



Audited Financial Statements

December 31, 2018



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Brooklyn Legal Services Corporation A

Report on the Financial Statements

We have audited the accompanying financial statements of Brooklyn Legal Services Corporation A ("BKA"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

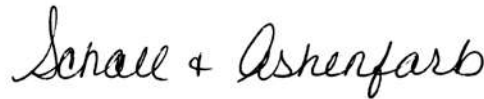
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brooklyn Legal Services Corporation A as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, BKA adopted Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited BKA's 2017 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated August 1, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

July 25, 2019

BROOKLYN LEGAL SERVICES CORPORATION A
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018
(With comparative totals as of December 31, 2017)

	<u>12/31/18</u>	<u>12/31/17</u>
Assets		
Cash and cash equivalents	\$464,803	\$135,108
Government grants receivable	3,141,316	2,266,098
Fees receivable	15,347	95,045
Contributions receivable	0	96,824
Settlement receivable (Note 3)	0	572,561
Prepaid expenses and other assets	43,157	127,550
Client escrow account (Note 4)	89,326	61,914
Fixed assets, net (Note 5)	1,382,813	1,470,386
Security deposit	<u>11,761</u>	<u>11,761</u>
 Total assets	 <u><u>\$5,148,523</u></u>	 <u><u>\$4,837,247</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$969,801	\$538,693
Deferred revenue	58,787	25,137
Government grant advance	67,783	0
Security deposit payable	18,000	18,000
Line of credit (Note 6)	627,033	1,136,619
Mortgage payable (Note 7)	1,713,861	1,743,310
Client escrow account (Note 4)	<u>89,326</u>	<u>61,914</u>
Total liabilities	<u><u>3,544,591</u></u>	<u><u>3,523,673</u></u>
Net assets:		
Without donor restrictions	1,448,882	1,247,524
With donor restrictions (Note 8)	<u>155,050</u>	<u>66,050</u>
Total net assets	<u><u>1,603,932</u></u>	<u><u>1,313,574</u></u>
 Total liabilities and net assets	 <u><u>\$5,148,523</u></u>	 <u><u>\$4,837,247</u></u>

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

BROOKLYN LEGAL SERVICES CORPORATION A
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With comparative totals for the year ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total 12/31/18	Total 12/31/17
Revenue and support:				
Government grants	\$7,086,969		\$7,086,969	\$5,175,007
Contributions	127,153	\$95,000	222,153	235,493
In-kind contributions	400,000		400,000	860,000
Special events (net of expenses with a direct benefit to donors) (Note 9)	81,226		81,226	83,856
Program fees	464,732		464,732	485,082
Rental income	402,199		402,199	411,300
Settlement income (Note 3)	0		0	572,561
Other income	9,239		9,239	9,203
Net assets released from restriction	6,000	(6,000)	0	0
Total revenue and support	<u>8,577,518</u>	<u>89,000</u>	<u>8,666,518</u>	<u>7,832,502</u>
Expenses:				
Program services:				
Community Economic Development	1,877,813		1,877,813	1,494,749
Low Income Taxpayer Clinic	264,138		264,138	194,861
Foreclosure Prevention Unit	466,554		466,554	567,752
Preservation of Affordable Housing	4,712,649		4,712,649	4,198,471
Total program services	<u>7,321,154</u>	<u>0</u>	<u>7,321,154</u>	<u>6,455,833</u>
Supporting services:				
Management and general	592,605		592,605	477,153
Fundraising	462,401		462,401	281,463
Total supporting services	<u>1,055,006</u>	<u>0</u>	<u>1,055,006</u>	<u>758,616</u>
Total expenses	<u>8,376,160</u>	<u>0</u>	<u>8,376,160</u>	<u>7,214,449</u>
Change in net assets	201,358	89,000	290,358	618,053
Net assets - beginning of year	<u>1,247,524</u>	<u>66,050</u>	<u>1,313,574</u>	<u>695,521</u>
Net assets - end of year	<u><u>\$1,448,882</u></u>	<u><u>\$155,050</u></u>	<u><u>\$1,603,932</u></u>	<u><u>\$1,313,574</u></u>

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

BROOKLYN LEGAL SERVICES CORPORATION A
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With comparative totals for the year ended December 31, 2017)

	Program Services					Supporting Services				
	Community Economic Development	Low Income Taxpayer Clinic	Foreclosure Prevention Unit	Preservation of Affordable Housing	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses 12/31/18	Total Expenses* 12/31/17
Salaries	\$532,559	\$153,115	\$276,846	\$2,783,138	\$3,745,658	\$287,568	\$204,957	\$492,525	\$4,238,183	\$3,480,484
Payroll taxes and benefits	142,686	41,023	74,174	745,673	1,003,556	77,047	54,913	131,960	1,135,516	948,565
Total personnel expenses	675,245	194,138	351,020	3,528,811	4,749,214	364,615	259,870	624,485	5,373,699	4,429,049
Professional fees	34,174	7,960	19,868	264,689	326,691	73,945	121,605	195,550	522,241	476,734
In-kind legal services	400,000				400,000			0	400,000	860,000
Program consultants		1,579	5,472		7,051			0	7,051	10,971
Sub-grantees	625,287			211,124	836,411			0	836,411	210,465
Supplies and office expenses	23,417	6,733	12,173	122,377	164,700	12,644	9,012	21,656	186,356	154,720
Office equipment	5,092	1,464	2,647	26,608	35,811	2,749	1,959	4,708	40,519	36,708
Repairs and maintenance	3,979	1,144	2,068	20,793	27,984	2,148	1,531	3,679	31,663	16,364
Telephone and communications	18,647	5,361	9,694	97,450	131,152	10,070	7,176	17,246	148,398	114,832
Occupancy expenses	43,102	30,730	34,764	142,222	250,818	9,377	6,683	16,060	266,878	279,643
Travel and meetings	48	1,204	2,551	11,298	15,101	12,742	596	13,338	28,439	31,397
Insurance	7,980	2,294	4,148	41,706	56,128	4,309	3,071	7,380	63,508	54,087
Interest expense	18,527	5,327	9,631	96,821	130,306	10,004	7,130	17,134	147,440	128,286
Special event expense					0		183,977	183,977	183,977	119,240
Dues and subscriptions	736		1,300	24,343	26,379	10,977	1,038	12,015	38,394	29,325
Miscellaneous				11,634	11,634	63,721		63,721	75,355	56,025
Bad debt expense						3,651		3,651	3,651	145,514
Depreciation	21,579	6,204	11,218	112,773	151,774	11,653	8,305	19,958	171,732	154,386
Total expenses before cost of direct benefit netted with revenue	1,877,813	264,138	466,554	4,712,649	7,321,154	592,605	611,953	1,204,558	8,525,712	7,307,746
Less: cost of direct benefit to donor netted with revenue					0		(149,552)	(149,552)	(149,552)	(93,297)
Total expenses reported by function on the statement of activities	\$1,877,813	\$264,138	\$466,554	\$4,712,649	\$7,321,154	\$592,605	\$462,401	\$1,055,006	\$8,376,160	\$7,214,449

* - Reclassified for comparative purposes

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

BROOKLYN LEGAL SERVICES CORPORATION A
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(With comparative totals for the year ended December 31, 2017)

	<u>12/31/18</u>	<u>12/31/17</u>
Cash flows from operating activities:		
Change in net assets	\$290,358	\$618,053
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation	171,732	154,386
Interest on debt issuance costs - mortgage	4,130	4,131
Interest on debt issuance costs - line of credit	10,414	11,264
Changes in assets and liabilities:		
Government grants receivable	(875,218)	(548,545)
Fees receivable	79,698	(50,368)
Contributions receivable	96,824	(70,824)
Settlement receivable	572,561	(572,561)
Prepaid expenses and other assets	84,393	(44,674)
Accounts payable and accrued expenses	431,108	212,802
Deferred revenue	33,650	(46,071)
Government grant advances	67,783	0
Total adjustments	<u>677,075</u>	<u>(950,460)</u>
Net cash provided by/(used for) operating activities	<u>967,433</u>	<u>(332,407)</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(84,159)</u>	<u>(50,257)</u>
Net cash used for investing activities	<u>(84,159)</u>	<u>(50,257)</u>
Cash flows from financing activities:		
Repayment of mortgage	(33,579)	(32,262)
Proceeds from line of credit	100,000	470,000
Repayment of line of credit	(620,000)	(100,000)
Debt issuance costs - line of credit	0	(10,414)
Net cash (used for)/provided by financing activities	<u>(553,579)</u>	<u>327,324</u>
Increase/(decrease) in cash and cash equivalents	329,695	(55,340)
Cash and cash equivalents - beginning of year	135,108	190,448
Cash and cash equivalents - end of year	<u>\$464,803</u>	<u>\$135,108</u>
Supplemental information:		
Taxes paid	<u>\$26,517</u>	<u>\$34,383</u>
Interest paid	<u>\$132,895</u>	<u>\$110,808</u>

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

BROOKLYN LEGAL SERVICES CORPORATION A
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1 - Organization

Brooklyn Legal Services Corporation A (“BKA”) provides high-quality civil legal assistance to low-income individuals, families, and community groups in Brooklyn and throughout NYC. We offer a combination of full legal representation, brief advice/services, and legal education. Established in 1968 as part of the federally-funded legal services program, BKA embraces the value that lawyers have in combating poverty.

We offer representation and advocacy:

- To tenants, tenant associations, and small businesses to prevent their displacement and to ensure decent living conditions;
- To assist income-eligible taxpayers with Internal Revenue Service (“IRS”) and/or NYS tax issues;
- To counter predatory lending practices and defend in foreclosure proceedings; and
- To support community and economic development efforts undertaken by nonprofit, neighborhood-based organizations.

We also provide education, counseling and outreach, not only directly to our target population, but also to other stakeholders, including community boards, community-based organizations (CBOs), advocacy groups, and the offices of elected officials.

BKA was established in 1968 and operated as a constituent corporation of Legal Services NYC (LSNYC). On February 15, 2013, BKA disassociated from LSNYC and began operating as a separate, not-for-profit corporation.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

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

Effective January 1, 2018, BKA adopted the requirements of the Financial Accounting Standards Board’s Accounting Standards Update No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 12).

Implementation of ASU 2016-14 did not require any reclassification or restatement of any opening balances related to the periods presented.

b. Basis of Presentation

BA's net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Net Assets without Donor Restrictions* - represents all activity without donor-imposed restrictions. Included in the net assets without donor restrictions is a board designated reserve of \$400,000.
- *Net Assets with Donor Restrictions* - represents contributions and the net residual of assets with donor-imposed restrictions that are expected to be satisfied by performing certain activities or through the passage of time.

c. Revenue Recognition

All government grants have been recognized as income when earned, either based on performance of certain milestones or by incurring expenses that can be reimbursed under the terms of the grant agreement. The difference between cash received and revenue recognized is reflected as government grants receivable or refundable advances.

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

BA receives fees in exchange for providing general counsel and other legal services to community-based organizations. Income earned under these agreements is recognized as program fee income when BA provides these services and the fees are considered non-cancelable.

Rental and other income are recorded on the accrual basis. Cash received before rental and other income is recognized is reflected as deferred income.

d. Cash and Cash Equivalents

All liquid investments with an initial maturity of three months or less are considered cash and cash equivalents.

e. Concentration of Credit Risk

Financial instruments that potentially subject BA to concentration of credit risk consist of cash accounts with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. At year end and at certain times throughout the year, BA had uninsured balances; however, they have not suffered any losses due to the failure of any of these institutions.

f. Allowance for Doubtful Accounts

At year end, all outstanding pledges and grants receivable were due within one year and have been recorded at net realizable value. Management reviews receivables to determine if any are unlikely to be collected based on a specific review of donors, grantors, and others as well as a review of activity subsequent to the statement of financial position date. Based on this review, management has determined that no allowance for uncollectable amounts is necessary.

Write-offs will be made directly to operations in the period the receivable is deemed to be uncollectable. BKA identified receivables totaling \$3,651 and \$145,514 for 2018 and 2017, respectively, as uncollectible and were written off.

g. Fixed Assets

Property and equipment that exceed predetermined thresholds and have a useful life greater than one year are capitalized at cost or at their fair values, if donated. Furniture and equipment are depreciated using the straight-line method over each asset's estimated useful life, which is between three and five years. Building and building improvements are depreciated using the straight-line method over the estimated useful life of fifteen to twenty-five years. Leasehold improvements are depreciated using the straight-line method over the life of the lease.

h. Debt Issuance Costs

In accordance with an Accounting Standards Update (ASU) No. 2015-03, *Interest-Imputation of Interest – Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are netted with the principal amount of the outstanding debt.

i. In-Kind Services

Donated services that either create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind, are recognized at fair value. BKA received in-kind legal services of \$400,000 and \$860,000 during 2018 and 2017, respectively, which has been reflected on the statements of activities and functional expenses.

Organizational governance and some fundraising duties are performed voluntarily by the board of directors. Those services have not been recorded because they do not meet the criteria for recognition as outlined above.

j. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

k. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of BKA.

The following expenses were allocated using time and effort as the basis:

- Salaries

The following expenses were allocated using salary allocation as the basis:

- Payroll taxes and benefits
- Professional fees
- Supplies and office expenses
- Office equipment
- Repairs and maintenance
- Telephone and communications
- Occupancy expenses
- Insurance
- Interest expense
- Depreciation

All other expenses have been charged directly to the applicable program or supporting services.

l. Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with BKA's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

m. Income Tax Status

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

n. Accounting for Uncertainty of Income Taxes

BKA does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending December 31, 2015 and later are subject to examination by applicable taxing authorities.

o. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through July 25, 2019, the date the financial statements were available to be issued. Any events that have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements have been made.

p. New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the December 31, 2019 year, provides guidance on whether a receipt from a third-party resource provider should be accounted for as a contribution (nonreciprocal transaction) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transaction.

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the December 31, 2019 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied. This ASU does not apply to contributions.

FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2020 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

Management is in the process of evaluating the impact these standards will have on future financial statements.

Note 3 - Settlement Receivable

In December 2017, a settlement was reached on a legal case in which BKA served as attorneys for the plaintiffs, along with several other law firms. As part of the settlement BKA, as one of the plaintiff's attorneys was awarded monetary compensation for its time spent working on the case. A receivable was reflected as of December 31, 2017 and this amount was received in full during the year ended December 31, 2018.

Note 4 - Client Escrow Account

As part of the legal services provided by BKA to clients, BKA maintains an escrow bank account on behalf of its clients.

Note 5 - Fixed Assets

Fixed assets consist of the following:

	<u>12/31/18</u>	<u>12/31/17</u>
Land	\$642,000	\$642,000
Building and building improvements	1,695,523	1,663,667
Leasehold improvements	126,854	126,854
Furniture and equipment	<u>530,948</u>	<u>478,645</u>
	2,995,325	2,911,166
Less: accumulated depreciation	<u>(1,612,512)</u>	<u>(1,440,780)</u>
Total fixed assets, net	<u>\$1,382,813</u>	<u>\$1,470,386</u>

Note 6 - Line of Credit

Line of credit borrowings consists of a bank loan up to \$1,250,000 that was due 8/1/19 with interest payable of 4.75% during the year ended December 31, 2017 and 5.75% during the year ended December 31, 2018. Outstanding balances were as follows:

	<u>12/31/18</u>	<u>12/31/17</u>
Principal	\$627,033	\$1,147,033
Debt issuance costs, net	<u>0</u>	<u>(10,414)</u>
Net	<u>\$627,033</u>	<u>\$1,136,619</u>

Subsequent to year-end, the line of credit was moved to another bank at an annual interest rate of 4.5% for the first year commencing on April 26, 2019. After that, the line of credit is up for renewal on an annual basis at the Prime Rate publicly announced by the bank.

Note 7 - Mortgage Payable

On February 27, 2013, BKA obtained a 5-year mortgage that was refinanced on July 28, 2016. The principal amount was \$1,800,000 and BKA pays interest at 3.927%. Monthly payments of principal and interest are made based on a 30-year amortization schedule, with a balloon payment due at maturity, which is August 1, 2026. On December 31, 2018, the balance was \$1,713,861 (net of debt issuance costs of \$10,672).

Subsequent to year-end, the mortgage was refinanced with another bank with an additional \$500,000 for building repairs at an annual interest rate of 4.99% for a 20-year period commencing on April 26, 2019.

The mortgage is secured by the assets of BKA. Future principal payments under the mortgage are as follows:

Year ending:	December 31, 2019	\$46,190
	December 31, 2020	72,225
	December 31, 2021	75,913
	December 31, 2022	79,789
	December 31, 2023	83,862
	Thereafter	<u>1,942,021</u>
Total		<u>\$2,300,000</u>

Note 8 - Net Assets with Donor Restrictions

The following schedule summarizes the activity of net assets with donor restrictions:

	December 31, 2018			
	Balance <u>1/1/18</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Balance <u>12/31/18</u>
Program restrictions:				
CED	\$60,050	\$30,000	\$0	\$90,050
Individual Housing	6,000	0	(6,000)	0
Foreclosure Program	0	10,000	0	10,000
Group Housing	<u>0</u>	<u>55,000</u>	<u>0</u>	<u>55,000</u>
Total	<u>\$66,050</u>	<u>\$95,000</u>	<u>(\$6,000)</u>	<u>\$155,050</u>
	December 31, 2017			
	Balance <u>1/1/17</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Balance <u>12/31/17</u>
Program restrictions:				
CED	\$78,169	\$59,750	(\$77,869)	\$60,050
Individual Housing	0	6,000	0	6,000
Group Housing	<u>10,000</u>	<u>0</u>	<u>(10,000)</u>	<u>0</u>
Total	<u>\$88,169</u>	<u>\$65,750</u>	<u>(\$87,869)</u>	<u>\$66,050</u>

Note 9 - Special Events

The special events can be summarized as follows:

	<u>12/31/18</u>	<u>12/31/17</u>
Gross revenue	\$230,778	\$177,153
Less: expenses with a direct benefit to donors	<u>(149,552)</u>	<u>(93,297)</u>
	81,226	83,856
Less: other event expenses	<u>(34,425)</u>	<u>(25,943)</u>
Net revenue from event	<u>\$46,801</u>	<u>\$57,913</u>

Note 10 - Commitments and Contingencies

a. Program Audits

Government grants are subject to audit by the grantor and other oversight agencies. Management is of the opinion that any potential disallowances that may result from an audit will not be material and has not set aside a reserve for this. Any future disallowances will be recorded when they become known and the amount is probable that it will be paid.

b. Commitments

BKA had a non-cancelable lease agreement for additional space in Brooklyn, New York which was set to expire on June 30, 2023. Subsequent to year-end, BKA agreed to a buy-out of \$400,000 to terminate this lease and entered into a new lease for space in Brooklyn, New York which will expire in 2029.

Future minimum payments under these leases are as follows:

Year ending:	December 31, 2019	\$147,537
	December 31, 2020	242,620
	December 31, 2021	296,672
	December 31, 2022	302,606
	December 31, 2023	308,658
	Thereafter	<u>1,897,794</u>
Total		<u>\$3,195,887</u>

Note 11 - Retirement Plan

BKA offers employees the option of participating in a 401(k) retirement plan whereby the employees can contribute pre-tax dollars up to statutory limits. All employees who are 21 years of age are eligible to participate. BKA makes full matching contributions of up to 3% of employee compensation for those employees who have made pre-tax contribution of the same amount. For those who contribute more than 3% (the plan allows a maximum of 5%), BKA matches the additional employee pre-tax contribution at half of the additional amount above 3%. Total retirement contributions made by BKA amounted to \$85,000 and \$68,000, for 2018 and 2017 respectively.

Note 12 - Liquidity and Availability of Financial Resources

BAK maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management plan, BAK operates its programs within a board approved budget and relies on grants, contributions, and earned income to fund its operations and program activities.

BAK has a revolving line of credit of \$1,250,000 which it could draw upon to help manage unanticipated liquidity needs. At December 31, 2018, BAK had an outstanding balance of \$627,033 and the remaining \$622,967 was available to draw upon as needed. Board designated funds are available for operating expenses as needed and are considered available for general expenditures.

The following reflects the BAK's financial assets at December 31, 2018 that are available to meet cash needs for general expenditures within one year:

Financial assets at year-end:	
Cash and cash equivalents	\$464,803
Grants and fees receivable due within one year	<u>3,156,663</u>
 Total financial assets	 3,621,466
Less amounts not available for general expenditures:	
Donor contributions restricted to specific purposes	<u>(155,050)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$3,466,416</u>