BEGINNING WITH CHILDREN FOUNDATION, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

BEGINNING WITH CHILDREN FOUNDATION, INC.
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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CITRINCOOPERMAN®
Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Beginning with Children Foundation, Inc.

We have audited the accompanying financial statements of Beginning with Children Foundation, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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

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AN INDEPENDENT FIRM ASSOCIATED WITH MOORE STEPHENS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beginning with Children Foundation, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
February 15, 2018

BEGINNING WITH CHILDREN FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 780,619	$ 354,997
Short-term investments	604,191	546,021
Pledges receivable	44,500	16,912
Due from related party	297,681	323,643
Other assets	21,813	25,467
Cash equivalents and investments, designated by the board for charter school construction and facilities projects	1,230,000	1,675,000
Property and equipment, net of accumulated depreciation and amortization of $111,475 in 2017 and $65,250 in 2016	460,647	309,506
Long-term investments	2,981,973	2,792,607
TOTAL ASSETS	$ 6,421,424	$ 6,044,153
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 114,038	$ 221,175
Deferred rental income	301,278	-
Total liabilities	415,316	221,175
Commitment (Note 5)		
Net assets:		
Unrestricted:		
Board-designated net assets	2,128,759	2,118,080
Investment in plant	524,337	375,214
Other	1,018,012	1,204,684
Total unrestricted net assets	3,671,108	3,697,978
Temporarily restricted	210,000	-
Permanently restricted	2,125,000	2,125,000
Total net assets	6,006,108	5,822,978
TOTAL LIABILITIES AND NET ASSETS	$ 6,421,424	$ 6,044,153

See accompanying notes to financial statements.

BEGINNING WITH CHILDREN FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted Net Assets					
	Board-Designated	Investment in Plant	Other	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:						
Contributions	$ -	$ -	$ 402,023	$ 210,000	$ -	$ 612,023
Service fee revenue	-	-	1,262,893	-	-	1,262,893
Rental income	-	-	847,600	-	-	847,600
Other revenue	-	75,200	103,274	-	-	178,474
Interest and dividends	83,698	-	46,901	-	-	130,599
Realized and unrealized gains on investments, net	118,871	-	61,649	-	-	180,520
Total revenue, gains and other support	202,569	75,200	2,724,340	210,000	-	3,212,109
Expenses:						
Operating programs and grants	-	-	2,603,386	-	-	2,603,386
General and administrative	-	44,191	188,463	-	-	232,654
Development	-	-	192,939	-	-	192,939
Total expenses	-	44,191	2,984,788	-	-	3,028,979
Change in net assets	202,569	31,009	(260,448)	210,000	-	183,130
Net assets - beginning	2,118,080	375,214	1,204,684	-	2,125,000	5,822,978
Transfers	(191,890)	118,114	73,776	-	-	-
NET ASSETS - ENDING	$ 2,128,759	$ 524,337	$ 1,018,012	$ 210,000	$ 2,125,000	$ 6,006,108

See accompanying notes to financial statements.

BEGINNING WITH CHILDREN FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted Net Assets				
	Board-Designated	Investment in Plant	Other	Permanently Restricted	Total
Revenue, gains, losses and other support:					
Contributions	$ -	$ -	$ 887,614	$ -	$ 887,614
Service fee revenue	-	-	1,105,426	-	1,105,426
Interest and dividends	-	-	67,564	-	67,564
Unrealized gains on investments	70,758	-	38,686	-	109,444
Total revenue, gains, losses and other support	70,758	-	2,099,290	-	2,170,048
Expenses:					
Operating programs and grants	-	-	1,833,863	-	1,833,863
General and administrative	-	40,243	220,872	-	261,115
Development	-	-	161,760	-	161,760
Total expenses	-	40,243	2,216,495	-	2,256,738
Change in net assets	70,758	(40,243)	(117,205)	-	(86,690)
Net assets - beginning	2,300,432	288,192	1,196,044	2,125,000	5,909,668
Transfers	(253,110)	127,265	125,845	-	-
NET ASSETS - ENDING	$ 2,118,080	$ 375,214	$ 1,204,684	$ 2,125,000	$ 5,822,978

See accompanying notes to financial statements.

BEGINNING WITH CHILDREN FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Contributions and fundraising collections	$ 584,435	$ 876,853
Service fee collection	1,262,892	1,105,425
Interest and dividends	130,599	138,322
Other revenue	178,474	-
Cash paid for program services	(1,583,565)	(1,829,209)
Cash paid for supporting services	(327,831)	(371,405)
Net cash provided by (used in) operating activities	245,004	(80,014)
Cash flows from investing activities:		
Cash paid to purchase property and equipment	(197,366)	(127,264)
Proceeds from sale of investments	460,518	-
Cash used to purchase investments	(82,534)	(88,542)
Net cash provided by (used in) investing activities	180,618	(215,806)
Net increase (decrease) in cash and cash equivalents	425,622	(295,820)
Cash and cash equivalents - beginning	354,997	650,817
CASH AND CASH EQUIVALENTS - ENDING	$ 780,619	$ 354,997
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Changes in net assets	$ 183,130	$ (86,690)
Adjustments:		
Net realized and unrealized gains on investments	(180,520)	(38,686)
Depreciation and amortization	46,225	42,278
Increase in pledges receivable	(27,588)	(10,762)
(Increase) decrease in due from related party	25,962	(92,789)
Decrease in other assets	3,654	3,698
Decrease (increase) in accounts payable and accrued expenses	(107,137)	102,937
Increase in deferred rental income	301,278	-
Total adjustments to change in net assets	61,874	6,676
Net cash provided by (used in) operating activities	$ 245,004	$ (80,014)

See accompanying notes to financial statements.

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Nature of Operations

Beginning with Children Foundation, Inc. (the "Foundation") is a non-profit organization dedicated to improving the educational opportunities of urban children through the creation of autonomous, high performing public schools. Since inception in 1989, the Foundation has worked to effect positive change in the New York City public school system through the belief that all children can learn.

Effective October 1, 2014, Beginning with Children Charter School 2 ("BwCCS2") merged into Community Partnership Charter School ("CPCS"), the surviving entity. Concurrent with the merger, CPCS changed its name to Community Partnership Charter School Education Corporation ("CPCSEC"), an education corporation that operates two charter schools in the borough of Brooklyn, New York and the Foundation currently works with this entity.

The two charter schools operated by CPCSEC are designed to nurture academic achievement and individual growth by addressing the needs of the whole child. More than 1,500 children have benefited from these unique learning environments, where personalized instruction, dynamic teaching strategies, and analytical assessment help students master a rigorous academic curriculum and develop a life-long love of learning. After students graduate from CPCSEC, the Foundation's Legacy Network (Alumni Program) continues to nurture their development and expand their opportunities. The program provides support to over 650 alumni, including guidance in the college admissions process, mentoring and tutoring to spur academic and personal development, and training and placement in professional summer internships.

CPCSEC operates two charter schools which are public schools that receive mandated per capita New York State public funding. Monies raised by the Foundation augment each school through program and facility support and school design services, in addition to supporting the Foundation's broader outreach, dissemination efforts and legacy network.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Pledges Receivable

The Foundation records pledges receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Foundation evaluates its pledges receivable and establishes an allowance for doubtful accounts, if necessary, based on the history of collections. No allowance for doubtful accounts was deemed necessary as of June 30, 2017 and 2016.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates (Continued)

liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist primarily of cash and cash equivalents and investments in excess of insured amounts. At times, the Foundation's cash and cash equivalents and investments, which are placed with major financial institutions, exceed the insurance coverage provided by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation. The Foundation has not experienced any losses on such accounts.

Revenue Recognition

The financial statements of the Foundation reflect contributions received from the public and other organizations. Contributions, including unconditional promises to give, are recognized in the statements of activities as revenue in the period in which they are received or unconditionally promised and collectible.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as "Net assets released from restriction." Amounts received with donor stipulations that limit the use of the assets for certain purposes are reported as unrestricted support if the stipulated purpose restriction is accomplished in the same year.

Service Fee Revenue

Service fee revenue is recognized upon completion of rendering services to each of the charter schools operated by CPCSEC.

Rental Income

Rental income generated from the leasing of facility space to a related party is recognized in the period the space is provided and therefore earned.

Investments

Investments are reported at fair value. Fair value is 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. See Note 7 for discussion of fair value measurements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Realized and unrealized gains (losses) on investments includes the Foundation's gains and losses on investments bought and sold as well as held during the year.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation and amortization. The Foundation capitalizes all purchases of property and equipment in excess of $2,500 and a useful life of one year. Depreciation is computed using the double-declining balance method over the estimated useful lives of the respective assets ranging from five to six years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful life of the asset or the remaining life of the lease. Maintenance and repairs are charged to expense and major renewals and betterments are capitalized.

Net Assets

Separate net asset accounts are maintained to ensure that limitations or restrictions placed on contributions, endowments and gifts are used for their intended purpose. The Foundation uses the following classes of net assets:

a) Unrestricted net assets are general contributions to the Foundation to support operating, general and administrative expenses and capital programs. Contributions received with donor restrictions are also included in this class to the extent the restrictions are met in the same year as the contribution.

b) Board-designated net assets consist of $2,000,000 originally set aside to provide a fiscally-prudent reserve to address critical facility and other needs at charter schools which the Foundation supports. As of June 30, 2017 and 2016, board-designated net assets amounted to $2,128,759 and $2,118,080, respectively.

c) Investment in plant consists of fixed assets purchased with funds released from board-designated net assets amounting to $325,000 for the office relocation and renovation project during the year ended June 30, 2015, and $450,000 for the renovation project of a facility provided to one of the charter schools operated by CPCSEC during the year ended June 30, 2017. Depreciation and amortization expense related to these fixed assets amounted to $44,191 and $40,243 for the years ended June 30, 2017 and 2016, respectively.

d) Temporarily restricted net assets consist of contributions restricted by the donors for use in specified programs or in particular time periods. During the year ended June 30, 2017, the Foundation received $210,000 in temporarily restricted contributions to support a Gap Scholarship Fund for Legacy Students. No Gap Scholarships were awarded during June 30, 2017 to Legacy Network Students and therefore no amounts have been released from restrictions. At June 30, 2016, the Foundation had no temporarily restricted net assets.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

e) Permanently restricted net assets consist of endowment fund contributions to be held in perpetuity.

Endowment Fund

The Foundation is subject to the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The board of directors has interpreted NYPMIFA as requiring the preservation in perpetuity of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NYPMIFA. At June 30, 2017 and 2016, all investment returns have been appropriated.

In 2006, the board of directors established a policy of re-investing the earnings on endowment funds in long-term investments with the goal of ensuring the long-term fiscal stability of the Foundation. An amount up to a 5% rate of return on endowment assets will be released by the board to operations each year. For each of the years ended June 30, 2017 and 2016, an amount equal to 5% of endowment assets was released to operations.

Income Taxes

Beginning with Children Foundation, Inc. is a not-for-profit organization exempt from federal income taxes under Section 509(a)(1) and Section 501(c)(3) of the Internal Revenue Code (the "Code"), and from state income taxes.

The Foundation recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 740, *Income Taxes*. Under that guidance, the Foundation assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances, and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

Management has evaluated the Foundation's tax positions and has concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under this standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Foundation assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in the circumstances that caused the transfer in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no transfers among Levels 1, 2 or 3 during the years ended June 30, 2017 and 2016.

Recent Accounting Pronouncements

Effective for the year ending June 30, 2019, the Foundation will be required to adopt FASB Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements for Not-for-profit Entities*, which changes the presentation of not-for-profit financial statements. The new guidance reduces the number of net asset classes from three to two and increases disclosures about financial measures and liquidity risks, among other changes. The effect of adopting this new guidance on the Foundation's financial statements and related disclosures has not yet been determined.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Accounting Pronouncements (Continued)

Effective for the year ending June 30, 2020, the Foundation will adopt the provisions of FASB ASU 2014-09, *Revenue from Contracts with Customers*, which will replace the current revenue recognition guidance pertaining to contracts with customers contained in GAAP. The effect of adopting ASU 2014-09 on the Foundation's financial statements and related disclosures has not yet been determined.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This update requires all leases with a term greater than 12 months to be recognized on the statement of financial position through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. This new guidance is effective for years beginning after June 30, 2020, with early adoption permitted. The effect of adopting ASU 2016-02 on the Foundation's financial statements and related disclosures has not yet been determined.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Foundation has evaluated subsequent events through February 15, 2018, the date on which these financial statements were available to be issued. Except for the acquisition of a building from an unrelated entity disclosed in Note 8, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 3. RELATED-PARTY TRANSACTIONS

As an educational manager to charter schools, the Foundation entered into a Memorandum of Understanding ("MOU") agreement with CPCSEC for a renewable one-year term. Pursuant to the terms of the MOU, CPCSEC paid service fees to the Foundation in the amount of $1,262,893 and $1,105,426 for the years ended June 30, 2017 and 2016, respectively.

The Foundation supported the charter schools in the areas of leadership and strategy, teacher development and recruitment, curriculum and assessment, research and evaluation, business services, compliance, development, technology, communications, outreach, parent and family engagement, board development, evaluation of effectiveness, and alumni program management.

The amounts due from CPCSEC amounted to $297,681 and $323,643 at June 30, 2017 and 2016, respectively.

The Foundation provided donated space to CPCSEC which was used for the Beginning with Children Charter School 2 ("BwCCS2") Middle School campus. For the year ended June 30, 2017, the value of the donated space amounted to $847,600, and is included in "Rental income" and "Operating programs and grants" in the accompanying statement of activities. There was no donated space provided for the BwCCS2 Middle School during the year ended June 30, 2016.

NOTE 3. RELATED-PARTY TRANSACTIONS (CONTINUED)

Deferred Rental Income

During the year ended June 30, 2017, the Foundation incurred certain costs on behalf of CPCSEC in connection with the renovations and other site preparations made to the BwCCS2 Middle School. On June 1, 2017, CPCSEC entered into a reimbursements agreement (the "Agreement") to repay expenses totaling $376,598 (the "Cost Advance") to the Foundation. The Cost Advance will be paid back through five annual, non-interest-bearing payments coinciding with the term of the lease.

Cost Advance	$	376,598
Less: payments made during 2017		(75,320)
Remaining cost advance as of June 30, 2017	$	301,278

The remaining balance of $301,278 has been included in "Deferred rental income" in the accompanying statements of financial position. Additionally, the annual repayment of $75,200 is amortized and included in "Other revenue" in the accompanying statement of activities for the year ended June 30, 2017.

School Facility Lease

In August 2016, the Foundation entered into a five-year sublease agreement with CPCSEC, a related party, commencing July 1, 2016, and expiring June 30, 2021. The sublease was for the use of school facility space donated to the Foundation by an unrelated third party, and was provided to CPCSEC at no charge for the BwCCS2 Middle School. The lease agreement contains provisions for future rent increases. In accordance with GAAP, the Foundation records monthly rental income equal to the total of the payments due over the lease term, divided by the number of months of the lease term (straight-line basis).

Minimum annual rental income amounts required under the lease are as follows:

Fiscal year ending June 30:	Amount
2018	$ 650,000
2019	910,000
2020	1,014,000
2021	1,014,000
Total	$ 3,588,000

NOTE 4. PROPERTY AND EQUIPMENT

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

	2017	2016
Technology equipment	$ 55,299	$ 55,299
Construction in progress	245,667	127,265
Leasehold improvements	271,156	192,192
	572,122	374,756
Less: accumulated depreciation and amortization	(111,475)	(65,250)
Property and equipment, net	$ 460,647	$ 309,506

Depreciation and amortization expense amounted to $46,225 and $42,278 for the years ended June 30, 2017 and 2016, respectively.

NOTE 5. COMMITMENT

On April 4, 2014, the Foundation entered into a six-year lease agreement for new office space located in Brooklyn, New York. The lease covers the term July 1, 2014 through June 30, 2020. The lease agreement provides for a minimum annual rent, plus certain other fees defined in the agreement.

The aggregate future minimum annual rental payments are as follows:

Year ending June 30:	Amount
2018	$ 122,181
2019	126,457
2020	130,883
	$ 379,521

Rent expense amounted to $84,324 and $114,057 for the years ended June 30, 2017 and 2016, respectively. The Foundation received a rent credit from the landlord amounting to $35,000 during the year ended June 30, 2017, pursuant to the lease agreement.

NOTE 6. EMPLOYEE BENEFIT PLAN

The Foundation maintains a defined contribution plan under Section 401(k) of the Code covering all eligible employees. Under the plan, the Foundation may elect on a discretionary basis to provide matching contributions. In addition, the Foundation may elect on a discretionary basis to contribute a percentage of all qualified employees' compensation to the profit-sharing component of the plan. The amounts charged to operations for the total employer contributions to the plan were $64,808 and $63,727 for the years ended June 30, 2017 and 2016, respectively. Employee benefit plan contributions payable amounted to $56,313 and $54,730 at June 30, 2017 and 2016, respectively, and are included in "Accounts payable and accrued expenses" in the accompanying statements of financial position.

NOTE 7. FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the tables below. The valuation techniques are as follows:

(a) *Market approach*. Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

(b) *Cost approach*. Amount that would be required to replace the service capacity of an asset (replacement cost); and

(c) *Income approach*. Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The following tables summarize the Foundation's assets measured at fair value on a recurring basis, categorized by GAAP's valuation hierarchy as of June 30, 2017 and 2016:

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total	Valuation Technique
Money market fund (included in short-term investments)	$ 453,047	$ -	$ -	$ 453,047	(a)
Corporate bonds - domestic:					
Aerospace & Defense	-	106,751	-	106,751	(a)
Biotechnology	-	78,041	-	78,041	(a)
Cable & Satellite	-	75,054	-	75,054	(a)
Chemicals	-	78,345	-	78,345	(a)
Consumer Products	-	112,482	-	112,482	(a)
Diversified Banks	-	176,745	-	176,745	(a)
Electrical Equipment Manufacturing	-	77,556	-	77,556	(a)
Financial Services	-	311,264	-	311,264	(a)
Homebuilding	-	62,307	-	62,307	(a)
Life Insurance	-	76,309	-	76,309	(a)
Supermarkets & Pharmacies	-	75,055	-	75,055	(a)
Utilities	-	75,290	-	75,290	(a)
	-	1,305,199	-	1,305,199	
Corporate bonds - international :					
Food & Beverage	-	75,944	-	75,944	(a)
	-	1,381,143	-	1,381,143	
Mutual funds (included in long-term investments):					
Short-Term Bond	442,809	-	-	442,809	(a)
Moderate Allocation	2,539,165	-	-	2,539,165	(a)
	2,981,974	-	-	2,981,974	
Total as of June 30, 2017	$ 3,435,021	$ 1,381,143	$ -	$ 4,816,164	

NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total	Valuation Technique
Money market fund (included in cash and cash equivalents)	$ 54,243	$ -	$ -	$ 54,243	(a)
Money market fund (included in short-term investments)	546,021	-	-	546,021	(a)
Money market fund (included in cash equivalents and investments)	33,044	-	-	33,044	(a)
Corporate bonds - domestic:					
Aerospace & Defense	-	108,875	-	108,875	(a)
Automobiles Manufacturing	-	102,593	-	102,593	(a)
Biotechnology	-	81,880	-	81,880	(a)
Cable & Satellite	-	75,408	-	75,408	(a)
Chemicals	-	82,166	-	82,166	(a)
Diversified Banks	-	181,543	-	181,543	(a)
Electrical Equipment Manufacturing	-	81,307	-	81,307	(a)
Financial Services	-	208,661	-	208,661	(a)
Health Care Facilities & Services	-	65,690	-	65,690	(a)
Life Insurance	-	79,896	-	79,896	(a)
Power Generation	-	110,647	-	110,647	(a)
Supermarkets & Pharmacies	-	152,255	-	152,255	(a)
Travel & Lodging	-	75,628	-	75,628	(a)
Utilities	-	75,666	-	75,666	(a)
Wireless Telecommunications Services	-	80,267	-	80,267	(a)
	-	1,562,482	-	1,562,482	
Corporate bonds - international:					
Food & Beverage	-	79,474	-	79,474	(a)
	33,044	1,641,956	-	1,675,000	
Mutual funds (included in long-term investments):					
Short-Term Bond	437,081	-	-	437,081	(a)
Moderate Allocation	2,355,526	-	-	2,355,526	(a)
	2,792,607	-	-	2,792,607	
Total as of June 30, 2016	$ 3,425,915	$ 1,641,956	$ -	$ 5,067,871	

NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2017 and 2016:

(1) Money market funds are valued at cost plus accrued interest, which approximates fair value.

(2) Mutual funds are valued at the quoted market price of shares held at year end.

(3) Corporate bonds are valued based on the last reported bid price provided by broker dealers.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 8. SUBSEQUENT EVENT

On December 15, 2017, the Foundation acquired a building located at 11 Bartlett Street in Brooklyn, New York from an unrelated third party with a purchase price amounting to $10. The Foundation will continue to utilize the building to provide school facility space for BwCCS2 Middle School.