

**OPPORTUNITIES FOR BROOME, INC.**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
AND FOR THE YEARS THEN ENDED**

**OPPORTUNITIES FOR BROOME, INC.**

**DECEMBER 31, 2016 AND 2015**

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### 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, 2016 and 2015, 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, 2016 and 2015, 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 12, 2017 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 12, 2017

**OPPORTUNITIES FOR BROOME, INC.**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015**

**ASSETS**

	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 328,463	\$ 311,850
Security deposit cash	22,651	19,736
Restricted cash	57,000	57,000
Agency cash	2,649	1,804
Receivables		
Program receivables	31,376	31,376
Grants receivable	220,632	158,084
Rents receivable, less allowance of \$2,000, respectively	11,159	13,088
Other receivable	1,597	1,180
Due from affiliate	6,789	6,150
Prepaid expenses	<u>26,492</u>	<u>27,375</u>
<b>TOTAL CURRENT ASSETS</b>	<u>708,808</u>	<u>627,643</u>
 <b>PROPERTY AND EQUIPMENT</b>		
Land	811,434	811,434
Buildings and improvements	11,188,410	11,018,653
Furniture and equipment	323,493	481,042
Vehicles	<u>213,874</u>	<u>236,403</u>
	12,537,211	12,547,532
Less: accumulated depreciation	<u>(2,869,167)</u>	<u>(2,767,059)</u>
Property and equipment, net	<u>9,668,044</u>	<u>9,780,473</u>
 Construction in progress	<u>379,362</u>	<u>201,941</u>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<u>10,047,406</u>	<u>9,982,414</u>
	<u>\$ 10,756,214</u>	<u>\$ 10,610,057</u>

See accompanying notes to financial statements

## LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 56,029	\$ 56,021
Line of credit	65,192	76,685
Accounts payable	116,197	40,929
Accrued expenses	105,973	87,363
Grant advance	5,221	2,201
Security deposits	22,651	19,736
Construction retainage	-	40,462
Amounts held on behalf of other organizations	<u>2,649</u>	<u>1,804</u>
 <b>TOTAL CURRENT LIABILITIES</b>	 <u>373,912</u>	 <u>325,201</u>
 <b>LONG-TERM LIABILITIES</b>		
Long-term debt, net of current portion	421,140	477,177
Unfunded pension obligation	<u>114,130</u>	<u>155,854</u>
 <b>TOTAL LONG-TERM LIABILITIES</b>	 <u>535,270</u>	 <u>633,031</u>
 <b>NET ASSETS</b>		
Unrestricted	9,789,012	9,593,613
Temporarily restricted	<u>58,020</u>	<u>58,212</u>
 <b>TOTAL NET ASSETS</b>	 <u>9,847,032</u>	 <u>9,651,825</u>
	 \$ <u>10,756,214</u>	 \$ <u>10,610,057</u>

**OPPORTUNITIES FOR BROOME, INC.**

**STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Grant revenues	\$ 3,197,100	\$ 2,784	\$ 3,199,884
Program service revenue			
Universal Pre-kindergarten	269,670	-	269,670
Other programs	-	-	-
Rent income			
US Department of HUD - Shelter Plus Care	164,256	-	164,256
Tenants	261,663	-	261,663
Interest income	436	-	436
In-kind revenue	231,402	-	231,402
Fundraising income	42,926	-	42,926
Other income	16,845	-	16,845
Loss on disposal of capital assets	<u>(2,201)</u>	<u>-</u>	<u>(2,201)</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>4,182,097</u>	<u>2,784</u>	<u>4,184,881</u>
Net assets released from restrictions	<u>2,976</u>	<u>(2,976)</u>	<u>-</u>
	<u>4,185,073</u>	<u>(192)</u>	<u>4,184,881</u>
<b>EXPENSES</b>			
Program services	3,609,249	-	3,609,249
Support services	<u>465,263</u>	<u>-</u>	<u>465,263</u>
<b>TOTAL EXPENSES</b>	<u>4,074,512</u>	<u>-</u>	<u>4,074,512</u>
Net result of revenues and expenses	110,561	(192)	110,369
Pension-related changes other than net-periodic pension expenses	<u>84,838</u>	<u>-</u>	<u>84,838</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	195,399	(192)	195,207
<b>NET ASSETS, beginning</b>	<u>9,593,613</u>	<u>58,212</u>	<u>9,651,825</u>
<b>NET ASSETS, ending</b>	\$ <u>9,789,012</u>	\$ <u>58,020</u>	\$ <u>9,847,032</u>

See accompanying notes to financial statements

2015

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 2,879,838	\$ 2,510	\$ 2,882,348
268,424	-	268,424
4,725	-	4,725
162,579	-	162,579
256,406	-	256,406
185	-	185
235,084	-	235,084
43,677	-	43,677
40,267	-	40,267
<u>(32,447)</u>	<u>-</u>	<u>(32,447)</u>
<u>3,858,738</u>	<u>2,510</u>	<u>3,861,248</u>
<u>1,628</u>	<u>(1,628)</u>	<u>-</u>
<u>3,860,366</u>	<u>882</u>	<u>3,861,248</u>
3,391,283	-	3,391,283
<u>442,361</u>	<u>-</u>	<u>442,361</u>
<u>3,833,644</u>	<u>-</u>	<u>3,833,644</u>
26,722	882	27,604
<u>5,969</u>	<u>-</u>	<u>5,969</u>
32,691	882	33,573
<u>9,560,922</u>	<u>57,330</u>	<u>9,618,252</u>
\$ <u><u>9,593,613</u></u>	\$ <u><u>58,212</u></u>	\$ <u><u>9,651,825</u></u>



**OPPORTUNITIES FOR BROOME, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Services					Support Services			2016 Total		
	<u>Head Start</u>	<u>Universal Pre-K</u>	<u>Housing</u>	<u>Childcare</u>	<u>Other Programs</u>	<u>Total Programs</u>	<u>Management &amp; General</u>	<u>Fundraising</u>		<u>Total Support</u>	
(1) Salaries and wages	\$ 1,111,119	\$ 189,986	\$ 108,047	\$ 23,065	\$ 280,160	\$ 1,712,377	\$ 271,455	\$ 2,500	\$ 273,955	\$ 1,986,332	(1)
(2) Payroll taxes/fringe benefits	384,484	61,744	57,583	3,005	75,920	582,736	68,994	282	69,276	652,012	(2)
(3) Direct assistance to individuals	-	-	140	-	21,351	21,491	-	-	-	21,491	(3)
Supplies:											
(4) Food	17,611	2,255	2,459	126,990	-	149,315	-	-	-	149,315	(4)
(5) Office	10,464	852	3,307	-	2,928	17,551	4,859	-	4,859	22,410	(5)
(6) Program	31,281	566	79	-	2,986	34,912	108	-	108	35,020	(6)
(7) Telephone	31,792	4,707	6,162	-	4,354	47,015	6,285	-	6,285	53,300	(7)
(8) Postage and shipping	1,111	44	702	-	432	2,289	783	19	802	3,091	(8)
(9) Insurance	43,941	3,337	27,873	-	13,316	88,467	468	-	468	88,935	(9)
(10) Occupancy costs	93,264	7,567	131,513	-	18,359	250,703	9,430	-	9,430	260,133	(10)
(11) Operating expenses	9,346	389	3,898	-	707	14,340	3,317	-	3,317	17,657	(11)
(12) Vehicle expenses	24,658	139	5,316	-	847	30,960	130	-	130	31,090	(12)
(13) Transportation services	-	-	-	-	-	-	-	-	-	-	(13)
(14) Advertising and promotion	3,281	851	202	-	123	4,457	87	-	87	4,544	(14)
(15) Travel	7,253	87	49	-	96	7,485	5,585	-	5,585	13,070	(15)
(16) Professional development	16,542	85	413	-	2,729	19,769	3,237	-	3,237	23,006	(16)
(17) Dues and subscriptions	278	88	1,090	-	1,770	3,226	26	-	26	3,252	(17)
(18) Professional fees	34,461	2,978	6,021	78	2,347	45,885	41,121	25,927	67,048	112,933	(18)
(19) Interest expense	10,285	-	-	-	6,857	17,142	3,624	-	3,624	20,766	(19)
(20) Service fees	506	75	874	-	51	1,506	45	46	91	1,597	(20)
(21) Miscellaneous expense	-	-	-	-	-	-	-	6,426	6,426	6,426	(21)
(22) Sub-total	1,831,677	275,750	355,728	153,138	435,333	3,051,626	419,554	35,200	454,754	3,506,380	(22)
(23) In-kind expenditures	218,387	-	-	-	1,103	219,490	-	-	-	219,490	(23)
(24) In-kind interest	-	-	11,912	-	-	11,912	-	-	-	11,912	(24)
(25) Depreciation expense	73,083	-	246,285	-	6,853	326,221	10,509	-	10,509	336,730	(25)
(26) Total expenses	\$ <u>2,123,147</u>	\$ <u>275,750</u>	\$ <u>613,925</u>	\$ <u>153,138</u>	\$ <u>443,289</u>	\$ <u>3,609,249</u>	\$ <u>430,063</u>	\$ <u>35,200</u>	\$ <u>465,263</u>	\$ <u>4,074,512</u>	(26)

See accompanying notes to financial statements

**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	2,576	52,097	51,158	28,789	79,947	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	356,386	2,841,309	394,202	37,868	432,070	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	\$ 2,029,225	\$ 265,090	\$ 590,266	\$ 139,096	\$ 367,606	\$ 3,391,283	\$ 404,493	\$ 37,868	\$ 442,361	\$ 3,833,644	(26)

See accompanying notes to financial statements

**OPPORTUNITIES FOR BROOME, INC.**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 195,207	\$ 33,573
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in funded status of defined benefit pension plan	(41,724)	(40,607)
Depreciation and amortization	336,730	325,180
Loss on disposal of capital assets	2,201	7,447
(Increase) decrease in		
Program receivables	-	98
Grants receivable	(62,548)	249,840
Rents receivable	1,929	(1,840)
Other receivable	(417)	921
Due from affiliate	(639)	7,918
Prepaid expenses	883	6,449
Increase (decrease) in		
Accounts payable	75,268	(302,969)
Accrued expenses	18,610	(54,131)
Grant advances	3,020	(10,053)
	<u>528,520</u>	<u>221,826</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on sale of assets	-	25,000
Purchases of property, equipment and construction in progress	(403,923)	(296,276)
Construction retainage	(40,462)	300
Security deposits	2,915	2,472
	<u>(441,470)</u>	<u>(268,504)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(268,504)</b>

(Continued)

See accompanying notes to financial statements

**OPPORTUNITIES FOR BROOME, INC.**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on line of credit	(11,493)	(10,934)
Principal payments on long-term debt obligations	<u>(56,029)</u>	<u>(55,524)</u>
 NET CASH USED IN FINANCING ACTIVITIES	 <u>(67,522)</u>	 <u>(66,458)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 19,528	 (113,136)
 CASH AND CASH EQUIVALENTS, beginning	 <u>331,586</u>	 <u>444,722</u>
 CASH AND CASH EQUIVALENTS, ending	 \$ <u>351,114</u>	 \$ <u>331,586</u> (Concluded)

See accompanying notes to financial statements

## **OPPORTUNITIES FOR BROOME, INC.**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015**

#### **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, 2016 AND 2015**

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, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Rents receivable	\$ 13,159	\$ 15,088
Allowance for doubtful accounts	<u>(2,000)</u>	<u>(2,000)</u>
Rents receivable, net	\$ <u>11,159</u>	\$ <u>13,088</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, 2016 and 2015. 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 \$336,730 and \$325,181 as of December 31, 2016 and 2015, respectively.

**OPPORTUNITIES FOR BROOME, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

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 \$26,741 and \$33,901 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015 was \$204,661 and \$201,182, respectively.

The Organization also received donations of non-professional volunteer services valued at \$133,101 and \$98,255 as of December 31, 2016 and 2015, 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, 2016 AND 2015**

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.

Advertising

Opportunities for Broome, Inc. follows the policy of charging the cost of advertising to expense as incurred. Advertising expense was \$4,544 and \$5,960 for the years ended December 31, 2016 and 2015, 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 2015 financial statements have been reclassified to conform to the 2016 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, 2017 and June 12, 2017, 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 2016 and 2015. At December 31, 2016 and 2015, the Organization did not have any uninsured cash balances.



**OPPORTUNITIES FOR BROOME, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**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, 2016 and 2015, 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>2016</u>	<u>2015</u>
New York State Homeless Housing Assistance Corporation	\$ 119,395	\$ 62,121
Child and Adult Care Food Program (CACFP)	-	14,649
City of Binghamton – HOME Investment Partnership - 27 Pine	37,200	23,756
New York State Supportive Housing Program (NYSSHP)	29,621	17,700
Head Start	<u>34,416</u>	<u>39,858</u>
Total	\$ <u>220,632</u>	\$ <u>158,084</u>

Management considers all grants receivable to be fully collectible as of December 31, 2016.

**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 \$9,300 and \$9,448 for the management of East Hills during December 31, 2016 and 2015, respectively.

The Organization received \$52,010 and \$48,121 from East Hills as reimbursement for costs incurred for management related expenses during December 31, 2016 and 2015, respectively; and has amounts receivable from East Hills of \$6,789 and \$6,150 as of December 31, 2016 and 2015, respectively.

## OPPORTUNITIES FOR BROOME, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

#### 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, 2016 and 2015. There were no outstanding balances on the line at December 31, 2016 and 2015. 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, 2016 and 2015. 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 \$65,192 and \$76,685 at December 31, 2016 and 2015, respectively.

#### NOTE 7 - LONG-TERM DEBT

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

	<u>2016</u>	<u>2015</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.	\$ 29,251	\$ 38,251
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.	16,269	21,268
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.	29,251	38,251
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.	12,528	16,397
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.	12,528	16,398

**OPPORTUNITIES FOR BROOME, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

NOTE 7 - LONG-TERM DEBT (Continued)

	<u>2016</u>	<u>2015</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.	46,018	60,182
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>331,324</u>	<u>342,451</u>
Total long-term debt	477,169	533,198
Less: current portion of long-term debt	<u>(56,029)</u>	<u>(56,021)</u>
Long-term debt	\$ <u>421,140</u>	\$ <u>477,177</u>

Maturities of long-term debt are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2017	\$ 56,029
2018	57,518
2019	351,610
2020	12,012
2021	<u>-</u>
Total	\$ <u>477,169</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, 2016 and 2015, 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, 2016 this requirement was waived by the financial institution.

The total carrying amount of assets representing collateral for long-term debts was approximately \$2,241,000 as of December 31, 2016 of which approximately \$374,000 was included in land and \$1,867,000 was included in buildings and improvements.

## OPPORTUNITIES FOR BROOME, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

#### NOTE 8 - 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. In 2016 the Chenango Valley Head Start Parent Committee 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, 2016 and 2015, the Organization held \$2,649 and \$1,804 for the parent committees, respectively.

#### NOTE 9 - GRANT AND CONTRIBUTION REVENUES

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

	<u>2016</u>	<u>2015</u>
Head Start	\$ 2,244,352	\$ 2,065,668
New York State Supportive Housing (NYSSHP)	114,000	66,000
City of Binghamton – HOME Investment Partnership	53,423	87,591
Child and Adult Care Food Program (CACFP)	151,506	138,179
Community Service Block Grant (CSBG)	371,902	332,744
Emergency Food & Shelter National Board Program	7,958	16,140
New York State Homeless Housing Assistance Corporation	191,165	98,184
Other grants and contributions	<u>65,578</u>	<u>77,842</u>
Total	\$ <u>3,199,884</u>	\$ <u>2,882,348</u>

#### NOTE 10 - 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 Safe Harbor Match elective deferral on the first day of the month on which the requirements are met or the first day of the month, subsequent to meeting eligibility. The Safe Harbor Match is a mandatory Employer contribution on Employee deferrals. Employees may elect to contribute a portion of their

## OPPORTUNITIES FOR BROOME, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

#### NOTE 10 – 401(k) SAVINGS PLAN (Continued)

compensation up to the maximum allowable under IRC section 401(k). The match is always 100% vested and may have no allocation conditions. It is calculated as dollar for dollar on the first 3% of compensation deferred, and then \$0.50 on the dollar on the next 2 percentage points (4% and 5%). The maximum match is 4% of compensation deferred, but to receive it, a participant must defer 5%.

In addition, the employer may make a discretionary profit sharing contribution, employees must be 21 years of age and have 1-year of service to become eligible. They enter the plan on the 1<sup>st</sup> day of the month on which the requirements are met or the 1<sup>st</sup> day of month, subsequent to meeting eligibility.

Employer retirement plan contributions for 2016 were \$52,438 for program service employees and \$9,957 for administrative employees. Employer retirement plan contributions for 2015 were \$29,323 for program service employees and \$8,999 for administrative employees.

#### NOTE 11 - 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, 2016.

Net periodic pension cost of the years ended December 31, 2016 and 2015, consists of the following:

	<u>2016</u>	<u>2015</u>
Interest cost of the projected benefit obligation	\$ 35,461	\$ 36,973
Actual return on plan assets	(34,646)	29,709
Net amortization of unrecognized transitional net assets		
And asset loss deferral	24,867	(47,287)
Recognition of settlement loss	<u>122,430</u>	<u>39,383</u>
Net periodic pension cost	\$ <u>148,112</u>	\$ <u>58,778</u>

**OPPORTUNITIES FOR BROOME, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

NOTE 11 - DEFINED BENEFIT PENSION PLAN (AND FROZEN STATUS) (Continued)

Pension Plan Obligations and Funded Status as of December 31:

	<u>2016</u>	<u>2015</u>
Projected benefit obligation	\$ (789,975)	\$ (843,265)
Fair value of plan assets	<u>675,845</u>	<u>687,411</u>
Funded status	\$ <u>(114,130)</u>	\$ <u>(155,854)</u>
Accumulated benefit obligation	\$ <u>789,975</u>	\$ <u>843,265</u>
Employer contributions	\$ <u>104,998</u>	\$ <u>93,416</u>
Benefits paid	\$ <u>151,210</u>	\$ <u>113,087</u>

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

	<u>2016</u>	<u>2015</u>
Plan net loss (gain)	\$ (189,836)	\$ (99,385)
Transition amount	-	-
Other changes	<u>104,998</u>	<u>93,416</u>
Total pension-related changes other than net-periodic pension cost	(84,838)	(5,969)
Net periodic pension cost	<u>148,112</u>	<u>58,778</u>
	\$ <u>63,274</u>	\$ <u>52,809</u>

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

	<u>2016</u>	<u>2015</u>
Unfunded pension liability	\$ <u>114,130</u>	\$ <u>155,854</u>

**OPPORTUNITIES FOR BROOME, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

NOTE 11 - 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>2016</u>	<u>2015</u>
Unrecognized loss	\$ 374,189	\$ 411,378
Transition liability	<u>136,553</u>	<u>184,202</u>
Amounts previously recognized in unrestricted net assets, not yet recognized as periodic pension cost at December 31	\$ <u>510,742</u>	\$ <u>595,580</u>

The estimated net loss and transition liability that will be amortized from changes in unrestricted net assets into net periodic pension cost in 2016 and 2015 are \$45,616 and \$46,160, 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>2016</u>	<u>2015</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 an increase in the projected benefit obligation of \$27,127 for the year ended December 31, 2016.

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.

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

**OPPORTUNITIES FOR BROOME, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

NOTE 11 - DEFINED BENEFIT PENSION PLAN (AND FROZEN STATUS) (Continued)

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 30% equity and 70% 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, 2016</u>	<u>Fair Value Measurements at Reporting Date Using:</u>			Quoted Prices in Active Markets for Identical Assets (Level 1)
	<u>Cost</u>	<u>Fair Value</u>		
Cash and Cash Equivalents	\$ 56,366	\$ 56,366	\$	56,366
Small Blend, Small Growth Securities	6,819	7,197		7,197
Small Blend, Small Growth Bonds	44,235	44,566		44,566
Commodities Bonds	7,447	6,657		6,657
Moderate Blend, Moderate Growth Securities	25,342	26,194		26,194
Moderate Blend, Moderate Growth Bonds	374,356	370,834		370,834
Moderate Blend, Foreign Moderate Growth Securities	6,530	6,207		6,207
Moderate Blend, Foreign Large Growth Securities	14,303	13,473		13,473
Diversified Emerging Markets, Fixed Income	6,821	6,495		6,495
Diversified Emerging Markets, Large Growth	21,758	18,540		18,540
Large Blend, Large Growth Securities	57,577	67,985		67,985
Large Blend, Large Foreign Growth Securities	<u>53,226</u>	<u>51,332</u>		<u>51,332</u>
	<u>\$ 674,780</u>	<u>\$ 675,846</u>	<u>\$</u>	<u>675,846</u>



**OPPORTUNITIES FOR BROOME, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

NOTE 11 - DEFINED BENEFIT PENSION PLAN (AND FROZEN STATUS) (Continued)

Plan investment policies and strategies (Continued)

<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>

*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, 2017, the Organization expects to contribute \$80,000 to the Plan.

**OPPORTUNITIES FOR BROOME, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

NOTE 11 - DEFINED BENEFIT PENSION PLAN (AND FROZEN STATUS) (Continued)

*Estimated Future Benefit Payments*

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 24,216
2018	26,310
2019	25,968
2020	25,597
2021	38,628
Thereafter	<u>649,256</u>
Total	\$ <u><u>789,975</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, 2016. 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, 2016.

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2016 and 2015:

	<u>Balance January 1, 2016</u>	<u>Income</u>	<u>Released from Restrictions</u>	<u>Balance December 31, 2016</u>
Reading is Fundamental Homeless Housing replacement reserves	\$ 1,212	\$ 2,784	\$ 2,976	\$ 1,020
	<u>57,000</u>	<u>-</u>	<u>-</u>	<u>57,000</u>
	\$ <u><u>58,212</u></u>	\$ <u><u>2,784</u></u>	\$ <u><u>2,976</u></u>	\$ <u><u>58,020</u></u>

	<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>

## OPPORTUNITIES FOR BROOME, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

#### NOTE 13 - REVENUE CONCENTRATIONS

Opportunities for Broome, Inc. realized approximately 63% and 62% of its revenues from United States Department of Health and Human Services for the years ended December 31, 2016 and 2015, 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, 2016 and 2015, respectively.

#### NOTE 14 - 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>2016</u>	<u>2015</u>
Educational services	\$ 109,637	\$ 124,778
Professional services and program materials	109,853	95,251
Interest	<u>11,912</u>	<u>15,055</u>
	\$ <u>231,402</u>	\$ <u>235,084</u>

#### NOTE 15 - 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 four 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
86 Carroll Street, Binghamton, NY	\$ 3,482,479	25 Years	May-2013	Dec-2039

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, 2016, all four 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. received funding from HHAC in the amount of \$1,852,821 to renovate and operate a low and very low income housing unit located at 88 Carroll Street, Binghamton, NY, the funding was finalized in 2017. In exchange for renovation awards, HHAC obtained a grant enforcement note and secured a

**OPPORTUNITIES FOR BROOME, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)

25-year mortgage on aforementioned property. As of December 31, 2016, 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
27 Pine Street, Binghamton, NY	\$ 150,000	10 Years	Sept-2016	Sept-2026

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, 2016, the 27 Pine Street property was undergoing renovations and the other two 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, 2016, these properties have been operating as housing for very low and low income families. The mortgage liens on these two properties ended during 2016 with the organization in full compliance.

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, 2016 AND 2015**

NOTE 16 - SUPPLEMENTAL CASH FLOW DISCLOSURES

	<u>2016</u>	<u>2015</u>
Cash payments for interest:	\$ <u>20,765</u>	\$ <u>21,830</u>
Non-cash transactions:		
In-kind contributions, educational services	\$ <u>109,637</u>	\$ <u>124,778</u>
In-kind contributions, professional services	\$ <u>83,112</u>	\$ <u>61,350</u>
In-kind contributions, materials and donations	\$ <u>26,741</u>	\$ <u>33,901</u>
In-kind contributions, interest	\$ <u>11,912</u>	\$ <u>15,055</u>

No income taxes were paid during the years ended December 31, 2016 or 2015.

NOTE 17 - 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, 2016 AND 2015**

NOTE 17 - 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, 2016**

<u>Funding Source/Program Title</u>	<u>Federal CFDA Number</u>	Pass Through Grantor <u>Number</u>	Expenditure of Federal <u>Funds</u>
<b><u>U.S. Department of Agriculture</u></b>			
Passed through NY State Department of Health - Division of Nutrition Child and Adult Care Food Program	10.558	2095	\$ 151,506
<b><u>U.S. Dept. of Health and Human Services</u></b>			
Head Start	93.600		\$ 2,244,294
Passed through NY State Department of State - Division of Community Services Community Services Block Grant	93.569	C1000284	<u>371,901</u> 2,616,195
<b><u>U.S. Dept. of Housing and Urban Development</u></b>			
Passed through Binghamton Housing Authority - Continuum of Care	14.267	NY0705L2C111-405	90,846
	14.267	NY0705L2C111-506	27,238
	14.267	NY0705L2C111-403	17,523
	14.267	NY0705L2C111-504	30,638
Passed through City of Binghamton - HOME Investment Partnerships Program	14.239	27 Pine	<u>53,423</u> <u>219,668</u>
Total			\$ <u><u>2,987,369</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, 2016

#### 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, 2016. 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, 2016, 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 12, 2017.

### **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 12, 2017

### **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, 2016. 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, 2016.

**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 as a basis for designing 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 12, 2017

**OPPORTUNITIES FOR BROOME, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**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, 2015	December 31, 2016	October 31, 2016	October 31, 2016	
	For the				
	Year Ended				
	December 31, 2016				
Head Start functional expenses	\$ <u>1,831,677</u>	\$ <u>289,879</u>	\$ <u>302,789</u>	\$ <u>1,818,766</u>	\$ 1,867,382
Program administration expense					
Reported in support services - management and general	<u>353,493</u>	<u>50,691</u>	<u>62,906</u>	<u>341,278</u>	
Total Head Start administration expense	<u>353,493</u>	<u>50,691</u>	<u>62,906</u>	<u>341,278</u>	12% <u>353,680</u> 13%
Add: Capital expenditures					
Renovations and equipment replacement	74,200	-	-	74,200	
Payment on unfunded pension liability	(29,318)	10,410	3,019	(21,927)	
Program allowable mortgage - 5 West State Street	6,676	1,080	1,136	6,620	
Less: Expenditure lay-outs with non-federal funds	(575)	-	-	(575)	
Prepaid expenses	8,141			8,141	
Year-end accruals	<u>-</u>	<u>(39,857)</u>	<u>(34,416)</u>	<u>(5,441)</u>	
Total Federal share of net outlays	<u>2,244,294</u>	<u>312,203</u>	<u>335,434</u>	<u>2,221,062</u>	<u>2,221,062</u>
Add: In-kind expenses and cash match					
In-kind - donated services and materials (GAAP)	218,387	43,781	36,418	225,750	
Program allowable volunteer in-kind services (non-GAAP)	96,863	10,838	14,780	92,921	
Program allowable cash match	<u>274,353</u>	<u>57,568</u>	<u>61,706</u>	<u>270,215</u>	
Total in-kind expenses	<u>589,603</u>	<u>112,187</u>	<u>112,904</u>	<u>588,886</u>	27% <u>545,695</u> 25%
Total Head Start expenses	\$ <u><u>2,833,897</u></u>	\$ <u><u>424,390</u></u>	\$ <u><u>448,338</u></u>	\$ <u><u>2,809,948</u></u>	\$ <u><u>2,766,757</u></u>

See independent auditor's report