



NYC SCHOOL SUPPORT SERVICES, INC.

A COMPONENT UNIT OF THE CITY OF NEW YORK

Financial Statements
(Together with Independent Auditors' Report)

Year Ended June 30, 2017

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

NYC SCHOOL SUPPORT SERVICES, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors of
NYC School Support Services, Inc.

We have audited the accompanying financial statements of the governmental activities of NYC School Support Services, Inc. ("NYCSSS"), a component unit of The City of New York, which comprise the government-wide statement of net position (deficit) as of June 30, 2017 and the statement of activities for the year then ended, and the general fund balance sheet as of June 30, 2017 and the statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 of material misstatement.

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Government-Wide Financial Statements	Qualified
General Fund Financial Statements	Unmodified

Basis for Qualified Opinion on Government-Wide Financial Statements

As discussed in Note 6 to the financial statements, NYCSSS has excluded its proportionate share of the pension liability, pension expense, deferred outflows of resources and deferred inflows of resources of the 32BJ School Workers Pension Fund as required by the Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions*. In our opinion, accounting principles generally accepted in the United States of America require that such amounts be included in the government-wide financial statements. The amount by which this departure would affect the net position and activities of the government-wide financial statements has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Government-Wide Financial Statements” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the government-wide financial statements of NYCSSS, as of June 30, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 3 through 7 and the schedule of employer’s required contributions on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



New York, NY
October 23, 2017

NYC SCHOOL SUPPORT SERVICES, INC.

(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

(Unaudited)

The following is a narrative overview and analysis of the financial activities of NYC School Support Services, Inc. ("NYCSSS" or the "Corporation") for the fiscal year ended June 30, 2017. It should be read in conjunction with NYCSSS's government-wide financial statements, general fund financial statements and the notes to the financial statements. The financial statements consist of four parts: (1) management's discussion and analysis (this section); (2) the government-wide financial statements; (3) the general fund financial statements; and (4) the notes to the financial statements.

The government-wide financial statements, which include the statement of net position (deficit) and the statement of activities, are presented to display information about the reporting entity as a whole, in accordance with Governmental Accounting Standards Board ("GASB") standards. This is to provide the reader with a broad overview of NYCSSS's finances. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

NYCSSS's general fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenue is recognized when it becomes susceptible to accrual; that is, when it becomes both measurable and available to finance expenditures in the current fiscal period. Expenditures are recognized when the related liability is incurred, except for accrued vacation and sick pay, which is not reflected as a liability in the general fund financial statements as it is not due and payable from current financial resources.

The reconciliations of the general fund balance sheet to the statement of net position (deficit) and the reconciliation of the general fund statement of revenues, expenditures and changes in fund balance to the statement of activities are presented to assist the reader in understanding the differences between the government-wide and general fund financial statements.

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS

NYCSSS is a Type C not-for-profit corporation organized under the Not-For-Profit Corporation Law of the State of New York (the "State"). NYCSSS is governed by a Board of Directors. The Board consists of five members, two *ex officio* Directors comprised of the individuals holding the following offices who are appointed as Directors of the Corporation by virtue of holding such position; the Chancellor or Acting Chancellor of the City School District of The City of New York or his/her designee; the Director of Management and Budget of The City of New York or his/her designee; and three additional Directors appointed by the Chancellor of the City School District of The City of New York, one of whom shall be a parent representative to the Department of Education. Although legally separate from The City of New York (the "City"), NYCSSS is an instrumentality of the City and, accordingly, is included in the City's financial statements as a blended component unit in accordance with GASB standards.

NYCSSS was incorporated for the purpose of providing staffing of custodial helpers for The City of New York Department of Education ("DOE").

NYCSSS's contract with the City was registered on April 28, 2016, and NYCSSS began operations on May 26, 2016. However, there were no financial transactions through June 30, 2016 and the first payroll period administered by NYCSSS was for the pay period commencing August 12, 2016. The term of the contract is three years terminating on June 30, 2019, with an additional year for renewal through fiscal year 2020. Pursuant to this contract, NYCSSS receives monthly payments that cover its projected expenses for the forthcoming month and these contractual payments are NYCSSS's sole source of revenue.

NYC SCHOOL SUPPORT SERVICES, INC.
(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017
(Unaudited)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

As this was NYCSSS's first year of operations, comparative financial information is not able to be presented.

The following summarizes the activities of NYCSSS for the year ended June 30, 2017:

REVENUES:

Program revenues from The City of New York	
Department of Education	\$ 548,452,958
Interest income	<u>142,532</u>
TOTAL REVENUES	<u>548,595,490</u>

EXPENSES:

Salaries and employee benefits - schools	574,235,164
Salaries and employee benefits - administrative	3,730,531
Professional fees	4,623,926
Occupancy	612,936
Insurance	92,931
Office and other expenses	<u>141,773</u>
TOTAL EXPENSES	<u>583,437,261</u>

NET CHANGE IN NET POSITION \$ (34,841,771)

During fiscal year 2017, NYCSSS received \$548.6 million in contractual payments from the City. Program revenue is paid monthly and is based on projected subsequent month expenses. At the end of the fiscal year, payments and expenses are adjusted to reflect actual costs incurred by NYCSSS. Therefore, NYCSSS's revenues match its expenses, except for the change in the accrued vacation and sick liability. The accrued vacation and sick liability is not due and payable from current financial resources and is not funded by the program revenues from the City. As a result, NYCSSS's net deficit at year-end of \$34,841,771 is equal to the accrued vacation and sick pay liability at year-end.

Total expenses primarily consisted of salaries and supplemental benefits for union custodial helpers in connection with NYCSSS accomplishing its mission. Expenses incurred during fiscal year 2017 were \$548.6 million.

NYC SCHOOL SUPPORT SERVICES, INC.
(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017
(Unaudited)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

The following summarizes the assets, liabilities, and net position (deficit) as of June 30, 2017:

ASSETS:

Cash and cash equivalents	\$ 11,330,413
Due from The City of New York Department of Education	<u>25,021,896</u>
TOTAL ASSETS	<u>36,352,309</u>

LIABILITIES:

Accounts payable and accrued expenses	908,315
Accrued salaries and employee benefits	35,443,994
Accrued vacation and sick pay	<u>34,841,771</u>
TOTAL LIABILITIES	<u>71,194,080</u>

TOTAL NET POSITION \$ (34,841,771)

As of June 30, 2017, NYCSSS's assets totaled \$36.4 million. The assets consist of cash and cash equivalents and DOE receivable due to the timing of collection of revenue and payments of program and operating expenditures during the fiscal year.

Liabilities as of June 30, 2017 were \$71.2 million, and primarily consisted of accrued salaries and employee benefits of \$35.4 million and accrued vacation and sick pay of \$34.8 million.

As previously discussed, NYCSSS's net deficit at year-end of \$34,841,771 is equal to the accrued vacation and sick pay liability at year-end.

NYC SCHOOL SUPPORT SERVICES, INC.
(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017
(Unaudited)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

The following summarizes the changes in the general fund ("GF") for the year ended June 30, 2017:

Revenues:

Program revenues from The City of New York	
Department of Education	\$548,452,958
Interest income	<u>142,532</u>
Total revenues	<u>548,595,490</u>

Expenditures:

Salaries and employee benefits - schools	539,393,393
Salaries and employee benefits - administrative	3,730,531
Professional fees	4,623,926
Occupancy	612,936
Insurance	92,931
Office and other expenses	<u>141,773</u>
	548,595,490
Repayment of loan payable	<u>500,000</u>
Total expenditures	<u>549,095,490</u>

Other Financing Sources (Uses):

Proceeds from short-term loan payable	<u>500,000</u>
Total other financing sources (uses)	<u>500,000</u>

Net Change in Fund Balance	-
Fund Balance, Beginning of Year	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>

Revenues recorded in the GF are primarily composed of contractual payments from the City each year. Program revenue is paid monthly and is based on actual monthly expenses; as such there are no variances between program revenue and actual expenses.

Total expenses primarily consisted of salaries and supplemental benefits for union custodial helpers in connection with NYCSSS accomplishing its mission. Expenses incurred during fiscal year 2017 were \$548.6 million.

Other financing sources consist of a \$500,000 interest-free emergency loan received by NYCSSS in July 2016 from the Fund for the City of New York to cover operating expenses pending the receipt of funds from DOE. The loan was repaid in full in August 2016 upon the receipt of funds from DOE.

The only reconciling item between the government-wide financial statements and the general fund financial statements is the accrued vacation and sick liability. The accrued vacation and sick liability is not reflected as a liability in the general fund financial statements as it is not due and payable from current financial resources.

NYC SCHOOL SUPPORT SERVICES, INC.

(A Component Unit of The City of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

(Unaudited)

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS – FINANCIAL STATEMENTS (Continued)

The following summarizes the GF assets, liabilities, and fund balance as of June 30, 2017:

Assets:

Cash and cash equivalents	\$ 11,330,413
Due from The City of New York Department of Education	<u>25,021,896</u>
Total Assets	<u>\$ 36,352,309</u>

Liabilities:

Accounts payable and accrued expenses	\$ 908,315
Accrued salaries and employee benefits	<u>35,443,994</u>
Total Liabilities	<u>36,352,309</u>

Fund Balance:

Unassigned	<u>-</u>
Total Fund Balance	<u>\$ -</u>

Total Liabilities and Fund Balance \$ 36,352,309

The GF assets at June 30, 2017 were \$36.4 million. The assets recorded in the GF are cash and cash equivalents and DOE receivable due to the timing of collection of revenue and payments of program and operating expenditures during the fiscal year.

The total GF liabilities at June 30, 2017 were \$36.4 million and primarily consisted of accrued salaries and employee benefits.

As Program revenue is paid monthly and is based on actual monthly expenses, there are no variances between program revenue and actual expenses. Therefore, the GF fund balance was zero as of June 30, 2017.

This financial report is designed to provide a general overview of NYCSSS's finances. Questions concerning any of the information in this report or requests for additional financial information should be directed to the Chief Financial Officer, NYC School Support Services, Inc., 321 W. 44th Street, Suite 601, New York, NY 10036.

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**NYC SCHOOL SUPPORT SERVICES, INC.
STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2017**

ASSETS:

Cash and cash equivalents (Note 3)	\$ 11,330,413
Due from The City of New York Department of Education	<u>25,021,896</u>
TOTAL ASSETS	<u>36,352,309</u>

LIABILITIES:

Accounts payable and accrued expenses	908,315
Accrued salaries and employee benefits	35,443,994
Accrued vacation and sick pay	<u>34,841,771</u>
TOTAL LIABILITIES	<u>71,194,080</u>

NET POSITION (DEFICIT):

Unrestricted	<u>(34,841,771)</u>
TOTAL LIABILITIES AND NET POSITION (DEFICIT)	<u>\$ 36,352,309</u>

**NYC SCHOOL SUPPORT SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

REVENUES:

Program revenues from The City of New York Department of Education	\$ 548,452,958
Interest income	<u>142,532</u>
Total revenues	<u>548,595,490</u>

EXPENSES:

Salaries and employee benefits - schools (Note 6)	574,235,164
Salaries and employee benefits - administrative	3,730,531
Professional fees	4,623,926
Occupancy (Note 5)	612,936
Insurance	92,931
Office and other expenses	<u>141,773</u>
Total expenses	<u>583,437,261</u>
Net change in net position	(34,841,771)
Net position (deficit) - beginning of year	<u>-</u>
Net position (deficit) - end of year	<u>\$ (34,841,771)</u>

**NYC SCHOOL SUPPORT SERVICES, INC.
GENERAL FUND BALANCE SHEET
JUNE 30, 2017**

ASSETS:

Cash and cash equivalents	\$ 11,330,413
Due from The City of New York Department of Education	<u>25,021,896</u>
TOTAL ASSETS	<u>\$ 36,352,309</u>

LIABILITIES:

Accounts payable and accrued expenses	\$ 908,315
Accrued salaries and employee benefits	<u>35,443,994</u>
TOTAL LIABILITIES	<u>36,352,309</u>

FUND BALANCE:

Unassigned	<u>-</u>
TOTAL FUND BALANCE	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 36,352,309</u>

**NYC SCHOOL SUPPORT SERVICES, INC.
RECONCILIATION OF THE GENERAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION (DEFICIT)
AS OF JUNE 30, 2017**

Total fund balance - general fund \$ -

Amounts reported for governmental activities in the statement of net position (deficit) are different because:

Some liabilities are not due and payable in the current period from currently available financial resources and therefore are not reported in the general fund financial statements. These liabilities consist of:

Accrued vacation and sick pay (34,841,771)

Net position (deficit) of governmental activities \$ (34,841,771)

**NYC SCHOOL SUPPORT SERVICES, INC.
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017**

REVENUES:

Program revenues from The City of New York Department of Education	\$ 548,452,958
Interest income	<u>142,532</u>
Total revenues	<u>548,595,490</u>

EXPENDITURES:

Salaries and employee benefits - schools	539,393,393
Salaries and employee benefits - administrative	3,730,531
Professional fees	4,623,926
Occupancy	612,936
Insurance	92,931
Office and other expenses	<u>141,773</u>
	548,595,490

Repayment of short-term loan payable	<u>500,000</u>
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Total expenditures	<u>549,095,490</u>
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OTHER FINANCING SOURCES:

Proceeds from short-term loan payable	<u>500,000</u>
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Total other financing sources	<u>500,000</u>
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NET CHANGE IN FUND BALANCE -

Fund balance - beginning of year	<u>-</u>
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Fund balance - end of year	<u><u>\$ -</u></u>
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NYC SCHOOL SUPPORT SERVICES, INC.
RECONCILIATION OF THE GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balance - general fund	\$ -
Amounts reported in the statement of activities are different because:	
Accrued vacation and sick pay is reported in the statement of activities on the accrual basis, but is reported as an expenditure in the general fund when the outlay of financial resources is required.	<u>(34,841,771)</u>
Change in net position - governmental activities	<u>\$ (34,841,771)</u>

NYC SCHOOL SUPPORT SERVICES, INC.
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

NYC School Support Services, Inc. (“NYCSSS”) is a Type C not-for-profit corporation organized under the Not-For-Profit Corporation Law of the State of New York (the “State”). NYCSSS is governed by a Board of Directors. The Board consists of five members, two *ex officio* Directors comprised of the individuals holding the following offices who are appointed as Directors of the Corporation by virtue of holding such position; the Chancellor or Acting Chancellor of the City School District of The City of New York or his/her designee; the Director of Management and Budget of The City of New York or his/her designee; and three additional Directors appointed by the Chancellor of the City School District of The City of New York, one of whom shall be a parent representative to the Department of Education. Although legally separate from The City of New York (the “City”), NYCSSS is an instrumentality of the City and, accordingly, is included in the City’s financial statements as a blended component unit in accordance with GASB standards.

NYCSSS was incorporated for the purpose of providing staffing of custodial helpers for The City of New York Department of Education (“DOE”).

NYCSSS’s contract with the City was registered on April 28, 2016, and NYCSSS began operations on May 26, 2016. However, there were no financial transactions through June 30, 2016 and the first payroll period administered by NYCSSS was for the pay period commencing August 12, 2016. The term of the contract is three years terminating on June 30, 2019, with an additional year for renewal through fiscal year 2020. Pursuant to this contract, NYCSSS receives monthly payments that cover its projected expenses for the forthcoming month and these contractual payments are NYCSSS’s sole source of revenue.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting*

The government-wide financial statements of NYCSSS, which include the statement of net position (deficit) and the statement of activities, are presented to display information about the reporting entity as a whole, in accordance with GASB standards. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

NYCSSS’s general fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenues are generally considered available if expected to be received within one year after period-end. Expenditures are recognized when the related liability is incurred.

The reconciliations of the general fund balance sheets to the statement of net position and the reconciliation of the general fund statements of revenues, expenditures, and changes in the fund balances to the statement of activities are presented to assist the reader in understanding the differences between the government-wide and general fund financial statements.

B. *Fund Balances*

NYCSSS uses a general fund (“GF”) to report its activities. The GF is used to account for all financial resources and activities that relates to NYCSSS’s administrative and operating expenditures.

NYC SCHOOL SUPPORT SERVICES, INC.
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board of Directors (the “Board”) of NYCSSS constitutes NYCSSS’s highest level of decision-making authority. If and when resolutions are adopted by the Board that constrain fund balances for a specific purpose, such resources are accounted for and reported as committed for such purpose unless and until a subsequent resolution altering the commitment is adopted by the Board.

If and when fund balances are constrained for use for a specific purpose based on the direction of any officer of NYCSSS who is duly authorized to direct the movement of such funds are accounted for and reported as assigned for such purpose, unless or until a subsequent authorized action by the same or another duly authorized officer, or by the Board, is taken which removes or changes the assignment.

Resources that are not constrained are reported as unrestricted in the statement of net position (deficit) and unassigned in the general fund balance sheets.

When both restricted and unrestricted resources are available for use for a specific purpose, it is NYCSSS’s policy to use restricted resources first then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use for a specific purpose, it is NYCSSS’s policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

C. *Investments*

Investments are reported at fair value as of the reporting date.

D. *Property and Equipment*

Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. NYCSSS capitalizes property and equipment with a cost of \$35,000 or more and a useful life of greater than five years. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

E. *Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires NYCSSS’s management to make estimates and assumptions in determining the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

F. *New Accounting Pronouncements*

As a component unit of the City, NYCSSS implements new GASB standards in the same fiscal year as they are implemented by the City. The following are discussions of the standards implemented in the current year.

NYC SCHOOL SUPPORT SERVICES, INC.
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (“GASB 74”). GASB 74 establishes financial reporting standards for state and local governmental other postemployment benefit (“OPEB”) plans. The requirements of GASB 74 are effective for fiscal years beginning after June 15, 2016. The adoption of GASB 74 did not have an impact on NYCSSS’s financial statements, as NYCSSS is not an OPEB plan.
- In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”). GASB 75 establishes accounting and financial reporting standards for OPEB that is provided to employees of state and local governmental employees. The requirements of GASB 75 are effective for fiscal years beginning after June 15, 2017. The adoption of GASB 75 did not have an impact on NYCSSS’s financial statements, as its employees are not in an OPEB plan.
- In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, (“GASB 83”). GASB 83 addresses accounting and financial reporting for certain asset retirement obligations. This statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirement obligations. The requirements of GASB 83 are effective for fiscal years beginning after June 15, 2018. NYCSSS has not completed the process of evaluating GASB 83, but does not expect it to have an impact on NYCSSS’s financial statements.
- In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, (“GASB 84”). The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of GASB 84 are effective for fiscal years beginning after December 15, 2018. NYCSSS has not completed the process of evaluating GASB 84, but does not expect it to have an impact on NYCSSS’s financial statements, as it does not enter in fiduciary activities.
- In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, (“GASB 85”). The objective of GASB 85 is to address practice issues that have been identified during implementation and application of certain GASB statements. The requirements of GASB 85 are effective for fiscal years beginning after June 15, 2017. The adoption of GASB 85 did not have an impact on NYCSSS’s financial statements.
- In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, (“GASB 86”). The primary objective of GASB 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets are acquired with only existing resources – resources other than the proceeds of refunding debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished. The requirements of GASB 86 are effective for fiscal years beginning after June 15, 2017. NYCSSS has not completed the process of evaluating GASB 86, but does not expect it to have an impact on NYCSSS’s financial statements, as NYCSSS has no long-term debt.

NYC SCHOOL SUPPORT SERVICES, INC.
(A Component Unit of The City of New York)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- In June 2017, GASB issued Statement No. 87, *Leases*, (“GASB 87”). The objective of GASB 87 is to improve accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of GASB 87 are effective for fiscal years beginning after December 15, 2019. NYCSSS has not completed the process of evaluating GASB 87.

NOTE 3 – CASH AND CASH EQUIVALENTS

As of June 30, 2017, NYCSSS’s cash was comprised of unrestricted bank deposits in the amounts of \$1,017,000. Of these cash deposits, only \$250,000 was covered by Federal Deposit Insurance Corporation (“FDIC”) insurance, and the remaining balance of \$767,000 was uncollateralized as of June 30, 2017.

As of June 30, 2017, NYCSSS’s cash equivalents were comprised of Money Market Funds in the amount of \$12,046,000. NYCSSS categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. NYCSSS’s Money Market Funds are valued based on various market and industry inputs (Level 2 inputs).

NOTE 4 – LOAN PAYABLE

In July 2016, NYCSSS received a \$500,000 interest-free emergency loan from the Fund for the City of New York to cover operating expenses pending the receipt of funds from the DOE. The loan was repaid in full in August 2016 upon the receipt of funds from DOE.

NOTE 5 – LEASE COMMITMENTS

NYCSSS executed a lease agreement effective December 2016 for office space. This lease agreement expires in June 2022. Rental expense totaled approximately \$271,000 during the year ended June 30, 2017 and is included in occupancy costs in the accompanying statement of activities.

NYC SCHOOL SUPPORT SERVICES, INC.
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 5 – LEASE COMMITMENTS (Continued)

The following is a schedule of future minimum rental payments required under operating leases having initial or remaining noncancelable lease terms in excess of one year:

2018	\$	515,000
2019		527,000
2020		539,000
2021		551,000
2022		<u>564,000</u>
	\$	<u>2,696,000</u>

NOTE 6 – PENSION PLANS

A. *Multi-Employer Cost Sharing Plans for Union Employees*

NYCSSS union employees are members of one of two unions, Local 32BJ or Local 94. Both unions have a multi-employer, cost-sharing pension plan in which their members participate.

Local 32BJ members belong to the 32BJ School Workers Pension Fund (the “32BJ Fund”), which is administered by Regine Breton, Director of Retirement Services. The 32 BJ Fund issues annual financial statements which are available for download on their website (<https://www.32bjfunds.org/>). The 32 BJ Fund provides retirement benefits to vested members, none of which are government employees. Pension benefits contributions are determined pursuant to a collective bargaining agreement that expires June 30, 2020, and are calculated based on a negotiated hourly rate for hours worked. The hourly contribution rate for the year ended June 30, 2017 was \$1.927 up to 40 hours per week. Contributions to the 32 BJ Fund amounted to \$15,480,842 for the year ended June 30, 2017 and are included in salaries and employee benefits – schools in the accompanying statement of activities.

Local 94 members belong to the Central Pension Fund of the International Operating Engineers and Participating Employers (the “Local 94 Fund”), which is administered by Michael R. Fanning CEO of the Plan. The Local 94 Fund issues annual financial statements which are available for download on their website (<http://www.cpfioe.org/>). The Local 94 Fund provides retirement benefits to vested members, none of which are government employees. Pension benefits contributions are determined pursuant to a collective bargaining agreement that expires December 31, 2018 and are calculated based on a negotiated hourly rate for hours worked. The hourly contribution rate for the year ended June 30, 2017 was \$3.75 for every hour paid. For the year ended June 30, 2018, the contribution rate will be \$3.85 per hour paid.

Contributions to the Local 94 Fund amounted to \$10,824,395 for the year ended June 30, 2017 and are included in salaries and employee benefits – schools in the accompanying statement of activities.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 6 – PENSION PLANS (Continued)

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (“GASB 68”), a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan) – the collective net pension liability. An employer’s proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability. A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

During the implementation of GASB 68, an issue arose regarding the ability of state and local governmental employers to obtain necessary information related to pensions that are provided through certain multiple-employer defined benefit pension plans. Therefore, in December 2015 the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (“GASB 78”).

GASB 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). GASB 78 requires pension expense to be recognized equal to the employer’s required contributions to the pension plan for the year, and a payable should be reported for unpaid required contributions at the end of the year.

The Local 94 Fund satisfies each of the above criteria for reporting under GASB 78. Therefore, NYCSSS is not required to recognize a liability for its proportionate share of the net pension liability of the Local 94 Fund.

As NYCSSS is the predominant employer within the 32 BJ Fund, NYCSSS does not meet the criteria for reporting on the 32 BJ Fund under GASB 78 and is required to recognize its proportionate share of the pension liability, pension expense, deferred outflows of resources and deferred inflows of resources of the 32 BJ Fund under GASB 68. However, sufficient information was not available to comply with the requirements of GASB 68 and NYCSSS’s proportionate share of the pension liability, pension expense, deferred outflows of resources and deferred inflows of resources of the 32 BJ Fund could not be determined. Therefore, such amounts are not reflected in the accompanying financial statements.

B. 403(b) Plan

Effective July 1, 2017, NYCSSS adopted a 403(b) plan (the “Plan”) for all eligible employees, as defined by the Plan. NYCSSS will contribute 3% of each participant’s compensation to the Plan and participants are fully vested in both their employee and employer contributions to the Plan.

**NYC SCHOOL SUPPORT SERVICES, INC.
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER'S REQUIRED CONTRIBUTIONS
 FOR THE YEARS ENDED JUNE 30 (UNAUDITED)**

Local 32BJ - 32BJ School Workers Pension Fund:

		2017
Employer's required contribution	\$	15,480,842
Actual contribution	\$	15,480,842
Contribution deficiency (excess)	\$	-

**Local 94 - Central Pension Fund of the International
 Operating Engineers and Participating Employers:**

		2017
Employer's required contribution	\$	10,824,395
Actual contribution	\$	10,824,395
Contribution deficiency (excess)	\$	-

NOTE:

A schedule of the employer's required contributions for each of the 10 most recent fiscal years should be presented as required supplementary information. However, as NYCSSS commenced operations in fiscal year 2017 this data is presented only for those years for which information is available.