Hillside

Hillside Work-Scholarship Connection

Financial Report

June 30, 2013 and 2012

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Dopkins & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Audit Committee
Hillside Family of Agencies

Report on the Financial Statements
We have audited the accompanying financial statements of Hillside Work-Scholarship Connection (an affiliate of the Hillside Family of Agencies) which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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 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 audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hillside Work-Scholarship Connection as of June 30, 2013 and 2012, 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.

Dopkins & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

November 20, 2013

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HILLSIDE WORK-SCHOLARSHIP CONNECTION

STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

ASSETS		2013		2012
Cash	$	400	$	400
Receivables — net		2,440,747		2,973,277
Beneficial interest in net assets of Hillside Children's Foundation		10,482,931		9,083,622
Total assets	$	12,924,078	$	12,057,299

LIABILITIES AND NET ASSETS		2013		2012
Liabilities				
Accounts payable		249,248		242,310
Accrued expenses and other liabilities		492,864		477,943
Refundable advances		21,500		-
Interaffiliate payable — net		625,843		1,201,731
Total liabilities		1,389,455		1,921,984
Net Assets				
Unrestricted		1,051,692		1,051,693
Temporarily restricted		10,482,931		9,083,622
Total net assets		11,534,623		10,135,315
Total liabilities and net assets	$	12,924,078	$	12,057,299

See Notes to Financial Statements.

HILLSIDE WORK-SCHOLARSHIP CONNECTION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended June 30, 2013 and 2012

	2013			2012		
	Unrestricted	**Temporarily Restricted**	**Total**	Unrestricted	Temporarily Restricted	Total
Revenue and public support:						
Program-related revenue:						
NYS Department of Children and Family Services	**$ 3,261,422**	**$ -**	**$ 3,261,422**	$ 3,122,455	$ -	$ 3,122,455
NYS Education Department	**3,050,077**	**-**	**3,050,077**	3,786,886	-	3,786,886
Government grants	**186,008**	**-**	**186,008**	197,884	-	197,884
United Way	**64,110**	**-**	**64,110**	65,000	-	65,000
Total program-related revenue	**6,561,617**	**-**	**6,561,617**	7,172,225	-	7,172,225
Miscellaneous other operating revenue	**923,582**	**-**	**923,582**	979,683	-	979,683
Total revenue and public support	**7,485,199**	**-**	**7,485,199**	8,151,908	-	8,151,908
Operating expenses:						
Program services — children and family services	**11,277,623**	**-**	**11,277,623**	11,745,856	-	11,745,856
Supporting services — management and general	**1,396,968**	**-**	**1,396,968**	1,073,164	-	1,073,164
Total operating expenses	**12,674,591**	**-**	**12,674,591**	12,819,020	-	12,819,020
Grants from affiliates for operating activities, including assets released from restrictions	**4,885,083**	**-**	**4,885,083**	4,466,546	-	4,466,546
Decrease from operating activities	**(304,309)**	**-**	**(304,309)**	(200,566)	-	(200,566)
Non-operating activities:						
Pension-related changes other than net periodic pension cost	**295,507**	**-**	**295,507**	(654,612)	-	(654,612)
Change in beneficial interest in net assets of Hillside Children's Foundation	**-**	**6,256,392**	**6,256,392**	-	10,266,010	10,266,010
Net assets released from restrictions	**-**	**(4,857,083)**	**(4,857,083)**	-	(4,441,089)	(4,441,089)
Miscellaneous	**8,801**	**-**	**8,801**	855,179	-	855,179
Increase from non-operating activities	**304,308**	**1,399,309**	**1,703,617**	200,567	5,824,921	6,025,488
Changes in net assets	**(1)**	**1,399,309**	**1,399,308**	1	5,824,921	5,824,922
Net assets — Beginning of year	**1,051,693**	**9,083,622**	**10,135,315**	1,051,692	3,258,701	4,310,393
Net assets — End of year	**$ 1,051,692**	**$ 10,482,931**	**$ 11,534,623**	$ 1,051,693	$ 9,083,622	$ 10,135,315

See Notes to Financial Statements.

HILLSIDE WORK-SCHOLARSHIP CONNECTION

STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013
(With Comparative Totals for 2012)

	Program Services — Children and Family Services	**Supporting Services — Management and General**	**2013 Total**	2012 Total
Personnel expenses:				
Salaries and wages	$ 5,835,685	$ -	**$ 5,835,685**	$ 6,067,903
Employee benefits	1,482,506	-	**1,482,506**	1,471,070
Total personnel expenses	7,318,191	-	**7,318,191**	7,538,973
Direct child care:				
Food	108,206	-	**108,206**	114,852
Clothing	2,738	-	**2,738**	752
Recreation, work activities and other	613,004	-	**613,004**	436,954
Staff development	78,587	-	**78,587**	86,822
Total direct child care expenses	802,535	-	**802,535**	639,380
Other expenses:				
Occupancy	894,564	-	**894,564**	965,367
Supplies	185,848	-	**185,848**	241,668
Professional fees	1,506,488	-	**1,506,488**	1,735,896
Telephone	185,939	-	**185,939**	197,550
Conferences and administration	29,313	-	**29,313**	34,986
Transportation	104,907	-	**104,907**	101,484
Interest	203,769	-	**203,769**	230,624
Postage	13,101	-	**13,101**	10,661
Publications and publicity	32,968	-	**32,968**	45,612
Total other expenses	3,156,897	-	**3,156,897**	3,563,848
Management fee	-	1,396,968	**1,396,968**	1,073,164
Total expenses before depreciation	11,277,623	1,396,968	**12,674,591**	12,815,365
Depreciation	-	-	**-**	3,655
Total expenses	$ 11,277,623	$ 1,396,968	**$ 12,674,591**	$ 12,819,020

HILLSIDE WORK-SCHOLARSHIP CONNECTION

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

	Program Services — Children and Family Services	Supporting Services — Management and General	2012 Total
Personnel expenses:			
Salaries and wages	$ 6,067,903	$ -	$ 6,067,903
Employee benefits	1,471,070	-	1,471,070
Total personnel expenses	7,538,973	-	7,538,973
Direct child care:			
Food	114,852	-	114,852
Clothing	752	-	752
Recreation, work activities and other	436,954	-	436,954
Staff development	86,822	-	86,822
Total direct child care expenses	639,380	-	639,380
Other expenses:			
Occupancy	965,367	-	965,367
Supplies	241,668	-	241,668
Professional fees	1,735,896	-	1,735,896
Telephone	197,550	-	197,550
Conferences and administration	34,986	-	34,986
Transportation	101,484	-	101,484
Interest	230,624	-	230,624
Postage	10,661	-	10,661
Publications and publicity	45,612	-	45,612
Total other expenses	3,563,848	-	3,563,848
Management fee	-	1,073,164	1,073,164
Total expenses before depreciation	11,742,201	1,073,164	12,815,365
Depreciation	3,655	-	3,655
Total expenses	$ 11,745,856	$ 1,073,164	$ 12,819,020

HILLSIDE WORK-SCHOLARSHIP CONNECTION

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities		
Change in net assets	$ 1,399,308	$ 5,824,922
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	-	3,655
Change in allowance for uncollectible accounts	(8,725)	24,599
Change in beneficial interest in net assets of Hillside Children's Foundation	(1,399,309)	(5,824,921)
Pension-related changes other than net periodic pension cost	(295,507)	654,612
Changes in assets and liabilities		
(Increase) decrease in:		
Accounts receivable	541,255	(802,562)
Increase (decrease) in:		
Accounts payable	6,938	(40,637)
Accrued expenses and other liabilities	14,921	8,840
Refundable advances	21,500	(248,058)
Net cash provided by (used in) operating activities	280,381	(399,550)
Cash Flows From Financing Activities		
Increase (decrease) in interaffiliate payable — net	(280,381)	399,550
Net cash provided by (used in) financing activities	(280,381)	399,550
Net change in cash	-	-
Cash:		
Beginning	400	400
Ending	$ 400	$ 400

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies

Organization:

Hillside Work-Scholarship Connection (the "Organization") operates in Maryland and New York, and is a not-for-profit organization formed to help at-risk teens achieve success at school, at work and at home. The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3).

The Organization is an affiliate of Hillside Family of Agencies ("HFA") and HFA's affiliates (collectively, the "System"). HFA is a not-for-profit corporation that reviews and monitors the missions, objectives, activities, and resources of its affiliates. In its capacity as the sole corporate member of the Organization, HFA has the right to elect the Organization's directors and amend its by-laws.

A summary of the Organization's significant accounting policies follows:

Basis of presentation:

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

Cash:

Cash is held primarily in one bank.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

Receivables:

At June 30, 2013 and 2012, the Organization's receivables consisted of net program-related receivables of $2,440,747 and $2,973,277, respectively. Receivables are presented net of allowances for doubtful accounts of $49,811 and $58,536, respectively.

Net beneficial interest:

The Organization is a beneficiary of certain donor-designated funds held by Hillside Children's Foundation (the "Foundation"), a not-for-profit organization whose purpose is to solicit, collect and invest funds to support the programs of the System. The Foundation's net assets consist of various investments stated at fair value, and amounts are distributed periodically to the Organization. Pursuant to FASB Accounting Standards Codification, the Organization's beneficial interest in the unrestricted and temporarily restricted net assets of the Foundation and its portion of the change in those net assets are reported in the accompanying financial statements in temporarily restricted net assets.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Fair value measurements:

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy 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 Organization 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 or similar 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 asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any 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.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2013 and 2012:

Mutual Funds – Mutual funds with registered investment companies are valued at the daily closing price as reported by the fund. Mutual funds held by the Defined Benefit Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Defined Benefit Plan, except for money market funds, are deemed to be actively traded. Money market funds generally transact at $1.00 NAV as reported by the fund and is based on the amortized cost of the underlying securities of the fund. The $1.00 NAV is considered to be the price to sell the money market funds and its estimated fair value. Investments in this category can be redeemed daily in a 30-day period at the current net asset value per share based on the fair value of the underlying assets.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Fair value measurements (continued):

Equity Securities – These are stated at fair value based on quoted market prices.

Debt Securities – These are valued estimated at fair value as determined by third-party pricing services and qualified appraisers.

Net Beneficial Interest – Interest in net assets of the Foundation is valued at estimated fair value as reported to the Organization by the Foundation, which represents the estimated fair value of the underlying net assets of the Foundation identified to the Organization. The Organization's net beneficial interest is valued at Level 3.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization 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.

During the years ended June 30, 2013 and 2012, the changes in the fair value of the assets carried at fair value measured using significant unobservable inputs (Level 3) were comprised of the following:

	2013	2012
Beginning balance – net beneficial interest	**$ 9,083,622**	$ 3,258,701
Change in net beneficial interest	**1,399,309**	5,824,921
Ending balance – net beneficial interest	**$ 10,482,931**	$ 9,083,622

Property, buildings and equipment and accumulated depreciation:

Property, buildings and equipment are recorded at cost if purchased or at fair value if donated. Depreciation is provided on a straight-line basis over the following estimated useful lives:

	Years
Vehicle	4
Lease improvements	Based on life of the lease

Fully depreciated assets are retained in the accounting records until their retirement. Repairs and maintenance are expensed as incurred.

Refundable advances:

Refundable advances of the Organization represent short-term overpayments received for contracted services.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Operating and non-operating activities:

Operating activities are those that occur in the normal course of business operations for the current period. Non-operating activities include investment income (loss) and activities that are unrelated to the current time period or to normal operations, including pension related changes relating to other than net periodic pension cost and changes in temporarily restricted net assets.

Program-related revenue:

Revenue under most contracts and grants with various authorities (principally governmental agencies in New York State) is recognized as the services are performed. These program-related revenues are categorized in the accompanying financial statements under the New York State department that is responsible for the regulatory oversight of the related programs. Certain rates under such contracts and grants are subject to audit by the contracting authority. Rate modifications for prior fiscal years are reported as an adjustment to non-operating miscellaneous income in the year realized in the accompanying statements of activities.

The Organization has agreements with third-party payors, which provide for reimbursement to the Organization at established rates. The laws and regulations under which the governmental funded programs operate are complex, subject to frequent change and open to interpretation. At present, there are significant initiatives underway at both the Federal and New York State levels to eliminate and prevent fraud, waste and abuse in government funded programs. Such initiatives include governmental authorities, or their representatives, conducting various types of reviews of organizations that bill governmental payors. These reviews are being conducted to determine if the organization is following appropriate regulations and procedures including having adequate documentation for its billing activities. In cases where an organization's billing documentation or procedures are deemed deficient, the authorities could seek to recover related funds received from the governmental authorities. Therefore, as part of operating under governmental funded programs, there is a possibility that such authorities may perform this type of review of the Organization. Although no assurances can be given, management believes they have complied with the requirements of the various governmental funded programs they operate under.

Reimbursement rates established by Federal, state and county funding agencies are subject to audits and retroactive adjustments by third-party payors. Provision for audit and retroactive adjustments are recorded in the period that the adjustments are made or approved by the funding source.

Donations:

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Donations (continued):

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. In the absence of donor specification that income and gains on donated funds are restricted, such income and gains are reported as increases in unrestricted net assets.

Donated services, to the extent they require specialized job coaching and tutoring skills, have been included in operating revenue and public support and also operating expenses in the accompanying statements of activities and amounted to $350,000 and $387,000 for the years ended June 30, 2013 and 2012, respectively. Contributed long-lived assets are recorded as unrestricted net assets, unless there is a term requirement or restriction imposed by the donor.

Functional expense allocations:

The costs of providing the Organization's various program services and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Interest expense:

Interest expense is a recurring cost incurred in normal business operations and, accordingly, is presented within operating expenses in the accompanying statements of activities. Interest expense amounted to $203,769 and $230,624 for the years ended June 30, 2013 and 2012, respectively.

Income taxes:

The Organization is tax exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.

It is highly certain that some positions taken for income tax purposes would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements only to the extent that an uncertain tax position, if any, is attributable to the Organization.

The tax returns for the years 2010 through 2013 remain subject to examination by the Internal Revenue Service for U.S. Federal tax purposes and also by New York State for state tax purposes.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

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

Subsequent events:

Subsequent events have been evaluated through November 20, 2013, which is the date the financial statements were available to be issued.

Note 2. Property and Equipment

At June 30, 2013 and 2012, the Organization's property and equipment consisted of the following:

	2013	2012
Vehicle	**$ 26,845**	$ 26,845
Leasehold improvements	**21,931**	21,931
	48,776	48,776
Less accumulated depreciation	**48,776**	48,776
Property and equipment – net	**$ -**	$ -

Depreciation expense for the Organization was $-0- and $3,655 for the years ended June 30, 2013 and 2012, respectively.

Note 3. Restricted Net Assets

The Organization has a beneficial interest in a portion of the net assets of the Foundation totaling $10,482,931 and $9,083,622 at June 30, 2013 and 2012, respectively. The Organization recognizes their interest in the net assets of the Foundation as temporarily restricted net assets.

Net assets released from restrictions are distributions received from the Foundation representing release of funds held on the Organization's behalf which were $4,857,083 and $4,441,089 for the years ended June 30, 2013 and 2012, respectively.

Note 4. Employee Retirement Plans

Defined benefit plan:

The System has a noncontributory defined benefit plan (the "Plan"), which covers substantially all employees of the System. The Plan provides benefits based upon compensation, age and years of service. The System's funding policy is to meet the minimum funding requirements required by the Employee Retirement Income Security Act of 1974 (ERISA).

Effective May 31, 2012, the Plan was amended to prohibit new employees from entering the Plan and to freeze benefit accruals for service and transition credits. Participants will continue to earn years of service to satisfy vesting requirements and interest credits will be earned on participants' cash accumulation accounts.

	2013	2012
Actuarial assumptions:		
Weighted average assumptions used to determine benefit obligations:		
Discount rate	**4.31%**	3.70%
Expected future salary increase	**N/A**	N/A
Expected return on plan assets	**8.00%**	8.00%
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate	**4.31%**	3.70%
Expected future salary increase	**N/A**	N/A
Expected return on plan assets	**8.00%**	8.00%
Pension expense	**$ 1,344,649**	$ 513,029
Employer contributions	**$ 1,152,075**	$ 3,263,060
Benefits paid	**$ 2,918,186**	$ 4,567,033

The System expects to contribute approximately $475,831 to the Plan during the year ending June 30, 2014.

The following table sets forth the Plan's funded status at June 30, 2013 and 2012:

	2013	2012
Projected benefit obligation	**$ 47,042,415**	$ 50,630,949
Fair value of plan assets	**32,543,495**	32,109,142
Funded status	**$ (14,498,920)**	$ (18,521,807)
Accumulated benefit obligation	**$ 47,042,415**	$ 50,630,949

Note 4. Employee Retirement Plans (Continued)

Defined benefit plan (continued):

The investment policies and individual decisions are made for the exclusive benefit of the Plan participants, consistent with ERISA and regulations thereunder. Total long-term investment returns are optimized against risk in a manner that reasonably protects benefit requirements and timely cash payments. The policy establishes target allocations for diversification and investment performance over a time line that mirrors liabilities. It also limits exposure to quality and concentration risks.

The Plan's weighted-average asset allocations at June 30, 2013 and 2012, by asset category, are as follows:

	2013		
	Actual Allocation	**Percentage Allocation**	**Target % Allocation**
U.S. government obligations	**$ 1,719,717**	**5%**	**-%**
Corporate bonds	**2,046,261**	**6**	**15**
Foreign bonds	**1,191,189**	**4**	**-**
Mutual funds – money market funds	**1,053,128**	**3**	**-**
Mutual funds – fixed income	**7,219,538**	**22**	**15**
Mutual funds – equity	**9,622,504**	**30**	**30**
Equity securities – domestic	**5,330,754**	**16**	**21**
Equity securities – foreign	**4,360,404**	**14**	**19**
Total	**$ 32,543,495**	**100%**	**100%**

	2012		
	Actual Allocation	Percentage Allocation	Target % Allocation
U.S. government obligations	$ 2,283,124	7%	16%
Corporate bonds	2,047,915	7	35
Foreign bonds	1,203,478	4	-
Mutual funds – money market funds	368,661	1	-
Mutual funds – fixed income	7,749,578	24	-
Mutual funds – equity	9,366,679	29	49
Equity securities – domestic	5,204,843	16	-
Equity securities – foreign	3,884,864	12	-
Total	$ 32,109,142	100%	100%

The long-term rate of return expectation is 8%. Asset allocations are aligned with long-term, independently determined, expected segment performance to ensure a reasonable expectation of achieving that return.

Note 4. Employee Retirement Plans (Continued)

Defined benefit plan (continued):

The following benefit payments, which reflect expected future service at June 30, 2013, are expected to be paid:

Years ending June 30,	
2014	$ 3,766,947
2015	3,131,907
2016	3,119,850
2017	3,306,249
2018	2,770,108
2019 - 2023	14,036,339
Total	$ 30,131,400

The following tables present the System's defined benefit plan's assets at June 30, 2013 and 2012 that are measured at fair value on a recurring basis. The hierarchy and inputs to valuation techniques to measure fair value of the plan assets are the same as outlined in Note 1 of the financial statements:

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Debt Securities:				
U.S. government obligations	**$ -**	**$ 1,719,717**	**$ -**	**$ 1,719,717**
Corporate bonds	**-**	**2,046,261**	**-**	**2,046,261**
Foreign bonds	**-**	**1,191,189**	**-**	**1,191,189**
Total debt securities	**-**	**4,957,167**	**-**	**4,957,167**
Mutual Funds:				
Money market funds	**-**	**1,053,128**	**-**	**1,053,128**
Fixed income	**7,219,538**	**-**	**-**	**7,219,538**
Equity	**9,622,504**	**-**	**-**	**9,622,504**
Total mutual funds	**16,842,042**	**1,053,128**	**-**	**17,895,170**
Equity Securities:				
U.S. equities	**5,330,754**	**-**	**-**	**5,330,754**
Foreign equities	**4,360,404**	**-**	**-**	**4,360,404**
Total equity securities	**9,691,158**	**-**	**-**	**9,691,158**
	$ 26,533,200	**$ 6,010,295**	**$ -**	**$ 32,543,495**

Note 4. Employee Retirement Plans (Continued)

Defined benefit plan (continued):

	2012			
	Level 1	Level 2	Level 3	Total
Debt Securities:				
U.S. government obligations	$ -	$ 2,283,124	$ -	$ 2,283,124
Corporate bonds	-	2,047,915	-	2,047,915
Foreign bonds	-	1,203,478	-	1,203,478
Total debt securities	-	5,534,517	-	5,534,517
Mutual Funds:				
Money market funds	-	368,661	-	368,661
Fixed income	7,749,578	-	-	7,749,578
Equity	9,366,679	-	-	9,366,679
Total mutual funds	17,116,257	368,661	-	17,484,918
Equity Securities:				
U.S. equities	5,204,843	-	-	5,204,843
Foreign equities	3,884,864	-	-	3,884,864
Total equity securities	9,089,707	-	-	9,089,707
	$ 26,205,964	$ 5,903,178	$ -	$ 32,109,142

The Organization's share of the net periodic pension cost, which was allocated to the Organization based on their percentage of the System's total payroll, was $99,504 and $37,451 for the years ended June 30, 2013 and 2012, respectively. The Organization's share of the increase (decrease) in unrestricted net assets as a result of pension-related changes other than net pension cost for the years ended June 30, 2013 and 2012 was $295,507 and ($654,612), respectively.

Defined contribution plan:

The System offers a voluntary 403(b) plan, which is available to all employees of the System. The System matches a percentage of employee contributions into the plan. The System's matching contributions to the 403(b) plan were $1,621,306 and $1,459,653 for the years ended June 30, 2013 and 2012, respectively. The Organization's share of the matching contributions, which were allocated to the Organization based on their percentage of the System's total payroll, was $119,977 and $106,555 at June 30, 2013 and 2012, respectively.

Note 5. Commitments and Contingencies

Legal matters:

The Organization is a defendant in various legal actions arising in the normal course of business. It is management's opinion that the actions are either without merit or that settlements which arise, if any, will be covered by insurance.

Note 6. Related Party Transactions

Grants from affiliates:

The Organization periodically requests funds from the Foundation, a financially interrelated organization, for capital or other needs. Such requests are received by the Foundation and, if approved, funds are granted to the Organization. Such grants of funds are reported in the accompanying statements of activities as grants from affiliates for operating activities and amounted to $4,884,083 and $4,465,946 for the years ended June 30, 2013 and 2012, respectively.

Self-insurance:

The System is self-insured for a portion of its disability claims. The System maintains excess insurance coverage for certain major claims. There is no liability recorded as of June 30, 2013 and 2012 related to disability claims because there are no material claims outstanding.

Since 2006, the System self-insures workers' compensation benefits for its employees and health care benefits for its participating employees and dependents. The related liabilities are included in the net interaffiliate payable in the Organization's statements of financial position, and the related expenses are included in employee benefits in the statements of functional expenses. The Organization's portion of the related liabilities and costs as of and for the years ended June 30, 2013 and 2012, which was allocated based upon the Organization's percentage of the System's total payroll, are as follows:

		2013		2012
Workers' compensation expense (including assessments and administrative fees)	**$**	**180,810**	$	148,912
Workers' compensation liability	**$**	**357,383**	$	337,990
New York State Workers' Compensation Board Assessment Liability	**$**	**129,182**	$	98,550
Health insurance expense	**$**	**518,813**	$	596,460
Health insurance liability	**$**	**64,972**	$	70,591

Note 6. Related-Party Transactions (Continued)

Self-insurance (continued):

The New York State Workers' Compensation Board required the System to obtain a bond in the amount of approximately $4,000,000 at June 30, 2013. This bond was provided by the System's excess workers' compensation insurer, who required that the System obtain an irrevocable letter of credit in the amount of $2,000,000 at June 30, 2013 which expires February 2014.

Shared services:

HFA (parent), a financially interrelated organization, provides certain operating and administrative services to the Organization. The costs of these services are allocated to the receiving entities based upon cost studies and/or actual amounts incurred. These fees are reported in the accompanying statements of functional expenses for the years ended June 30, 2013 and 2012 as follows:

	2013	2012
Employee benefits	**$ 1,482,506**	$ 1,471,070
Professional fees	**77,707**	73,000
Management fee	**1,396,968**	1,073,164
	$ 2,957,181	$ 2,617,234

Hillside Service Solutions, Inc., a financially interrelated organization, provides food services and property management services to the Organization. The costs of these services, which are reported as food and occupancy expense in the accompanying statements of functional expenses and amount to $21,641 and $842,328, respectively, for the year ended June 30, 2013, and $34,397 and $916,000, respectively, for the year ended June 30, 2012, are allocated to the receiving entities based upon cost studies and/or actual amounts incurred.

HFA and its affiliates, financially interrelated organizations, provide shared staffing services to the Organization. The costs of these services, which are reported as professional fees in the accompanying statements of functional expenses, are allocated to the receiving entities based upon cost studies and/or actual amount incurred. These fees were $63,843 and $65,210 for the years ended June 30, 2013 and 2012, respectively.

Note 6. Related Party Transactions (Continued)

Shared services (continued):

Lines of Credit – The Organization has access to $21 million revolving lines of credit as a benefit of its affiliation with HFA. The System's outstanding balance at June 30, 2013 and 2012 was $12,000,000 and $17,910,500, respectively. Amounts borrowed on the revolving lines of credit bear interest at the bank's prime rate (3.00% at June 30, 2013) plus 0.75% or, at the System's option, LIBOR (0.19% at June 30, 2013), with a minimum of 1.5%, plus 2.75%, and $5 million of the outstanding balance is subject to an interest rate swap agreement which fixes the interest rate at 2.82%. The lines of credit are secured by a perfected security interest in and to all assets of HFA, Hillside Children's Center and Crestwood Children's Center and are due in full by December 31, 2014; however, the intent of the System is to continuously renew the revolving lines. The revolving lines of credit are guaranteed by the Foundation. At June 30, 2013 and 2012, amounts outstanding under this obligation related to the Organization were $2,640,000 and $5,477,625, respectively. This amount is reflected in the net interaffiliate payable in the statements of financial position.

Bond, note payable and lines of credit with KeyBank, N.A. are subject to various financial covenants and, as of June 30, 2013, the Organization and the System are in compliance with all of these covenants.

The System uses a centralized cash operation in order to share efficiencies in cash transactions, as well as access to the System's revolving lines of credit as needed. At any point in time, affiliates may be in a positive or negative cash position related to other affiliates in the System, represented as net interaffiliate payable or receivable. For purposes of reporting the statements of cash flows, interaffiliate transactions are not considered operating activities.

Amounts relating to interaffiliate services and the centralized cash operation at June 30, 2013 and 2012 are included as a net interaffiliate receivable or payable in the accompanying statements of financial position and consisted of the following:

	2013	2012
Interaffiliate receivable from (payable to):		
Hillside Children's Foundation	**$ (4,914)**	$ (249,022)
Hillside Children's Center	**(320)**	(29)
Hillside Service Solutions, Inc.	**(1,096)**	(81,622)
Hillside Family of Agencies (parent)	**(619,513)**	(871,058)
Interaffiliate payable – net	**$ (625,843)**	$ (1,201,731)

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