CENTER FOR ALTERNATIVE SENTENCING
AND EMPLOYMENT SERVICES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

CENTER FOR ALTERNATIVE SENTENCING
AND EMPLOYMENT SERVICES, INC.

CONTENTS

INDEPENDENT AUDITORS' REPORT

To The Board of Trustees
Center for Alternative Sentencing and
Employment Services, Inc.
Brooklyn, New York

We have audited the accompanying financial statements of Center for Alternative Sentencing and Employment Services, Inc. ("CASES"), which comprise the statements of financial position at June 30, 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.

Auditors' 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Alternative Sentencing and Employment Services, Inc. at June 30, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the net assets of the organization were restated to properly reflect vacation accrual and other receivables for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

Grassi & Co, CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
December 23, 2016

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	(Restated) 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 80,568	$ 121,770
Grants and contracts receivable, net	4,526,516	4,764,197
Contributions receivable - due within one year, net	72,042	253,116
Medicaid receivable, net	1,192,254	379,797
Other receivables	1,975	44,045
Prepaid expenses	152,866	141,573
TOTAL CURRENT ASSETS	6,026,221	5,704,498
Fixed assets, net	2,054,483	2,033,986
Security deposits and other	249,956	244,412
TOTAL ASSETS	$ 8,330,660	$ 7,982,896
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 639,388	$ 769,287
Accrued expenses and other liabilities	1,140,441	836,489
Grants and contract advances	86,708	130,468
Loans and notes payable	2,266,227	2,065,335
TOTAL CURRENT LIABILITIES	4,132,764	3,801,579
Deferred rent	719,527	467,899
TOTAL LIABILITIES	4,852,291	4,269,478
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted:		
Operating	1,953,125	1,876,113
Board-designated program funds	1,200,000	1,200,000
Total unrestricted	3,153,125	3,076,113
Temporarily restricted	325,244	637,305
TOTAL NET ASSETS	3,478,369	3,713,418
TOTAL LIABILITIES AND NET ASSETS	$ 8,330,660	$ 7,982,896

The accompanying notes are an integral part of these financial statements.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016			(Restated) 2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:						
Government grants and contracts	$ 14,778,416	$ -	$ 14,778,416	$ 13,219,165	$ -	$ 13,219,165
Medicaid income	2,072,776	-	2,072,776	1,916,580	-	1,916,580
Contributions	143,085	575,000	718,085	149,348	1,578,379	1,727,727
Donated facilities	89,587	-	89,587	378,458	-	378,458
Miscellaneous income	53,680	-	53,680	63,775	-	63,775
Net assets released from restrictions	887,061	(887,061)	-	1,166,881	(1,166,881)	-
Total revenue and support	18,024,605	(312,061)	17,712,544	16,894,207	411,498	17,305,705
EXPENSES:						
Program services	14,720,520	-	14,720,520	13,469,704	-	13,469,704
Management and general	3,050,740	-	3,050,740	2,253,714	-	2,253,714
Fundraising	176,333	-	176,333	160,504	-	160,504
Total expenses	17,947,593	-	17,947,593	15,883,922	-	15,883,922
CHANGES IN NET ASSETS	77,012	(312,061)	(235,049)	1,010,285	411,498	1,421,783
NET ASSETS, BEGINNING OF YEAR (Restated)	3,076,113	637,305	3,713,418	2,065,828	225,807	2,291,635
NET ASSETS, END OF YEAR	$ 3,153,125	$ 325,244	$ 3,478,369	$ 3,076,113	$ 637,305	$ 3,713,418

The accompanying notes are an integral part of these financial statements.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services				Supporting Services		
	Youth Programs	Adult Behavioral Health	Nathaniel Clinic	Total	Management and General	Fundraising	Total
Salaries and related expenses:							
Personnel services	$ 3,508,899	$ 4,037,218	$ 940,258	$ 8,486,375	$ 1,424,028	$ 116,377	$ 10,026,780
Fringe benefits	887,200	974,616	224,074	2,085,890	381,002	29,848	2,496,740
Totals	4,396,099	5,011,834	1,164,332	10,572,265	1,805,030	146,225	12,523,520
Other than personnel services:							
Participant subsistence and stipends	226,002	98,970	1,817	326,789	-	-	326,789
Occupancy and renovation expenses	833,093	766,878	207,242	1,807,213	440,501	19,052	2,266,766
Consultants	268,833	87,265	86,786	442,884	37,992	5,376	486,252
Participant travel	179,507	41,023	15,766	236,296	-	-	236,296
Office supplies	79,922	120,002	51,967	251,891	39,273	663	291,827
Equipment purchases and rental	39,290	98,073	26,257	163,620	23,129	944	187,693
Office expenses	14,455	45,906	2,653	63,014	201,016	73	264,103
Telephone	81,532	126,950	20,868	229,350	7,590	608	237,548
Insurance	1,400	4,260	4,260	9,920	115,727	-	125,647
Participant other	64,783	13,361	73	78,217	-	-	78,217
Professional fees	8,750	4,048	26,311	39,109	138,317	-	177,426
Staff training and conferences	29,685	38,702	4,053	72,440	22,613	333	95,386
Interest and bank charges	-	-	-	-	79,765	-	79,765
Participant supplies	10,714	6,894	897	18,505	-	-	18,505
Recruiting	-	-	-	-	86,941	-	86,941
Vehicle, fuel and maintenance	11,859	22,249	150	34,258	839	18	35,115
Total other than personnel services	1,849,825	1,474,581	449,100	3,773,506	1,193,703	27,067	4,994,276
Donated facilities	31,983	33,147	8,242	73,372	15,319	896	89,587
Depreciation and amortization	140,701	106,633	54,043	301,377	36,688	2,145	340,210
Totals	$ 6,418,608	$ 6,626,195	$ 1,675,717	$ 14,720,520	$ 3,050,740	$ 176,333	$ 17,947,593

The accompanying notes are an integral part of these financial statements.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services				Supporting Services		(Restated)
	Youth Programs	Adult Behavioral Health	Nathaniel Clinic	Total	Management and General	Fundraising	Total
Salaries and related expenses:							
Personnel services	$ 3,608,050	$ 3,513,600	$ 393,415	$ 7,515,065	$ 975,120	$ 106,019	$ 8,596,204
Fringe benefits	974,584	935,761	96,957	2,007,302	252,743	24,218	2,284,263
Totals	4,582,634	4,449,361	490,372	9,522,367	1,227,863	130,237	10,880,467
Other than personnel services:							
Participant subsistence and stipends	288,757	267,828	1,435	558,020	-	-	558,020
Occupancy and renovation expenses	606,520	567,185	217,367	1,391,072	253,374	13,061	1,657,507
Consultants	326,203	14,864	71,449	412,516	36,083	2,692	451,291
Participant travel	174,417	38,592	3,693	216,702	-	-	216,702
Office supplies	92,616	102,064	20,996	215,676	25,361	3,108	244,145
Equipment purchases and rental	117,386	108,402	26,214	252,002	72,404	2,979	327,385
Office expenses	10,732	8,350	663	19,745	175,617	146	195,508
Telephone	48,166	62,851	3,351	114,368	7,890	629	122,887
Insurance	1,290	3,190	1,378	5,858	130,225	-	136,083
Participant other	105,827	6,074	-	111,901	-	-	111,901
Professional fees	2,268	163	3,311	5,742	87,337	-	93,079
Staff training and conferences	32,452	19,322	1,148	52,922	18,167	114	71,203
Interest and bank charges	-	-	-	-	69,474	-	69,474
Participant supplies	15,316	5,714	816	21,846	-	-	21,846
Recruiting	-	-	-	-	51,453	-	51,453
Vehicle, fuel and maintenance	10,713	17,757	5	28,475	59	-	28,534
Total other than personnel services	1,832,663	1,222,356	351,826	3,406,845	927,444	22,729	4,357,018
Donated facilities	159,331	140,786	20,815	320,932	53,741	3,785	378,458
Depreciation and amortization	120,650	62,061	36,849	219,560	44,666	3,753	267,979
Totals	$ 6,695,278	$ 5,874,564	$ 899,862	$ 13,469,704	$ 2,253,714	$ 160,504	$ 15,883,922

The accompanying notes are an integral part of these financial statements.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	(Restated) 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (235,049)	$ 1,421,783
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	340,210	267,979
Deferred rent	251,628	300,469
Changes in assets (increase) decrease:		
Grants and contracts receivable	237,681	(1,351,573)
Contributions receivable	181,074	(145,208)
Medicaid receivable	(812,457)	(132,181)
Other receivables	42,070	2,388
Prepaid expenses	(11,293)	113,724
Security deposits and other	(5,544)	176,280
Changes in liabilities increase (decrease):		
Accounts payable	(129,899)	494,032
Accrued expenses and other liabilities	303,952	114,094
Grants and contract advances	(43,760)	34,511
NET CASH PROVIDED BY OPERATING ACTIVITIES	118,613	1,296,298
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of fixed assets	(360,706)	(1,889,648)
NET CASH USED IN INVESTING ACTIVITIES	(360,706)	(1,889,648)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of loans	(5,303,824)	(7,679,699)
Proceeds from borrowings on loans	5,504,715	8,255,217
NET CASH PROVIDED BY FINANCING ACTIVITIES	200,891	575,518
NET CHANGE IN CASH AND CASH EQUIVALENTS	(41,202)	(17,832)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	121,770	139,602
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 80,568	$ 121,770
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ 53,575	$ 56,192

The accompanying notes are an integral part of these financial statements.

Note 1 - Nature of Operations

Center for Alternative Sentencing and Employment Services, Inc. ("CASES"), is a not-for-profit organization as defined in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is therefore exempt from federal income taxes under Section 501(a) of the Code.

CASES' mission is to increase public safety through innovative services that reduce crime and incarceration, improve behavioral health, promote recovery and rehabilitation, and create opportunities for success in the community. CASES operates one of New York City's oldest alternatives to incarceration programs, the Court Employment Project ("CEP"). It also provides services to juveniles pending Family Court adjudication and young adults who have current or past involvement in the criminal justice system including parole or probation supervision. CASES also runs programs for individuals with behavioral health issues, including two NYS-licensed Assertive Community Treatment ("ACT") teams, a NYS-licensed Article 31 mental health clinic, and Court-based Intervention Resource teams. In addition, it has programs for adult misdemeanants and a community service program in Staten Island. With its long history and extensive experience and expertise running alternative-to-incarceration, criminal justice and behavioral health programs, CASES provides operational support, including training and technical assistance to other groups working with clients involved in those systems. CASES receives most of its support from New York City, New York State and federal government sources, through government grants and Medicaid. Grants receivable are due principally from these sources.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

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

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value of Financial Instruments (cont'd.)

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting CASES' own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

At June 30, 2016 and 2015, the fair value of CASES' financial instruments including cash and cash equivalents, grants and contracts receivable, contributions receivable, Medicaid and other receivables, accounts payable, accrued expenses and other liabilities, grants and contract advances and loans and notes payable, approximated book value due to the short maturity of these instruments.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with initial maturities when acquired of three months or less.

Fixed Assets

Fixed assets are recorded at cost. Items with a cost of $5,000 or more and an estimated useful life of more than one year are capitalized. Depreciation of fixed assets is provided over the estimated useful lives of the assets utilizing the straight-line method. Leasehold improvements are amortized over the lesser of the remaining term of the lease or the useful life of the improvement utilizing the straight-line method.

Internal Use Computer Software Database

CASES capitalizes certain costs associated with the development of internal use computer software. Costs that are capitalized consist of external direct costs of materials and services consumed in developing or obtaining the internal use software of the project. Amortization commences when development is complete and the assets are placed in service.

Deferred Rent

CASES has leases with unrelated third parties with certain escalation clauses that require normalization of the rent expense over the life of the leases. Resulting deferred rent is reflected in the accompanying statements of financial position.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Unrestricted Net Assets

Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. Board designated program funds are unrestricted net assets in which the Board of Trustees has designated certain funds for limited purposes. These funds are not available for current operations without the prior approval of the Board of Trustees.

Temporarily Restricted Net Assets

Temporarily restricted net assets include net assets subject to donor-imposed stipulations that may or will be met, either by actions of CASES and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Program Revenues and Receivables

Cost recovery grants - the terms under which these grants are awarded provide for reimbursements of budgeted expenditures within the grant period. These funds are received in either predetermined installments or increments based upon expenses incurred. Accordingly, grant income is recognized in amounts equal to expenditures incurred.

Any excess or deficiency of cash receipts over expenditures incurred is reported as "Grants and contract advances" or "Grants and contracts receivable." Upon termination of operations under each grant, the unexpended funds received under the terms of the grant revert to the grantor.

Performance-based grants - the terms under which these grants are awarded provide for payment based on unit costs for agreed upon milestones achieved within the award period up to the maximum amount allowable under a given milestone, if any, and/or the total grant amount. Accordingly, income is recognized in amounts equal to the amount earned based on performance. Any excess of cash receipts over expenditures incurred remains with the grantee.

Medicaid income - Medicaid income is reported at the estimated net realizable amounts based on the number of visits or services rendered in accordance with program provisions and state regulations.

Donated services - No amounts are reflected in the financial statements for donated services as CASES pays for services which require specific expertise. Board members volunteer their time and perform a variety of tasks that include contribution solicitations and serving on various Board committees. No expense is reflected in these financial statements since the services performed do not meet the criteria for revenue recognition under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 605.

Donated facilities - Donated space is reflected as contributions and reported as expenses in the accompanying statements of activities at estimated fair values.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Contributions Receivable

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions and government contract revenues received and expended in the same fiscal year are reflected as unrestricted revenues.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises are received. Amortization of the discounts has been included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Allowance for Doubtful Accounts

CASES determines whether an allowance for doubtful accounts should be provided for grants and contracts, Medicaid, contributions and other receivables. Such estimates are based on management's assessment of the aged basis of the receivables, current economic conditions and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Interest is not charged on outstanding receivables. Bad debt expense is charged if the receivable is determined to be uncollectible based on periodic review by management. CASES has established an allowance for doubtful accounts of $62,500 for Medicaid receivable for the year ending June 30, 2016 and $62,500 for contributions receivable for the year ending June 30, 2015, and $7,441 and $7,874 for its grants and contracts, for the years ending June 30, 2016 and 2015, respectively.

Accounting for Uncertainty in Income Taxes

CASES has adopted the provisions pertaining to uncertain tax provisions (FASB ASC Topic 740) and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. CASES is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. CASES believes it is no longer subject to income tax examinations prior to 2013.

Functional Expenses

The costs of providing CASES' various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncements

ASU No. 2016-14

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Non-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Non-for-Profit Entities.* This ASU is a result of the recommendations developed by FASB's Not-for-Profit Advisory Committee and FASB's ongoing review of Generally Accepted Accounting Principles (GAAP) standards to improve existing standards to meet the evolving needs of a dynamic financial reporting environment.

The ASU provides for changes in financial statement presentation that effect classification of net assets, presentation of expenses, investment returns and presentation of operating cash flows. It also calls for enhanced disclosures of board designated funds, underwater endowment funds, methods used to allocate costs among functions, and liquidity and availability of resources. The ASU affects all not-for-profit organizations including charities, foundations, colleges and universities, health care providers, religious organizations, trade associations, and cultural institutions, among others.

The amendments of ASU No. 2016-14 are effective for annual financial statements issued for periods beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application is permitted.

No.2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede Topic 840, *Leases*.

The ASU provides that lessees should recognize lease assets and lease liabilities on the balance sheet for leases previously classified as operating leases that exceed 12 months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

For nonpublic entities, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is permitted for all entities.

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncement (cont'd.)

ASU No. 2014-09

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is the result of a joint project of the FASB and the IASB to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards.

The ASU provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should apply the following five-step process to recognize revenue:

Step 1: Identify the contract with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For nonpublic entities, the amendments of ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early application is permitted under certain circumstances.

CASES has not yet determined if these ASU will have a material effect on its financial statements.

Note 3 - Concentration of Credit Risk

Substantially all of CASES' cash balances are maintained in one financial institution which balances are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to $250,000 per institution. From time to time, CASES' balances may exceed these limits.

Note 4 - Fixed Assets

Fixed assets, net, consist of the following:

	2016	2015	Estimated Useful Lives
Furniture and equipment	$ 1,903,464	$ 1,688,715	3 to 7 years
Vehicles	120,337	45,633	5 years
Leasehold improvements	989,843	1,537,838	5 years
Software database	305,885	305,885	3 years
Work in progress	61,070	-	
	3,380,599	3,578,071	
Less: Accumulated depreciation and amortization	1,326,116	1,544,085	
	$ 2,054,483	$ 2,033,986	

Note 5 - Loans and Notes Payable

During 2015, CASES had a $2,200,000 line of credit agreement, which was secured by grants and contracts receivable, bears interest at the 0.75% plus the CB Floating Rate (the prime rate: provided that the CB Floating Rate shall on any day not be less than adjusted one-month LIBOR rate (4.00% at June 30, 2015)) and expired on December 31, 2015. The amount due at June 30, 2015 is $1,651,314.

During 2016, CASES entered into a new $2,750,000 line of credit agreement with a different financial institution, which is secured by grants and contracts receivable, bears interest of 4.00% per annum and matures on February 1, 2017. The line is collateralized by all assets. The amount drawn down on the line of credit at June 30, 2016 is $1,707,977.

CASES has borrowings from the New York City Returnable Grant Fund (“RGF”), which helps not-for-profit organizations cover operating expenses while waiting for NYC contracts to be registered. These loans are interest-free due within 45 – 90 days. The amount due at June 30, 2016 and 2015 is $558,250 and $414,021, respectively.

Note 6 - Temporarily Restricted Net Assets

The following is a summary of the net assets that were added and released from donor restrictions during the years ended June 30, 2016 and 2015:

	2016			
	Beginning Balance	Additions	Releases	Ending Balance
Youth Programs	$ 197,138	$ 254,000	$ (403,138)	$ 48,000
Adult Behavioral Health Programs	110,000	-	(25,000)	85,000
Nathaniel Clinic Programs	330,167	306,000	(458,923)	177,244
Time Restriction	-	15,000	-	15,000
	$ 637,305	$ 575,000	$ (887,061)	$ 325,244

	2015			
	Beginning Balance	Additions	Releases	Ending Balance
Youth Programs	$ 199,595	$ 692,150	$ (694,607)	$ 197,138
Adult Behavioral Health Programs	-	112,200	(2,200)	110,000
Nathaniel Clinic Programs	26,212	774,029	(470,074)	330,167
	$ 225,807	$ 1,578,379	$ (1,166,881)	$ 637,305

Net assets released from donor restrictions for the years ended June 30, 2016 and 2015 were released by incurring expenses satisfying the program restrictions and the expiration of any time restriction specified by the donors.

Note 7 - Pension Plans

CASES maintains a defined contribution group pension plan and a 403(b) plan. Contributions to the plans are based on the employees' voluntary contributions to the 403(b) plan. Contributions to the plans amounted to $253,270 and $238,555 for the years ended June 30, 2016 and 2015, respectively.

Note 8 - Donated Space

CASES received a contribution of office facilities from the City of New York. In January 2015, CASES was required to vacate most of its donated space as the building they had been operating out of was sold. The estimated fair market value of donated space included as revenue and expense was $89,587 and $378,458 for the years ended June 30, 2016 and 2015, respectively.

Note 9 - Contingencies

In most instances, grants are subject to audit by state, city and federal auditors and costs charged by grantors may be adjusted. CASES does not believe that any amounts are due back; therefore, no amounts have been estimated and recorded in these financial statements.

CASES is involved in various legal proceedings and litigation arising in the ordinary course of business. CASES is vigorously defending these matters. Potential damages, if successful, are undeterminable at June 30, 2016.

Note 10 - Lease Commitments

CASES has various operating lease agreements for office and program facilities, including storage facilities expiring through 2029. Some of the leases are subject to real estate tax and operating expense escalations. Related rent expense for the years ended June 30, 2016 and 2015 was $1,989,389 and $1,417,905, respectively.

In addition, at June 30, 2016, CASES is obligated under various operating leases for office and program equipment expiring through 2019. Related lease expense for the years ended June 30, 2016 and 2015, was $70,839 and $193,934, respectively.

Minimum annual future rental payments under the leases in each of the five years subsequent to June 30, 2016 and thereafter are as follows:

Years Ending June 30:	
2017	$ 1,609,510
2018	1,558,820
2019	1,569,865
2020	1,615,242
2021	1,600,552
Thereafter	11,697,706
	$ 19,651,695

Note 11 - Restatement

During June 30, 2016, CASES reevaluated the recognitions of vacation accrual and made prior period adjustment to properly recognize vacation expenses. Therefore, CASES' net assets at July 1, 2014 have been corrected to reflect this adjustment.

The impact of these restatements on opening net assets is as follows:

	Balance as previously reported	Adjustments	Restated Balance
Other receivables	$ 290,245	$ (246,200)	$ 44,045
Net assets - unrestricted	$ 2,312,028	$ (246,200)	$ 2,065,828

The above restatement resulted in a $246,200 decrease in the total change in net assets for the year ended June 30, 2015.

Note 12 - Subsequent Events

CASES has evaluated all events or transactions that occurred after June 30, 2016 through the date of these financial statements, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.