THE OSBORNE ASSOCIATION, INC.
AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2017 AND 2016

MARKS PANETH
ACCOUNTANTS & ADVISORS

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2017 AND 2016

CONTENTS

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Osborne Association, Inc. and Affiliates

We have audited the accompanying consolidated financial statements of The Osborne Association, Inc. and Affiliates (collectively, the "Association"), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Osborne Association, Inc. and Affiliates as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of the Association as a whole. The consolidating information (shown on pages 18-21) is presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual companies and is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth LLP

New York, NY
December 13, 2017

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash (Note 2E)	$ 647,907	$ 516,977
Government grants and other receivable (Note 2D)	7,098,105	4,346,414
Pledges receivable, net (Notes 2C, 2D and 4)	1,462,819	1,154,513
Investments (Notes 2F and 5)	2,336,259	2,131,513
Prepaid expenses and other assets	139,322	139,262
Property and equipment, net (Notes 2G and 3)	10,108,965	9,891,035
Security deposits	90,545	69,276
Beneficial interest in perpetual trust (Notes 5 and 6)	214,049	196,329
TOTAL ASSETS	$ 22,097,971	$ 18,445,319
LIABILITIES		
Accounts payable and accrued expenses	$ 2,423,920	$ 1,806,972
Accrued salary and vacation	386,750	670,166
Deferred rent (Note 2J)	149,824	211,630
Deferred revenue/refundable advances (Notes 2H and 7)	429,449	363,978
Notes and loans payable (Note 8)	1,488,809	233,116
Mortgage payable (Note 9)	3,400,000	3,402,085
TOTAL LIABILITIES	8,278,752	6,687,947
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET ASSETS (Note 2B)		
Unrestricted	6,236,286	4,712,077
Temporarily restricted (Note 12)	6,618,884	6,098,966
Permanently restricted (Note 6)	964,049	946,329
TOTAL NET ASSETS	13,819,219	11,757,372
TOTAL LIABILITIES AND NET ASSETS	$ 22,097,971	$ 18,445,319

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

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	For the Year Ended June 30, 2017				For the Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
OPERATING SUPPORT AND REVENUE:								
Public Support:								
Contributions and grants	$ 767,265	$ 1,417,284	$ -	$ 2,184,549	$ 2,041,749	$ 904,718	$ -	$ 2,946,467
Net assets released from restrictions (Notes 2B and 12)	897,366	(897,366)	-	-	604,385	(604,385)	-	-
Total Public Support	1,664,631	519,918	-	2,184,549	2,646,134	300,333	-	2,946,467
Fee for Service:								
Medicaid	940,644	-	-	940,644	829,997	-	-	829,997
Janitorial	5,002,071	-	-	5,002,071	4,488,477	-	-	4,488,477
Catering	317,214	-	-	317,214	294,792	-	-	294,792
Total Fee for Service	6,259,929	-	-	6,259,929	5,613,266	-	-	5,613,266
Governmental Support:								
New York State	3,532,677	-	-	3,532,677	3,437,039	-	-	3,437,039
New York City	10,934,729	-	-	10,934,729	9,043,094	-	-	9,043,094
Federal-direct and indirect	2,695,046	-	-	2,695,046	2,838,124	-	-	2,838,124
Total Governmental Support	17,162,452	-	-	17,162,452	15,318,257	-	-	15,318,257
TOTAL OPERATING SUPPORT AND REVENUE	25,087,012	519,918	-	25,606,930	23,577,657	300,333	-	23,877,990
OPERATING EXPENSES:								
Program Services:								
Adopting healthy lifestyles	2,589,709	-	-	2,589,709	2,790,202	-	-	2,790,202
Achieving economic independence:								
Workforce development	3,033,471	-	-	3,033,471	2,821,267	-	-	2,821,267
Janitorial/maintenance services	4,809,310	-	-	4,809,310	4,332,396	-	-	4,332,396
Fresh start catering	606,753	-	-	606,753	472,970	-	-	472,970
Pivot	-	-	-	-	204,832	-	-	204,832
Reducing reliance on incarceration:								
Jail-based services	4,307,935	-	-	4,307,935	3,593,886	-	-	3,593,886
Court advocacy services	1,360,378	-	-	1,360,378	1,240,782	-	-	1,240,782
Adolescent behavioral learning experience	-	-	-	-	447,988	-	-	447,988
Reconnecting families and strengthening communities	1,902,442	-	-	1,902,442	1,758,191	-	-	1,758,191
Fulton community reentry center	148,910	-	-	148,910	125,657	-	-	125,657
Osborne Association policy center	303,873	-	-	303,873	248,395	-	-	248,395
Total Program Services Expenses	19,062,781	-	-	19,062,781	18,036,566	-	-	18,036,566
Supporting Services:								
Management and administration	3,432,280	-	-	3,432,280	3,156,499	-	-	3,156,499
Fundraising	620,136	-	-	620,136	877,819	-	-	877,819
Total Supporting Services Expenses	4,052,416	-	-	4,052,416	4,034,318	-	-	4,034,318
TOTAL OPERATING EXPENSES	23,115,197	-	-	23,115,197	22,070,884	-	-	22,070,884
OPERATING INCOME	1,971,815	519,918	-	2,491,733	1,506,773	300,333	-	1,807,106
NONOPERATING ACTIVITIES:								
Interest and dividends	182,131	-	-	182,131	24,192	-	-	24,192
Unrealized gain (loss) in market value of investments	2,865	-	-	2,865	(1,718)	-	-	(1,718)
Gain (loss) on beneficial interest in perpetual trust	-	-	17,720	17,720	-	-	(11,606)	(11,606)
Rental income	-	-	-	-	92,000	-	-	92,000
Other income	32,398	-	-	32,398	33,089	-	-	33,089
TOTAL NONOPERATING ACTIVITIES	217,394	-	17,720	235,114	147,563	-	(11,606)	135,957
NONOPERATING EXPENSES:								
Reserve for building improvements/repairs	665,000	-	-	665,000	425,000	-	-	425,000
TOTAL NONOPERATING EXPENSES	665,000	-	-	665,000	425,000	-	-	425,000
NONOPERATING (LOSS) GAIN	(447,606)	-	17,720	(429,886)	(277,437)	-	(11,606)	(289,043)
CHANGE IN NET ASSETS	1,524,209	519,918	17,720	2,061,847	1,229,336	300,333	(11,606)	1,518,063
NET ASSETS - beginning of year	4,712,077	6,098,966	946,329	11,757,372	3,482,741	5,798,633	957,935	10,239,309
NET ASSETS- END OF YEAR	$ 6,236,286	$ 6,618,884	$ 964,049	$ 13,819,219	$ 4,712,077	$ 6,098,966	$ 946,329	$ 11,757,372

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

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

	For The Year Ended June 30, 2017															
	Program Services										Supporting Services					
		Achieving Economic Independence			Reducing Reliance on Incarceration											
	Adopting Healthy Lifestyles	Workforce Development	Janitorial/ Maintenance Services	Fresh Start Catering	Jail-Based Services	Court Advocacy Services	Reconnecting Families and Strengthening Communities	Fulton Community Reentry Center	Osborne Association Policy Center	Total Program Services	Management and Administration	Fundraising	Total Supporting Services	Eliminations	Total 2017	Total 2016
OPERATING EXPENSES:																
Salaries	$ 1,642,244	$ 1,620,587	$ 3,532,991	$ 374,641	$ 2,392,668	$ 892,172	$ 1,045,980	$ 113,157	$ 195,684	$ 11,810,124	$ 1,830,138	$ 280,316	$ 2,110,454	$ -	$ 13,920,578	$ 12,897,017
Payroll taxes and employee benefits (Note 11)	479,872	518,162	609,817	95,766	726,432	244,844	304,102	25,891	48,542	3,053,428	458,586	74,679	533,265	-	3,586,693	3,463,188
Total Salaries and Related Costs	2,122,116	2,138,749	4,142,808	470,407	3,119,100	1,137,016	1,350,082	139,048	244,226	14,863,552	2,288,724	354,995	2,643,719	-	17,507,271	16,360,205
Occupancy (Note 10B)	280,420	203,960	11,742	4,462	174,947	101,026	140,833	4,985	27,782	950,157	237,995	16,694	254,689	(517,992)	686,854	775,856
Supplies and expensed equipment (Note 2G)	79,717	116,055	190,688	52,177	140,268	29,167	146,940	364	7,915	763,291	162,367	50,844	213,211	-	976,502	915,623
Professional fees	75,029	40,818	-	10,000	163,039	15,062	50,357	-	-	354,305	134,615	45,135	179,750	-	534,055	740,381
Professional fees - subcontractors	-	262,653	-	-	302,309	-	-	-	-	564,962	-	-	-	-	564,962	307,923
Direct participant costs	79,881	307,010	26	33,092	175,552	2,792	102,640	120	2,847	703,960	1,361	617	1,978	-	705,938	826,059
Telephone	51,194	78,182	26,339	-	81,995	18,534	39,041	3,588	9,290	308,163	60,240	8,532	68,772	-	376,935	328,422
Repairs, maintenance and alterations	110	1,447	-	2,093	3,948	2,840	17,508	-	683	28,629	22,932	-	22,932	-	51,561	86,994
Miscellaneous	26,526	10,061	203,043	1,324	14,848	5,745	1,937	-	1,256	264,740	46,859	42,674	89,533	-	354,273	345,374
Insurance	53,582	48,500	208,305	8,466	82,878	23,066	25,973	-	4,585	455,355	55,448	-	55,448	-	510,803	491,615
Training	161	12,493	-	-	32,446	575	4,372	-	-	50,047	9,946	1,589	11,535	-	61,582	75,350
Travel	14,617	15,273	16,024	-	12,263	22,427	13,577	105	5,275	99,561	16,353	1,402	17,755	-	117,316	110,925
Auto	3,582	500	1,986	1,205	3,719	-	8,904	-	14	19,910	1,459	19	1,478	-	21,388	18,535
Direct mail and special events	-	-	-	-	-	-	-	-	-	-	-	121,216	121,216	-	121,216	126,059
Management fees - intercompany	-	-	-	-	-	-	-	-	-	-	443,411	-	443,411	(443,411)	-	-
Security and maintenance - intercompany	163,610	160,005	-	46,753	25,641	-	-	-	-	396,009	74,892	14,751	89,643	(485,652)	-	-
Bad debt expense	-	-	-	21,812	-	-	-	-	-	21,812	-	-	-	-	21,812	-
Interest	5,568	4,397	14,772	1,715	623	2,128	8,462	700	-	38,365	171,249	-	171,249	-	209,614	264,721
Depreciation and amortization	-	-	3,833	-	-	-	-	-	-	3,833	283,389	5,893	289,282	-	293,115	296,842
TOTAL OPERATING EXPENSES - BEFORE ELIMINATIONS	2,956,113	3,400,103	4,819,566	653,506	4,333,576	1,360,378	1,910,626	148,910	303,873	19,886,651	4,011,240	664,361	4,675,601	(1,447,055)	23,115,197	22,070,884
ALLOCATION OF ELIMINATIONS	(366,404)	(366,632)	(10,256)	(46,753)	(25,641)	-	(8,184)	-	-	(823,870)	(578,960)	(44,225)	(623,185)	1,447,055	-	-
TOTAL OPERATING EXPENSES	2,589,709	3,033,471	4,809,310	606,753	4,307,935	1,360,378	1,902,442	148,910	303,873	19,062,781	3,432,280	620,136	4,052,416	-	23,115,197	22,070,884
NONOPERATING EXPENSES:																
Provision for Medicaid	-	-	-	-	-	-	-	-	-	-	21,907	-	21,907	-	21,907	216,000
Reserve for building improvements/repairs	-	-	-	-	-	-	-	-	-	-	665,000	-	665,000	-	665,000	425,000
TOTAL EXPENSES	$ 2,589,709	$ 3,033,471	$ 4,809,310	$ 606,753	$ 4,307,935	$ 1,360,378	$ 1,902,442	$ 148,910	$ 303,873	$ 19,062,781	$ 4,119,187	$ 620,136	$ 4,739,323	$ -	$ 23,802,104	$ 22,711,884

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

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	For The Year Ended June 30, 2016																
	Program Services												Supporting Services				
		Achieving Economic Independence				Reducing Reliance on Incarceration											
	Adopting Healthy Lifestyles	Workforce Development	Janitorial/ Maintenance Services	Fresh Start Catering	Pivot	Jail-Based Services	Court Advocacy Services	Adolescent Behavioral Learning Experience	Reconnecting Families and Strengthening Communities	Fulton Community Reentry Center	Osborne Association Policy Center	Total Program Services	Management and Administration	Fundraising	Total Supporting Services	Eliminations	Total 2016
OPERATING EXPENSES:																	
Salaries	$ 1,740,400	$ 1,513,590	$ 3,199,224	$ 292,115	$ 85,966	$ 1,818,611	$ 793,673	$ 251,099	$ 1,007,910	$ 95,419	$ 154,651	$ 10,952,658	$ 1,577,076	$ 367,283	$ 1,944,359	$ -	$ 12,897,017
Payroll taxes and employee benefits (Note 11)	523,995	466,380	583,859	74,868	25,844	562,091	219,027	66,085	333,863	9,773	43,341	2,909,126	453,725	100,337	554,062	-	3,463,188
Total Salaries and Related Costs	2,264,395	1,979,970	3,783,083	366,983	111,810	2,380,702	1,012,700	317,184	1,341,773	105,192	197,992	13,861,784	2,030,801	467,620	2,498,421	-	16,360,205
Occupancy (Note 10B)	249,298	196,247	7,001	34,307	20,161	271,938	104,839	19,011	120,547	4,964	28,072	1,056,385	196,334	35,179	231,513	(512,042)	775,856
Supplies and expensed equipment (Note 2G)	109,447	85,370	104,838	27,660	52,227	154,394	24,831	10,174	102,887	2,376	3,371	677,575	183,317	54,731	238,048	-	915,623
Professional fees	72,460	18,469	1,000	-	1,141	318,700	8,000	6,075	21,777	-	4,500	452,122	125,964	162,295	288,259	-	740,381
Professional fees - subcontractors	-	238,166	-	-	1,875	-	-	67,882	-	-	-	307,923	-	-	-	-	307,923
Direct participant costs	132,887	355,624	-	-	30	243,926	4,263	8,612	74,729	-	2,092	822,163	2,592	1,304	3,896	-	826,059
Telephone	52,819	59,583	20,893	1,590	1,479	58,249	21,444	904	34,835	11,036	5,813	268,645	52,066	7,711	59,777	-	328,422
Repairs, maintenance and alterations	10,615	777	829	16,156	-	24,093	2,448	-	6,661	-	230	61,809	25,185	-	25,185	-	86,994
Miscellaneous	17,672	10,664	181,640	2,708	7,120	20,498	7,505	3,792	7,551	-	931	260,081	46,205	39,088	85,293	-	345,374
Insurance	53,608	56,887	201,495	14,694	5,902	69,202	28,060	7,500	22,431	388	2,673	462,840	28,775	-	28,775	-	491,615
Training	4,397	5,149	964	325	-	33,258	1,756	3,129	5,535	1,059	105	55,677	13,538	6,135	19,673	-	75,350
Travel	13,064	10,843	13,871	4,488	2,119	5,217	21,200	3,603	20,798	-	2,616	97,819	12,273	833	13,106	-	110,925
Auto	3,525	-	3,540	4,059	968	2,577	-	122	2,862	-	-	17,653	671	211	882	-	18,535
Direct mail and special events	-	-	-	-	-	-	-	-	-	-	-	-	-	126,059	126,059	-	126,059
Management fees - intercompany	-	-	-	-	10,784	-	-	-	-	-	-	10,784	477,561	-	477,561	(488,345)	-
Security and maintenance - intercompany	211,535	110,488	2,500	-	-	74,440	893	625	-	-	-	400,481	65,372	3,506	68,878	(469,359)	-
Interest	6,479	7,772	18,270	-	-	11,132	3,736	-	3,896	642	-	51,927	212,794	-	212,794	-	264,721
Depreciation and amortization	-	-	5,110	-	-	-	-	-	-	-	-	5,110	285,944	5,788	291,732	-	296,842
TOTAL OPERATING EXPENSES - BEFORE ELIMINATIONS	3,202,201	3,136,009	4,345,034	472,970	215,616	3,668,326	1,241,675	448,613	1,766,282	125,657	248,395	18,870,778	3,759,392	910,460	4,669,852	(1,469,746)	22,070,884
ALLOCATION OF ELIMINATIONS	(411,999)	(314,742)	(12,638)	-	(10,784)	(74,440)	(893)	(625)	(8,091)	-	-	(834,212)	(602,893)	(32,641)	(635,534)	1,469,746	-
TOTAL OPERATING EXPENSES	2,790,202	2,821,267	4,332,396	472,970	204,832	3,593,886	1,240,782	447,988	1,758,191	125,657	248,395	18,036,566	3,156,499	877,819	4,034,318	-	22,070,884
NONOPERATING EXPENSES:																	
Provision for Medicaid	-	-	-	-	-	-	-	-	-	-	-	-	216,000	-	216,000	-	216,000
Reserve for building improvements/repairs	-	-	-	-	-	-	-	-	-	-	-	-	425,000	-	425,000	-	425,000
TOTAL EXPENSES	$ 2,790,202	$ 2,821,267	$ 4,332,396	$ 472,970	$ 204,832	$ 3,593,886	$ 1,240,782	$ 447,988	$ 1,758,191	$ 125,657	$ 248,395	$ 18,036,566	$ 3,797,499	$ 877,819	$ 4,675,318	$ -	$ 22,711,884

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

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 2,061,847	$ 1,518,063
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
(Gain) loss on beneficial interest in perpetual trust	(17,720)	11,606
Unrealized (gain) loss on investments	(2,865)	1,718
Bad debt	21,812	-
Loss on disposal of property and equipment	6,816	-
Depreciation and amortization	293,115	296,842
Subtotal	2,363,005	1,828,229
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Government grants and other receivable	(2,751,691)	(150,347)
Pledges receivable	(330,118)	(31,368)
Prepaid expenses and other assets	(60)	(31,330)
Security deposits	(21,269)	(2,000)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	616,948	459,676
Accrued salary and vacation	(283,416)	211,878
Deferred rent	(61,806)	136,574
Deferred revenue/refundable advances	65,471	(27,890)
Net Cash (Used in) Provided by Operating Activities	(402,936)	2,393,422
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(201,881)	(290,879)
Purchases of property and equipment	(517,861)	(912,805)
Net Cash Used in Investing Activities	(719,742)	(1,203,684)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes and loans payable	6,700,415	6,326,964
Principal payments of notes and loans payable	(5,444,722)	(7,360,502)
Proceeds from mortgage payable	3,400,000	-
Principal payments of mortgage payable	(3,402,085)	(84,804)
Net Cash Provided by (Used in) Financing Activities	1,253,608	(1,118,342)
NET INCREASE IN CASH	130,930	71,396
Cash - beginning of the year	516,977	445,581
CASH - END OF YEAR	$ 647,907	$ 516,977
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 209,614	$ 264,721

NOTE 1—ORGANIZATION AND NATURE OF ACTIVITIES

The consolidated financial statements of the Osborne Association, Inc. and Affiliates, (collectively referred to as the "Association") have been prepared by consolidating: The Osborne Association, Inc. ("OA"), Osborne Treatment Services, Inc. ("OTS"), Thomas Mott Osborne Memorial Fund, Inc. ("TMO"), Spring Into Action, LLC (“SIA”) and Osborne Social Ventures, LLC (“OSV”). OTS, TMO, SIA and OSV are collectively referred to as “Affiliates.” The Osborne Association, Inc. has effective control over and has an economic interest in the Affiliates. OTS and TMO are organized under the Not-for-Profit Corporation Law of New York State and have been granted an exemption from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Similar exemptions exist at the state and local levels. SIA, a for-profit entity was formed in February 2010 as a two member limited liability company. OA owns 85% ownership interest in SIA (see Note 13). OSV, a for-profit entity was formed in March 2015 as a single member limited liability company and a disregarded entity for federal tax purposes. OA owns 100% of OSV. OSV ceased operations as of December 31, 2015.

The Association's purpose is to provide services to defendants, incarcerated people, formerly incarcerated people and their families: to provide alternatives to incarceration; to provide job training and job placement; to provide reentry services to people leaving prison and jail; and to operate an ambulatory substance use disorder program that includes outpatient and aftercare services and other public safety and public health services, throughout New York, receiving its support predominately from federal, New York State and New York City governmental sources. TMO provides financial support to the other organizations. OSV was created to provide employment opportunities for formerly incarcerated individuals by creating sustainable businesses.

Descriptions of the Association’s major programs are as follows:

- **ADOPTING HEALTHY LIFESTYLES**

  El Rio is a highly structured and medically supervised intensive substance use disorder day-treatment program, providing an alternative to incarceration or re-incarceration for individuals charged with drug-related crimes or on probation or parole, and mandated to treatment by the courts or community corrections agencies.

  La Fuente is a gender-specific substance use disorder and health treatment outpatient program for women as an alternative to incarceration or as referred by a family welfare or criminal justice agency. The program offers a safe environment to discuss healthy relationships, parenting skills, and reducing risky behaviors. Participants are connected to public benefits and offered vocational and educational assistance.

  Wellness and Prevention provides services for people involved with the criminal justice system at-risk for, or coping with, substance use disorder, hepatitis and HIV/AIDS or other infectious diseases. Services include; HIV/AIDS counseling, peer training, testing and education, reentry, discharge, and transitional planning, case management, linkage to primary care, treatment adherence, and support groups.

  Housing Placement and Assistance provides assistance for people living with HIV/AIDS to obtain and maintain transitional, supportive, and permanent housing placements following incarceration. This program supports participants in their efforts to maintain housing placement, develop the capacity to live independently, reduce risky behaviors, and continue medical care and maintain abstinence from substance abuse.

  Elder Reentry Initiative is a partnership with the New York State Department of Corrections and Community Supervision to improve discharge planning for older incarcerated individuals. Osborne case managers assess individual reentry needs and create individualized, age-appropriate discharge and case management service plans. Participants are escorted and supported throughout the reentry process and receive extensive follow-up service to make certain that their needs are fulfilled as they change.

NOTE 1—ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

- **ACHIEVING ECONOMIC INDEPENDENCE**

Workforce Development offers comprehensive workforce development and employment services to individuals with prior criminal justice involvement. This includes assessment, career and educational counseling, job readiness workshops, resume preparation, skills enhancement, assistance with job search and placement, social service referrals, and post-employment support. Osborne's Workforce Development unit pairs intensive preparation for individuals with an employer service model that addresses employer needs, working as a partner with employers to pair highly-qualified candidates with open positions.

Career Center provides men and women with criminal records with environmental and financial literacy education, and comprehensive career development, including soft skills and hard skills training that prepares them to enter and advance in sector-specific fields. The Center places participants in jobs that support their growth, their families, and the environment. The Center offers group and individual counseling to identify and address participants' needs, as well as offers referral services. Career Coaches offer services that include family support, educational and vocational support, skill-building activities, goal-setting, and civic engagement to ultimately assist participants in achieving long-term economic independence.

NewburghWorks expands the job training, placement, and employer services model to Orange County, tailoring our successful employment model for a community that is often undeserved by comprehensive employment programs for justice-involved individuals.

Training to Work provides men and women on work release the opportunity to expand their education and increase their employment skills in today's fastest growing fields: construction, waste management, food service and other industries.

Justice Community supports court-involved young adults (ages 18-24) in reconnecting with their families and communities in order to turn toward success in life. The program includes environmental and financial literacy training, career coaching, individual counseling and group support, community benefit projects, employment counseling, job placement and educational support.

Prepare (formerly Working Parents) offers a range of opportunities to fathers and those who serve in father figure roles to increase their parenting skills while strengthening their relationships. Our programs include job readiness training, internships, and employment assistance to increase economic stability for participants and their families. The program includes the **Fatherhood Initiative** and **Responsible Fatherhood Opportunities for Reentry and Mobility program (ReFORM)** funded activities to improve employability and strengthen the participant's emotional and material support for their children.

Arches is a partnership with the NYC Department of Probation that works to reduce participant involvement with the criminal justice system. Arches provides critical positive intervention among youth on probation by providing support groups, assisting youth in identifying negative behaviors and maladaptive patterns of thinking, and providing mentors from the same communities and with similar experiences with the criminal justice system.

NextSTEPS is a partnership with the NYC Department of Probation that is specifically focused on young people residing in or near New York City Housing Authority ("NYCHA") developments. NextSTEPS builds critical positive intervention among youth who may be exposed to negative behaviors and maladaptive patterns of thinking. The mentoring intervention provides mentors from the same communities to build positive pathways and reveal opportunities to participating youth.

Bronx County Reentry Task Force is designed to connect individuals who are returning to the Bronx after release from state prison to community-based service providers who can assist in their reentry. Two state agencies—the Division of Criminal Justice Services (DCJS) and Department of Corrections and Community Supervision (DOCCS)—collaborate with the Association to oversee this Task Force. Comprehensive reentry case management services may allow participants to meet parole conditions while accessing employment services, housing, substance use disorder treatment, educational and vocational services, and cognitive behavioral therapy.

NOTE 1—ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Janitorial Maintenance Services offers training and employment in our custodial service business to formerly incarcerated individuals with disabilities and history of substance use disorder. The business cleans public facilities and businesses throughout New York City (for prevailing wages and benefits) and also teaches participants to use environmentally friendly materials when cleaning.

Fresh Start Catering provides hot meals to local businesses, not-for-profits, and agencies. Fresh Start Catering offers training in food preparation, cooking, packaging, and delivery to formerly incarcerated individuals, providing the opportunity to transform their lives through culinary arts training leading to employment.

- **REDUCING RELIANCE ON INCARCERATION**

Jail-Based Services is dedicated to breaking the cycle of recidivism by providing cognitive behavioral therapy, workforce readiness, fatherhood programming, and sector-specific job training. Services are provided both on Rikers Island and during the critical post-release period by offering support services including employment placement and retention assistance. **Jail-Based Community Reentry Program** is offered on Rikers Island to individuals identified as having the highest need in the community following release, enabling them to access services immediately upon release. The program is part of the Individualized Corrections Achievement Network Initiative (I-CAN) of the NYC Department of Correction.

Court Advocacy Services is a defender-based advocacy program assisting felony defendants, including juvenile offenders being tried in adult courts, that are represented by NYC assigned and institutional defense attorneys in pursuit of alternatives to incarceration. Staff conduct pre-plea and pre-sentence investigations of defendants' backgrounds to ascertain mitigating circumstances, and advocate client specific sentencing alternatives in appropriate cases. **Long Termers Responsibility Project** is an interdisciplinary advocacy effort that works with individuals serving long sentences, but who have completed their minimum sentences, by helping them to gain insight, take responsibility for their crimes and prepare for their eventual release through a restorative justice framework in individual and group settings.

- **RECONNECTING FAMILIES AND STRENGTHENING COMMUNITIES**

Family Services offers support to people affected by incarceration to make, mend and maintain family relationships and to plan for a successful re-entry from prison into their communities through the Family Ties program for mothers and FamilyWorks program for fathers. The programs offer parenting education in New York City and State correctional facilities that are informed by research and best practices on childhood and cognitive development, as well as visiting support (in-person and through video-conferencing), Family Centers at several men's prisons, and community-based services for families.

Child & Youth Services provides psycho-social supportive services and developmentally appropriate programs for children and youth in the community. Through counseling, support groups, mentoring, assistance in accessing higher education, supervised visiting with parents (both in person and through video-visiting), youth development activities, and recreational trips, the program works to alleviate the negative effects, trauma, and stigma that incarceration has upon children and youth with parents in prison.

Services also include the Youth Experience Success (for younger children) and Youth Action Council for older youth who are interested in further skill-building and education that involves civic engagement, public speaking, grassroots organizing efforts, and advocacy for the rights of children with justice-involved parents.

Queensboro Reentry Services provides a range of reentry services that are evidence-based and that addresses the specific needs of men returning to the community through workshops that cover reentry-related topics in the areas of healthy-living, employment, managing stress and expectations and family dynamics; family-focused discharge planning; Health Improvement Services for people living with HIV/AIDS or other chronic health conditions; and, a CDC approved evidence-based intervention for men with histories of substance use disorder who are at risk for relapse and other negative health behaviors.

NOTE 1—ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

- **FULTON COMMUNITY REENTRY CENTER**

  Fulton is a former New York State correctional facility that was donated to the Association to be redeveloped as a community reentry center and transitional residence for people returning home following incarceration. Fulton is currently in the redevelopment stage, and is being designed to be a "one-stop" center capable of supporting – directly or by linked service providers – the health, economic security, family and social connectedness needs of people in reentry, which will ultimately reduce recidivism, promote safety and improve long-term outcomes for the families and communities to which they return. Anticipated services include transitional housing and economic development activity, including job training, and workforce development services.

- **OSBORNE ASSOCIATION POLICY CENTER**

  Osborne's **Policy Center** is built on practitioner-based policy advocacy that is grounded in the experience of its participants and direct-service staff. The Center launches with two focus areas: children of arrested and/or incarcerated parents (through the New York Initiative for Children of Incarcerated Parents) and aging in prison and elder reentry. A key element of the Policy Center, the **NY Initiative for Children of Incarcerated Parents** is a collaborative effort to raise awareness and reform policy around the impact of incarceration on children. The initiative aims to change child welfare and criminal justice policies and procedures to ensure children's rights are upheld and their needs met through each stage of their parent's involvement in the criminal justice system.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of* Accounting** – The Association's consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All significant intercompany transactions have been eliminated during consolidation.

B. ***Basis of Presentation*** – The Association maintains its net assets under the following three classes:

- Unrestricted – represents resources available for support of the Association's operations over which the Board of Directors (the "Board") has discretionary control.

- Temporarily restricted – represents assets that are subject to donor-imposed stipulations. When a donor 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 consolidated statements of activities as net assets released from restrictions. Temporarily restricted net assets are released from donor restrictions by incurring expenses, thereby satisfying the restricted purposes of providing program services as specified by the donors. Unconditional promises to give that are due in future periods to support the current-period activities are reported as unrestricted support. In addition, capital improvement grants are recorded as temporarily restricted net assets in the year received and released in line with depreciation expense incurred on the property.

- Permanently restricted – represents net assets that are subject to donor-imposed stipulations and restricted to investment in perpetuity, the income from which is expendable for general purposes.

C. ***Unconditional Promises to Give*** – Pledges are recorded as income when the Association is formally notified of the grants or contributions by the respective donors. Unless material, the Association does not discount multiyear pledges.

D. ***Allowance for Uncollectible Receivables*** – As of June 30, 2017 and 2016, the Association has determined that an allowance of $37,000 and $20,000, respectively, for uncollectible pledges, and no allowance for government grants receivables for each of the years ended June 30, 2017 and 2016, respectively, was necessary. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ***Cash*** – Cash consists of all highly liquid instruments with maturities of three months or less when acquired, except for amounts held at an investment institution.

F. ***Investments and fair value measurements*** – Investments are reported at fair value. Investment income consisting of interest, dividend, realized and unrealized gains or losses is classified as nonoperating revenue and is available to support operations. Fair value measurements are based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 5.

G. ***Property and Equipment*** – Property and equipment are stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease. The Association capitalizes all owned property and equipment having a useful life of greater than one year and a cost of $5,000 or more. There may be instances where certain expenditures for property and equipment are included in the consolidated financial statements as expenses because the cost of these items was reimbursed by certain governmental funding sources and the contractual agreement specifies that title to these assets rests with the funding sources rather than the Association.

H. ***Revenue Sources and Recognition –*** Government grants for cost reimbursement contracts are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, the Association records deferred revenue/refundable advances.

I. ***Functional Allocation of Expenses*** – Because the Association is a multiprogram/multifunded organization, certain costs have been allocated among programs and supporting functions as determined by management, pursuant to the method the Association follows in seeking funding from third-party governmental sources.

J. ***Deferred Rent*** – U.S. GAAP requires that the Association accounts for this free rent and renovation credit. This accounting treatment is commonly referred to as “straight-lining of rent.” The difference between rent expense, under this method, and the lower rental amounts actually paid to the landlord are reported as a “deferred rent” obligation in the accompanying consolidated statements of financial position. The change in the deferred rent liability is reflected in the accompanying consolidated statements of activities.

K. ***Contributed Property, Services, Rent and Other In-Kind*** – Donated property is recorded at fair market value on the date of donation. No amounts have been reflected in the accompanying consolidated financial statements for donated services, since they did not meet the criteria for recognition.

L. ***Use of Estimates*** – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.

NOTE 3—PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2017 and 2016:

	2017	2016	Estimated Useful Lives
Land	$ 1,414,417	$ 1,414,417	
Building	7,163,275	7,323,143	20 Years
Leasehold improvements	927,699	794,794	15 Years
Vehicles	122,262	107,713	3 Years
Furniture and equipment	307,305	305,362	7 Years
Construction in progress	2,330,648	1,827,870	
Total cost	12,265,606	11,773,299	
Less: accumulated depreciation and amortization	(2,156,641)	(1,882,264)	
Net book value	$ 10,108,965	$ 9,891,035	

Depreciation and amortization expense for the years ended June 30, 2017 and 2016 amounted to $293,115 and $296,842, respectively.

Construction in progress includes renovations to the Fulton building. The Association incurred costs of $502,778 and $731,979 for the fiscal years ended June 30, 2017 and 2016, respectively. The construction is expected to be completed in fiscal 2019 and the estimated cost to complete is approximately $25 million. The cost of construction is expected to be funded by various New York State and City agencies and financing from financial institutions.

During the year ended June 30, 2017, the Association disposed of a vehicle with a cost of $25,554 and accumulated depreciation of $18,738, which resulted in a loss on disposal of $6,816.

NOTE 4—PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of June 30, 2017 and 2016:

	2017	2016
Due in less than one year	$ 985,107	$ 910,351
Due in one to five years	477,712	244,162
	$ 1,462,819	$ 1,154,513

NOTE 5—INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following as of June 30, 2017 and 2016:

	2017	2016
Money market funds	$ 1,132,972	$ 1,111,654
Exchange traded funds	1,058,130	895,392
Mutual funds	104,519	98,773
Corporate stocks	40,638	25,694
	$ 2,336,259	$ 2,131,513

Investments are subject to market volatility that could substantially change their value in the near term.

The fair value hierarchy defines the three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

NOTE 5—INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, the Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk (or other parties such as counterparty in a swap) in its assessment of fair value.

Money market and mutual funds:

Money market and mutual funds (the “funds”) are valued at their daily closing price as reported by the fund. These funds held by the Association are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily Net Asset Value and to transact at that price. The funds held by the Association are deemed to be actively traded.

Corporate stocks and exchange traded funds:

Corporate stocks and exchange traded funds are valued at the closing price reported on the active market on which the individual securities are traded.

Beneficial interest in perpetual trusts:

Beneficial interest in perpetual trusts is valued based on the underlying securities (mutual funds) held in trust.

The following table presents the Association’s assets that are measured at fair value for each level at June 30, 2017:

	Level 1	Level 2	Total
Money market funds	$ 1,132,972	$ -	$ 1,132,972
Exchange traded funds	1,058,130	-	1,058,130
Mutual funds	104,519	-	104,519
Corporate stocks	40,638	-	40,638
Beneficial interest in perpetual trust	-	214,049	214,049
Assets at Fair Value	$ 2,336,259	$ 214,049	$ 2,550,308

The following table presents the Association’s assets that are measured at fair value for each level at June 30, 2016:

	Level 1	Level 2	Total
Money market funds	$ 1,111,654	$ -	$ 1,111,654
Exchange traded funds	895,392	-	895,392
Mutual funds	98,773	-	98,773
Corporate stocks	25,694	-	25,694
Beneficial interest in perpetual trust	-	196,329	196,329
Assets at Fair Value	$ 2,131,513	$ 196,329	$ 2,327,842

NOTE 6—BENEFICIAL INTEREST IN PERPETUAL TRUST

TMO is the beneficiary of a trust established in 1951 with original investment assets totaling $35,000. Such assets are reflected at fair value and are held in perpetuity by a third-party trustee. TMO receives the annual earnings. The underlying assets of this trust consisted of the following as of June 30, 2017 and 2016:

	2017	2016
Money market fund	$ 2,896	$ 3,576
Mutual funds	211,153	192,753
	$ 214,049	$ 196,329

NOTE 7—DEFERRED REVENUE / REFUNDABLE ADVANCES

Refundable advances represent advances received from various funding sources under government contracts for which the Association has not yet met the grant conditions or provided the services. In addition, they include amounts due to government agencies that primarily represent advances received during current and prior years. Such amounts will be recouped by the funding sources.

As of June 30, 2017 and 2016, OTS established a reserve of approximately $332,000 and $310,000, respectively, for potential audit adjustments resulting from potential future audits of its Medicaid program by The State of New York Office of the Medicaid Inspector General ("OMIG"). Such reserve is included in deferred revenue/refundable advances in the accompanying consolidated financial statements.

NOTE 8—NOTES AND LOANS PAYABLE

Notes and loans payable consisted of the following as of June 30, 2017 and 2016:

	2017	2016	Annual Interest Rate	Due Date
To a bank. A revolving line of credit totaling $3,500,000. Expiring in April 2017. Secured by all assets of OA.	$ -	$ 200,000	30-day LIBOR, plus 325 basis points (3.5%)	2017
To a bank. A line of credit totaling $3,500,000. Expiring in June 2018. Secured by all assets of OA.	1,470,000	-	30-day LIBOR, plus 364 basis points (4.86%)	2018
To a financing company. Secured by the related vehicle under a retail installment contract with monthly payments of $419.	-	9,298	0%	2018
To a financing company. Secured by the related vehicle under a retail installment contract with monthly payments of $449.	18,809	23,818	0%	2021
	$ 1,488,809	$ 233,116		

Future annual principal payments are as follows for the years ended after June 30, 2017:

2018	$ 1,475,388
2019	5,388
2020	5,388
2021	2,645
	$ 1,488,809

NOTE 9—MORTGAGE PAYABLE

In May 2011, TMO entered into a mortgage agreement with a bank, in the original principal amount of $3,780,000 at an annual rate of One-Month LIBOR (0.151% as of June 30, 2016) plus 4%, to pay off an old mortgage loan on a building in the Bronx, and pay down and consolidate the outstanding balance on OA's line of credit. The original mortgage had a maturity date of June 1, 2016 which was extended to June 1, 2017.

In June 2017, TMO refinanced the mortgage agreement with another financial institution in the amount of $3,400,000 at an annual interest rate of 4.1%. Payments to be made in equal monthly installments of $25,423 commencing July 25, 2017. This mortgage loan has a 15-year amortization and matures on June 26, 2024 at which time the remaining unpaid principal balance and accrued unpaid interest become due. The mortgage is collateralized by the property at 809 Westchester Avenue, Bronx, NY. The Association is required to meet a certain debt covenant ratio in relation to the mortgage and is in compliance at June 30, 2017.

Future annual principal payments are as follows for the years ended after June 30, 2017:

2018	$ 167,000
2019	174,000
2020	181,000
2021	189,000
2022	197,000
Thereafter	2,492,000
	$ 3,400,000

NOTE 10—COMMITMENTS AND CONTINGENCIES

A. The Association has contractual relationships with certain governmental funding sources that provide the right to examine the books and records of the Association involving transactions relating to these contracts. The accompanying consolidated financial statements make no provision for possible disallowances except as discussed in Note 7. Although such possible disallowances could be substantial in amount, in the opinion of management, any actual disallowances are expected to be immaterial. In addition, certain agreements provide that some property and equipment either owned by or on loan to the Association (the cost of which may have been expensed—see Note 2G) must be utilized by the Association to continue owning and/or using these assets.

B. The Association is obligated under non-cancelable lease agreements for office space through fiscal year 2032. Minimum annual rentals related to the leases are approximately as follows for years ending after June 30, 2017:

2018	$ 637,000
2019	656,000
2020	676,000
2021	722,000
2022	1,479,000
Thereafter	8,096,000
	$ 12,266,000

Rent expense for the years ended June 30, 2017 and 2016 amounted to $380,155 and $464,821, respectively, and is included in occupancy expense in the accompanying consolidated financial statements.

C. The Association believes it has no uncertain tax positions as of June 30, 2017 and 2016, in accordance with the provisions of FASB ASC 740, *Income Taxes*.

NOTE 11—PENSION PLANS

The Association maintains two qualified pension plans (the "Plans") covering all eligible employees as defined.

Thrift Plan

This Plan is a tax-sheltered annuity plan qualified under Section 403(b) of the Internal Revenue Code. Contributions to the Plan are employee funded. Employees may contribute to the Plan up to the maximum permitted by law.

Employee Benefits Plan

This Plan is a money purchase plan covering all full-time eligible employees. Employer contributions are fixed at 3% of eligible salaries, plus an amount equal to 100% of the first 3% of employee contributions into the Thrift Plan.

Employer contributions amounted to $428,558 and $304,807 for the years ended June 30, 2017 and 2016, respectively, and are included in payroll taxes and employee benefits expense in the accompanying consolidated financial statements.

NOTE 12—NET ASSETS

A. Temporarily restricted net assets were available for the following purposes or periods as of June 30, 2017 and 2016:

	2017	2016
Donated property	$ 4,250,000	$ 4,250,000
Capital grants for redevelopment of Fulton	1,529,718	1,298,133
Programmatic services	839,166	550,833
	$ 6,618,884	$ 6,098,966

Net assets were released from donor restrictions during the years ended June 30, 2017 and 2016 by incurring expenses satisfying the restricted purpose or occurrence specified by the donors and amounted to $897,366 and $604,385 as of June 30, 2017 and 2016, respectively.

B. Permanently restricted net assets consisted of the following as of June 30, 2017 and 2016:

	2017	2016
Donated property (land)	$ 750,000	$ 750,000
Beneficial interest in perpetual trust	214,049	196,329
	$ 964,049	$ 946,329

NOTE 13—NON-CONTROLLING INTEREST

OA has 85% controlling interest in SIA which is consolidated in the accompanying consolidated financial statements. In connection with this investment, OA also recognizes the related non-controlling interest. All profits and losses of SIA are allocated in accordance with the Members' percentage interest. Effective June 30, 2016, SIA ceased operations.

NOTE 14—SUBSEQUENT EVENTS

The Association has evaluated events subsequent to the date of the consolidated statements of financial position through December 13, 2017, the date the financial statements were available to be issued.

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION
AS OF JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

	As of June 30, 2017					
	The Osborne Association, Inc.	Osborne Treatment Services, Inc.	Thomas Mott Osborne Memorial Fund, Inc.	Consolidating Eliminations	Consolidated Total 2017	Consolidated Total 2016
ASSETS						
Cash	$ 491,091	$ 30,501	$ 126,315	$ -	$ 647,907	$ 516,977
Government grants receivable	5,517,122	852,766	728,217	-	7,098,105	4,346,414
Pledges receivable, net	1,462,819	-	-	-	1,462,819	1,154,513
Investments	2,336,259	-	-	-	2,336,259	2,131,513
Due from affiliated organizations	-	2,253,316	825,428	(3,078,744)	-	-
Prepaid expenses and other assets	136,072	-	3,250	-	139,322	139,262
Property and equipment, net	135,414	-	9,973,551	-	10,108,965	9,891,035
Security deposits	90,545	-	-	-	90,545	69,276
Beneficial interest in perpetual trust	-	-	214,049	-	214,049	196,329
TOTAL ASSETS	$ 10,169,322	$ 3,136,583	$ 11,870,810	$ (3,078,744)	$ 22,097,971	$ 18,445,319
LIABILITIES						
Accounts payable and accrued expenses	$ 630,553	$ 122,559	$ 1,670,808	$ -	$ 2,423,920	$ 1,806,972
Accrued salary and vacation	386,750	-	-	-	386,750	670,166
Deferred rent	149,824	-	-	-	149,824	211,630
Deferred revenue/refundable advances	97,542	331,907	-	-	429,449	363,978
Due to affiliated organizations	3,078,744	-	-	(3,078,744)	-	-
Relocation liability	-	-	-	-	-	-
Notes and loans payable	1,488,809	-	-	-	1,488,809	233,116
Mortgage payable	-	-	3,400,000	-	3,400,000	3,402,085
TOTAL LIABILITIES	5,832,222	454,466	5,070,808	(3,078,744)	8,278,752	6,687,947
NET ASSETS						
Unrestricted	3,266,349	2,682,117	287,820	-	6,236,286	4,712,077
Temporarily restricted	1,070,751	-	5,548,133	-	6,618,884	6,098,966
Permanently restricted	-	-	964,049	-	964,049	946,329
TOTAL NET ASSETS (DEFICIT)	4,337,100	2,682,117	6,800,002	-	13,819,219	11,757,372
TOTAL LIABILITIES AND NET ASSETS	$ 10,169,322	$ 3,136,583	$ 11,870,810	$ (3,078,744)	$ 22,097,971	$ 18,445,319

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES
CONSOLIDATING SCHEDULES OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

	For the Year Ended June 30, 2017							
	The Osborne Association, Inc.	Osborne Treatment Services, Inc.	Thomas Mott Osborne Memorial Fund, Inc.	Spring Into Action, LLC	Osborne Social Ventures, LLC	Consolidating Eliminations	Consolidated Total 2017	Consolidated Total 2016
OPERATING SUPPORT AND REVENUE:								
Public Support:								
Contributions and grants	$ 1,910,614	$ -	$ 271,983	$ 1,952	$ -	$ -	$ 2,184,549	$ 2,946,467
Total Public Support	1,910,614	-	271,983	1,952	-	-	2,184,549	2,946,467
Fee for Service:								
Medicaid	-	940,644	-	-	-	-	940,644	829,997
Janitorial	5,002,071	-	-	-	-	-	5,002,071	4,488,477
Catering	309,214	8,000	-	-	-	-	317,214	294,792
Total Fee for Service	5,311,285	948,644	-	-	-	-	6,259,929	5,613,266
Governmental Support:								
New York State	3,290,151	242,526	-	-	-	-	3,532,677	3,437,039
New York City	9,353,882	1,580,847	-	-	-	-	10,934,729	9,043,094
Federal-direct and indirect	2,588,385	106,661	-	-	-	-	2,695,046	2,838,124
Total Governmental Support	15,232,418	1,930,034	-	-	-	-	17,162,452	15,318,257
Revenue:								
Management fee	929,063	-	-	-	-	(929,063)	-	-
TOTAL OPERATING SUPPORT REVENUE	23,383,380	2,878,678	271,983	1,952	-	(929,063)	25,606,930	23,877,990
OPERATING EXPENSES:								
Program Services:								
Adopting healthy lifestyles	1,108,034	1,848,079	-	-	-	(366,404)	2,589,709	2,790,202
Achieving economic independence:								
Workforce development	3,400,103	-	-	-	-	(366,632)	3,033,471	2,821,267
Janitorial/maintenance services	4,819,566	-	-	-	-	(10,256)	4,809,310	4,332,396
Fresh start catering	653,506	-	-	-	-	(46,753)	606,753	472,970
Pivot	-	-	-	-	-	-	-	204,832
Reducing reliance on incarceration:								
Jail-based services	4,333,576	-	-	-	-	(25,641)	4,307,935	3,593,886
Court advocacy services	837,245	523,133	-	-	-	-	1,360,378	1,240,782
Adolescent behavioral learning experience	-	-	-	-	-	-	-	447,988
Reconnecting families and strengthening communities	1,910,626	-	-	-	-	(8,184)	1,902,442	1,758,191
Fulton community reentry center	148,910	-	-	-	-	-	148,910	125,657
Osborne Association policy center	303,873	-	-	-	-	-	303,873	248,395
Total Program Services Expenses	17,515,439	2,371,212	-	-	-	(823,870)	19,062,781	18,036,566
Supporting Services:								
Management and administration	3,015,620	433,039	562,409	172	-	(578,960)	3,432,280	3,156,499
Fundraising	664,361	-	-	-	-	(44,225)	620,136	877,819
Total Supporting Services Expenses	3,679,981	433,039	562,409	172	-	(623,185)	4,052,416	4,034,318
TOTAL OPERATING EXPENSES	21,195,420	2,804,251	562,409	172	-	(1,447,055)	23,115,197	22,070,884
OPERATING INCOME (LOSS)	2,187,960	74,427	(290,426)	1,780	-	517,992	2,491,733	1,807,106
NONOPERATING ACTIVITIES:								
Interest and dividends	179,167	39	2,925	-	-	-	182,131	24,192
Unrealized gain (loss) in market value of investments	2,865	-	-	-	-	-	2,865	(1,718)
Gain (loss) on beneficial interest in perpetual trust	-	-	17,720	-	-	-	17,720	(11,606)
Rental income	-	-	517,992	-	-	(517,992)	-	92,000
Gain (loss) on investment in affiliate	3,599	-	-	-	(3,599)	-	-	-
Contribution received to fund building reserve	-	-	1,200,000	-	-	(1,200,000)	-	-
Other income	5,771	5,773	14,000	-	6,854	-	32,398	33,089
TOTAL NONOPERATING ACTIVITIES	191,402	5,812	1,752,637	-	3,255	(1,717,992)	235,114	135,957
NONOPERATING EXPENSES:								
Contribution to fund building reserve	1,200,000	-	-	-	-	(1,200,000)	-	
Reserve for building improvements/repairs	-	-	665,000	-	-	-	665,000	425,000
TOTAL NONOPERATING EXPENSES	1,200,000	-	665,000	-	-	(1,200,000)	665,000	425,000
NONOPERATING (LOSS) INCOME	(1,008,598)	5,812	1,087,637	-	3,255	(517,992)	(429,886)	(289,043)
CHANGE IN NET ASSETS	1,179,362	80,239	797,211	1,780	3,255	-	2,061,847	1,518,063
NET ASSETS (DEFICIT) - beginning of year	3,157,738	2,601,878	6,002,791	(1,780)	(3,255)	-	11,757,372	10,239,309
NET ASSETS - END OF YEAR	$ 4,337,100	$ 2,682,117	$ 6,800,002	$ -	$ -	$ -	$ 13,819,219	$ 11,757,372

See independent auditors' report.

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES
CONSOLIDATING SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

For the Year Ended June 30, 2017

The Osborne Association, Inc.

		Achieving Economic Independence			Reducing Reliance on Incarceration									
	Adopting Healthy Lifestyles	Workforce Development	Janitorial/ Maintenance Services	Fresh Start Catering	Jail - Based Services	Court Advocacy Services	Reconnecting Families and Strengthening Communities	Fulton Community Reentry Center	Osborne Association Policy Center	Total Program Services	Management and Administration	Fundraising	Total Supporting Services	The Osborne Association, Inc. Total
Salaries	$ 629,691	$ 1,620,587	$ 3,532,991	$ 374,641	$ 2,392,668	$ 540,643	$ 1,045,980	$ 113,157	$ 195,684	$ 10,446,042	$ 1,830,138	$ 280,316	$ 2,110,454	$ 12,556,496
Payroll taxes & employee benefits	208,857	518,162	609,817	95,766	726,432	148,422	304,102	25,891	48,542	2,685,991	458,586	74,679	533,265	3,219,256
Total Salaries and Related Costs	838,548	2,138,749	4,142,808	470,407	3,119,100	689,065	1,350,082	139,048	244,226	13,132,033	2,288,724	354,995	2,643,719	15,775,752
Occupancy	78,540	203,960	11,742	4,462	174,947	74,444	140,833	4,985	27,782	721,695	171,760	16,694	188,454	910,149
Supplies and expensed equipment	41,925	116,055	190,688	52,177	140,268	17,990	146,940	364	7,915	714,322	161,213	50,844	212,057	926,379
Professional fees	3,000	40,818	-	10,000	163,039	11,122	50,357	-	-	278,336	134,615	45,135	179,750	458,086
Professional fees - subcontractors	-	262,653	-	-	302,309	-	-	-	-	564,962	-	-	-	564,962
Direct participant costs	17,939	307,010	26	33,092	175,552	507	102,640	120	2,847	639,733	1,361	617	1,978	641,711
Telephone	25,110	78,182	26,339	-	81,995	10,235	39,041	3,588	9,290	273,780	60,240	8,532	68,772	342,552
Employer wage subsidy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs, maintenance and alterations	110	1,447	-	2,093	3,948	1,841	17,508	-	683	27,630	1,551	-	1,551	29,181
Miscellaneous	3,547	10,061	203,043	1,324	14,848	2,718	1,937	-	1,256	238,734	16,360	42,674	59,034	297,768
Insurance	27,306	48,500	208,305	8,466	82,878	13,835	25,973	-	4,585	419,848	24,118	-	24,118	443,966
Training	-	12,493	-	-	32,446	472	4,372	-	-	49,783	9,946	1,589	11,535	61,318
Travel	9,636	15,273	16,024	-	12,263	13,246	13,577	105	5,275	85,399	16,353	1,402	17,755	103,154
Auto	3,536	500	1,986	1,205	3,719	-	8,904	-	14	19,864	1,459	19	1,478	21,342
Direct mail and special events	-	-	-	-	-	-	-	-	-	-	-	121,216	121,216	121,216
Management fees - intercompany	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and maintenance - intercompany	54,267	160,005	-	46,753	25,641	-	-	-	-	286,666	74,892	14,751	89,643	376,309
Bad debt expense	-	-	-	21,812	-	-	-	-	-	21,812	-	-	-	21,812
Interest	4,570	4,397	14,772	1,715	623	1,770	8,462	700	-	37,009	-	-	-	37,009
Grant Expense	-	-	-	-	-	-	-	-		-	-	-	-	-
Depreciation and amortization	-	-	3,833	-	-	-	-	-	-	3,833	53,028	5,893	58,921	62,754
TOTAL OPERATING EXPENSES - BEFORE ELIMINATIONS	1,108,034	3,400,103	4,819,566	653,506	4,333,576	837,245	1,910,626	148,910	303,873	17,515,439	3,015,620	664,361	3,679,981	21,195,420
ALLOCATION OF ELIMINATIONS	(128,392)	(366,632)	(10,256)	(46,753)	(25,641)	-	(8,184)	-	-	(585,858)	(135,549)	(44,225)	(179,774)	(765,632)
TOTAL OPERATING EXPENSES	979,642	3,033,471	4,809,310	606,753	4,307,935	837,245	1,902,442	148,910	303,873	16,929,581	2,880,071	620,136	3,500,207	20,429,788
NONOPERATING EXPENSES:														
Provision for Medicaid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserve for building improvements/repairs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES	$ 979,642	$ 3,033,471	$ 4,809,310	$ 606,753	$ 4,307,935	$ 837,245	$ 1,902,442	$ 148,910	$ 303,873	$ 16,929,581	$ 2,880,071	$ 620,136	$ 3,500,207	$ 20,429,788

See independent auditors' report.

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES
CONSOLIDATING SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

For the Year Ended June 30, 2017 (Continued)

	Osborne Treatment Service, Inc.				Thomas Mott Osborne Memorial Fund, Inc.	Spring Into Action, LLC			
	Prevention and Treatment Services	Reducing Reliance on Incarceration - Court Advocacy Services	Management and Administration	Osborne Treatment Services, Inc. Total	Management and Administration	Management and Administration	Eliminations	Consolidated Total 2017	Consolidated Total 2016
Salaries	$ 1,012,553	$ 351,529	$ -	$ 1,364,082	$ -	$ -	$ -	$ 13,920,578	$ 12,897,017
Payroll taxes & employee benefits	271,015	96,422	-	367,437	-	-	-	3,586,693	3,463,188
Total Salaries and Related Costs	1,283,568	447,951	-	1,731,519	-	-	-	17,507,271	16,360,205
Occupancy	201,880	26,582	-	228,462	66,235	-	(517,992)	686,854	775,856
Supplies and expensed equipment	37,792	11,177	-	48,969	1,154	-	-	976,502	915,623
Professional fees	72,029	3,940	-	75,969	-	-	-	534,055	740,381
Professional fees - subcontractors	-	-	-	-	-	-	-	564,962	307,923
Direct participant costs	61,942	2,285	-	64,227	-	-	-	705,938	826,059
Telephone	26,084	8,299	-	34,383	-	-	-	376,935	328,422
Employer wage subsidy	-	-	-	-	-	-	-	-	-
Repairs, maintenance and alterations	-	999	-	999	21,381	-	-	51,561	86,994
Miscellaneous	22,979	3,027	-	26,006	30,327	172	-	354,273	345,374
Insurance	26,276	9,231	-	35,507	31,330	-	-	510,803	491,615
Training	161	103	-	264	-	-	-	61,582	75,350
Travel	4,981	9,181	-	14,162	-	-	-	117,316	110,925
Auto	46	-	-	46	-	-	-	21,388	18,535
Direct mail and special events	-	-	-	-	-	-	-	121,216	126,059
Management fees - intercompany	-	-	433,039	433,039	10,372	-	(443,411)	-	-
Security and maintenance - intercompany	109,343	-	-	109,343	-	-	(485,652)	-	-
Bad debt expense	-	-	-	-	-	-	-	21,812	-
Interest	998	358	-	1,356	171,249	-	-	209,614	264,721
Grant Expense	-	-	-	-	-	-	-	-	
Depreciation and amortization	-	-	-	-	230,361	-	-	293,115	296,842
TOTAL OPERATING EXPENSES - BEFORE ELIMINATIONS	1,848,079	523,133	433,039	2,804,251	562,409	172	(1,447,055)	23,115,197	22,070,884
ALLOCATION OF ELIMINATIONS	(238,012)	-	(433,039)	(671,051)	(10,372)	-	1,447,055	-	-
TOTAL OPERATING EXPENSES	1,610,067	523,133	-	2,133,200	552,037	172	-	23,115,197	22,070,884
NONOPERATING EXPENSES:									
Provision for Medicaid	-	-	21,907	21,907	-	-	-	21,907	216,000
Reserve for building improvements/repairs	-	-	-	-	665,000	-	-	665,000	425,000
TOTAL EXPENSES	$ 1,610,067	$ 523,133	$ 21,907	$ 2,155,107	$ 1,217,037	$ 172	$ -	$ 23,802,104	$ 22,711,884

See independent auditors' report.