'s major federal programs for the year ended December 31, 2015. Opportunities for Broome, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for the compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Opportunities for Broome, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Opportunities for Broome, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Opportunities for Broome, Inc.'s compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE
(CONTINUED)**

Opinion on Each Major Federal Program

In our opinion, Opportunities for Broome, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control over Compliance

Management of Opportunities for Broome, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Opportunities for Broome, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Opportunities for Broome, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance, and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Davidson, Fox + Company, LLP

Binghamton, New York
June 14, 2016

OPPORTUNITIES FOR BROOME, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Opportunities for Broome, Inc. were prepared in accordance with GAAP.
2. With respect to the audit of the financial statements, no material weaknesses or significant deficiencies in internal control over financial reporting have been identified.
3. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. The auditor's report on compliance for major federal programs expresses an unmodified opinion on all major federal programs.
5. No material weaknesses or significant deficiencies in internal control over major federal programs have been identified.
6. No audit findings that are required to be disclosed in accordance with *Government Auditing Standards* were noted during the audit.
7. The programs tested as major programs was:
 - United States Department of Health and Human Services Head Start: CFDA #93.600
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Opportunities for Broome, Inc. qualified as a low risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None

OPPORTUNITIES FOR BROOME, INC.

**SCHEDULE I - RECONCILIATION OF HEAD START PROGRAM EXPENSES
TO FINANCIAL STATUS REPORT (FORM SF-425), UNAUDITED**

	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	
	Add:	Less:			
	For the Two	For the Two	For the Grant	Per Financial	
	Months Ended	Months Ended	Period Ended	Status SF-425	
	December 31, 2014	December 31, 2015	October 31, 2015	October 31, 2015	
	For the				
	Year Ended				
	December 31, 2015				
Head Start functional expenses	\$ <u>1,735,110</u>	\$ <u>290,427</u>	\$ <u>289,879</u>	\$ <u>1,735,658</u>	\$ 1,744,624
Program administration expense					
Reported in support services - management and general	<u>308,771</u>	<u>46,516</u>	<u>50,691</u>	<u>304,596</u>	
Total Head Start administration expense	<u>308,771</u>	<u>46,516</u>	<u>50,691</u>	<u>304,596</u> 12%	<u>316,156</u> 12%
Add: Capital expenditures					
Vehicles and equipment replacement	16,920	-	-	16,920	
Payment on unfunded pension liability	23,554	18,802	10,410	31,946	
Program allowable mortgage - 5 West State Street	6,372	1,709	1,080	7,001	
Less: Expenditure lay-outs with non-federal funds	(25,000)	-	-	(25,000)	
Year-end accruals	<u>-</u>	<u>(50,198)</u>	<u>(39,857)</u>	<u>(10,341)</u>	
Total Federal share of net outlays	<u>2,065,727</u>	<u>307,256</u>	<u>312,203</u>	<u>2,060,780</u>	<u>2,060,780</u>
Add: In-kind expenses and cash match					
In-kind - donated services and materials (GAAP)	218,224	41,380	43,781	215,823	
Program allowable volunteer in-kind services (non-GAAP)	68,323	23,127	10,838	80,612	
Program allowable cash match	<u>274,730</u>	<u>54,086</u>	<u>57,568</u>	<u>271,248</u>	
Total in-kind expenses	<u>561,277</u>	<u>118,593</u>	<u>112,187</u>	<u>567,683</u> 28%	<u>530,445</u> 26%
Total Head Start expenses	\$ <u><u>2,627,004</u></u>	\$ <u><u>425,849</u></u>	\$ <u><u>424,390</u></u>	\$ <u><u>2,628,463</u></u>	\$ <u><u>2,591,225</u></u>

See independent auditor's report