THE VISCARDI CENTER, INC. (FORMERLY NATIONAL CENTER FOR DISABILITY SERVICES); ITS SUBSIDIARIES, ABILITIES, INC. AND JUST ONE BREAK, INC.; AND HENRY VISCARDI SCHOOL

Combined Financial Statements and Schedule

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 200
1305 Walt Whitman Road
Melville, NY 11747-4302

Independent Auditors' Report

The Board of Directors/Trustees
The Viscardi Center, Inc.;
its subsidiaries, Abilities, Inc. and Just One Break, Inc.;
and Henry Viscardi School:

Report on the Financial Statements

We have audited the accompanying combined financial statements of The Viscardi Center, Inc.; its subsidiaries, Abilities, Inc. and Just One Break, Inc.; and Henry Viscardi School (collectively, the Organization), which comprises the combined statements of financial position as of June 30, 2013 and 2012, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of The Viscardi Center, Inc.; its subsidiaries, Abilities, Inc. and Just One Break, Inc.; and Henry Viscardi School as of June 30, 2013 and 2012, and changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information included in the accompanying schedule is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

KPMG LLP

November 22, 2013

THE VISCARDI CENTER, INC. (FORMERLY NATIONAL CENTER FOR DISABILITY SERVICES); ITS SUBSIDIARIES, ABILITIES, INC. AND JUST ONE BREAK, INC.; AND HENRY VISCARDI SCHOOL

Combined Statements of Financial Position

June 30, 2013 and 2012

Assets		**2013**	**2012**
Assets:			
Cash and cash equivalents	$	600,603	1,702,773
Investments (note 3)		25,772,629	25,032,763
Receivables (less allowances of $801,445 in 2013 and $856,823 in 2012):			
Government agencies		1,881,806	1,103,604
Contributions and pledges (note 4)		518,415	822,760
Other		137,301	152,125
Prepaid expenses and other assets		200,663	135,983
Beneficial interest in split-interest agreements (note 3)		2,377,763	2,250,700
Property, plant, and equipment, net (note 5)		3,665,371	4,289,551
Total assets	$	35,154,551	35,490,259
Liabilities and Net Assets			
Liabilities:			
Accounts payable, accrued expenses, and other liabilities	$	1,488,992	1,370,457
Accrued payroll and employee benefits		1,132,396	1,100,793
Accrued postretirement benefits (note 8)		4,177,329	4,277,943
Line of credit (note 6)		1,660,000	1,730,000
Asset retirement obligation (note 12)		210,211	198,312
Deferred revenue		266,162	105,541
Total liabilities		8,935,090	8,783,046
Net assets:			
Unrestricted		11,931,313	13,297,074
Temporarily restricted (note 7)		5,981,372	5,110,088
Permanently restricted (note 7)		8,306,776	8,300,051
Total net assets		26,219,461	26,707,213
Total liabilities and net assets	$	35,154,551	35,490,259

See accompanying notes to combined financial statements.

THE VISCARDI CENTER, INC. (FORMERLY NATIONAL CENTER FOR DISABILITY SERVICES); ITS SUBSIDIARIES, ABILITIES, INC. AND JUST ONE BREAK, INC.; AND HENRY VISCARDI SCHOOL

Combined Statements of Activities

Years ended June 30, 2013 and 2012

	2013				2012			
	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total net assets	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total net assets
Program activities:								
Program support and revenue:								
New York State grants	$ 13,213,270	—	—	13,213,270	13,385,156	—	—	13,385,156
Federal grants	231,803	—	—	231,803	401,327	—	—	401,327
New York State fees for programs for the disabled	1,328,234	—	—	1,328,234	1,487,514	—	—	1,487,514
Other fees for programs for the disabled	2,614,888	—	—	2,614,888	2,375,832	—	—	2,375,832
Investment income appropriated for expenditure (notes 3 and 7)	1,050,000	—	—	1,050,000	1,818,000	—	—	1,818,000
Miscellaneous (note 5)	402,877	—	—	402,877	405,732	—	—	405,732
Net assets released from restriction for programs and related expenses (note 7)	526,624	(526,624)	—	—	560,982	(560,982)	—	—
Total program support and revenue	19,367,696	(526,624)	—	18,841,072	20,434,543	(560,982)	—	19,873,561
Program expenses:								
Henry Viscardi School	14,009,247	—	—	14,009,247	14,395,677	—	—	14,395,677
Abilities, Inc.	4,401,760	—	—	4,401,760	4,693,093	—	—	4,693,093
Just One Break, Inc.	559,230	—	—	559,230	591,060	—	—	591,060
Research and Training Institute	363,351	—	—	363,351	557,175	—	—	557,175
Innovation and expansion	236,545	—	—	236,545	248,178	—	—	248,178
Total program expenses	19,570,133	—	—	19,570,133	20,485,183	—	—	20,485,183
Net program operating loss	(202,437)	(526,624)	—	(729,061)	(50,640)	(560,982)	—	(611,622)
Supporting and other activities:								
Supporting and other revenue:								
Contributions and pledges	1,383,066	721,542	6,725	2,111,333	1,565,721	457,271	12,000	2,034,992
Change in value of split-interest agreements	—	127,063	—	127,063	—	166,118	—	166,118
Investment income (loss), net of amounts appropriated for expenditure (note 3)	104,483	692,322	—	796,805	(2,291,434)	(152,852)	—	(2,444,286)
Net assets released from restriction for capital (note 7)	143,019	(143,019)		—	119,008	(119,008)	—	—
Donor-designated reclassification of net assets	—	—	—	—	—	10,000	(10,000)	—
Total supporting and other revenue	1,630,568	1,397,908	6,725	3,035,201	(606,705)	361,529	2,000	(243,176)
Supporting and other expenses:								
Management and general	1,716,794	—	—	1,716,794	1,725,368	—	—	1,725,368
Fund-raising and external relations	1,401,492	—	—	1,401,492	1,213,081	—	—	1,213,081
Total supporting and other expenses	3,118,286	—	—	3,118,286	2,938,449	—	—	2,938,449
Net supporting and other activities (loss) surplus	(1,487,718)	1,397,908	6,725	(83,085)	(3,545,154)	361,529	2,000	(3,181,625)
(Decrease) increase in net assets before other changes	(1,690,155)	871,284	6,725	(812,146)	(3,595,794)	(199,453)	2,000	(3,793,247)
Other changes:								
Pension-related changes other than net periodic pension cost (note 8)	324,394	—	—	324,394	(240,093)	—	—	(240,093)
Total other changes	324,394	—	—	324,394	(240,093)	—	—	(240,093)
(Decrease) increase in net assets	(1,365,761)	871,284	6,725	(487,752)	(3,835,887)	(199,453)	2,000	(4,033,340)
Net assets at beginning of year	13,297,074	5,110,088	8,300,051	26,707,213	17,132,961	5,309,541	8,298,051	30,740,553
Net assets at end of year	$ 11,931,313	5,981,372	8,306,776	26,219,461	13,297,074	5,110,088	8,300,051	26,707,213

See accompanying notes to combined financial statements.

THE VISCARDI CENTER, INC. (FORMERLY NATIONAL CENTER FOR DISABILITY SERVICES); ITS SUBSIDIARIES, ABILITIES, INC. AND JUST ONE BREAK, INC.; AND HENRY VISCARDI SCHOOL

Combined Statements of Cash Flows

Years ended June 30, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Decrease in net assets	$	(487,752)	(4,033,340)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:			
Pension-related changes other than net periodic pension cost		(324,394)	240,093
Change in value of split-interest agreements		(127,063)	(166,118)
Depreciation expense		816,131	925,543
Gain on sale of property and equipment		(5,601)	—
Bad debt expense		119,515	28,421
Unrealized (gains) losses on investments		(1,203,598)	486,574
Realized (gains) losses on investments, net		(222,921)	454,566
Contributions restricted for capital and endowment		(122,010)	(65,150)
Changes in assets and liabilities:			
Receivables		(578,548)	(95,924)
Prepaid expenses and other assets		(64,680)	(2,304)
Accounts payable, accrued expenses, and other liabilities		118,535	229,303
Accrued payroll and employee benefits		255,383	342,999
Asset retirement obligation		11,899	11,225
Deferred revenue		160,621	23,666
Net cash used in operating activities		(1,654,483)	(1,620,446)
Cash flows from investing activities:			
Purchases of investment securities		(10,770,275)	(15,782,562)
Proceeds from redemption and sales of investment securities		11,456,928	17,314,504
Acquisition of property and equipment, net		(195,600)	(498,305)
Proceeds from sale of property and equipment		9,250	—
Net cash provided by investing activities		500,303	1,033,637
Cash flows from financing activities:			
Contributions restricted for capital and endowment		122,010	65,150
Proceeds from line of credit		4,620,000	5,710,000
Principal payments on line of credit		(4,690,000)	(4,280,000)
Net cash provided by financing activities		52,010	1,495,150
(Decrease) increase in cash and cash equivalents		(1,102,170)	908,341
Cash and cash equivalents at beginning of year		1,702,773	794,432
Cash and cash equivalents at end of year	$	600,603	1,702,773
Supplemental disclosure:			
Interest paid	$	98,983	68,046

See accompanying notes to combined financial statements.

(1) Organization

The Viscardi Center, Inc. (the Center); its subsidiaries, Abilities, Inc. (Abilities) and Just One Break, Inc. (JOB); and Henry Viscardi School (the School) (collectively, the Organization) are dedicated to empowering people with disabilities to be active, independent, and self-sufficient participants in our society. During the year ended June 30, 2013, the Center changed its legal name to The Viscardi Center, Inc. effective April 5, 2013, from the previous name, National Center for Disability Services. The Center conducts its work through Abilities, which provides evaluation, training, counseling, and job placement services for over 1,500 adults with disabilities; the National Business and Disability Council (NBDC), which, along with other companies and labor unions, conducts training seminars, programs, conferences, and technical assistance to facilitate the employment of persons with disabilities; and the Research and Training Institute (RTI), which conducts research on the education, employment, and career development of persons with disabilities. NBDC is a division of JOB; RTI is a division of the Center. The School provides tuition-free education for approximately 175 children with disabilities through its early childhood, elementary, and secondary educational programs.

The Organization receives a majority of its program revenue from state, federal, and private sources. Revenue from New York State for state-funded programs represents approximately 77% and 75% of the Organization’s program revenue for the years ended June 30, 2013 and 2012, respectively.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying combined financial statements have been prepared on the accrual basis of accounting, which combine the accounts of the Center with its wholly owned subsidiaries, Abilities and JOB; and the School. Such organizations operate under common management. All intercompany accounts and transactions have been eliminated in consolidation and combination.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management of the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management’s best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions. Management adjusts such estimates when facts and circumstances dictate. Significant items subject to such estimates and assumptions include the useful lives and valuation of property, plant, and equipment; allowances for doubtful receivables; investments; and reserves for employee benefit obligations, uncertainties, and other contingencies. As future events and their effects cannot be determined with precision, actual results could differ from those estimates.

(c) Cash and Cash Equivalents

The Organization considers all short-term investments with a maturity at date of purchase of three months or less to be cash equivalents, except for those short-term investments purchased by the Organization’s investment managers as a part of their investment strategy.

(d) Investments and Investment Income

Investments in marketable securities with readily determinable market values are carried at fair value or, with respect to alternative investments, at estimated values provided by external investment managers. The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2009-12, *Fair Value Measurements and Disclosures – Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, with respect to certain investments in funds that do not have readily determinable fair values. This guidance allows, as a practical expedient, for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. In addition, classification of these investments within the fair value hierarchy is based on the Organization’s ability to redeem its interest at or near balance sheet date rather than on valuation inputs.

These estimated values, as well as the underlying valuation methodologies and assumptions, are reviewed and evaluated by the Organization. Due to the inherent uncertainties of these estimates, these values may differ significantly from the values that would have been used had a ready market existed for such investments. Donated marketable securities are recorded at fair value at the date of the gift.

Investment income or loss is included in the increase or decrease in unrestricted net assets unless the income or loss is restricted by the donor or law. The Organization uses the specific-identification method to determine the cost of securities sold. Income derived from investments, receivables, and the like are classified based upon the absence or presence of donor-imposed restrictions.

(e) Split-Interest Agreements

The Organization’s split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts. Contributions are recognized at the date the trusts are established. The change in the value of the assets is reflected as a change in value of split-interest agreements in the accompanying combined statements of activities.

(Continued)

(f) Property and Equipment

Property and equipment are recorded at cost when acquired and at estimated fair value when donated. Depreciation is provided over the estimated useful lives of the assets on the straight-line method. Estimated useful lives are as follows:

Building and land and building improvements	5 to 40 years
Furniture, fixtures, and equipment	3 to 30 years
Vehicles and computer software	3 to 5 years

Building and land improvements are depreciated over the lesser of the estimated useful life of the improvement or the remaining useful life of the building. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

(g) Temporarily and Permanently Restricted Net Assets

The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets to a specific purpose. If assets are donated with the stipulation that they must be retained indefinitely with only income from the assets to be used, the assets are reported as permanently restricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as released from restriction.

(h) Contributions and Pledges

Unconditional contributions and pledges are recognized as revenue in the period received. Such amounts are recorded at fair value on the date of the gift, inclusive of an allowance for uncollectible pledges receivable.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Donated long-lived assets, securities, and other assets are recorded as contributions at their fair value at the date of receipt.

(i) Income Taxes

The Organization has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes pursuant to Section 501(a) of the IRC. Accordingly, it is not subject to

(Continued)

income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. No provision for income taxes was required for 2013 and 2012 as there were no activities that were not related to its exempt purpose.

(j) Program Revenue

Revenues for program services are recorded at amounts appropriated or rates established by governmental payors and are recognized as services are performed. Certain appropriations and rates are subject to audit and adjustment by governmental payors based upon regulations of the various funding entities.

Rate and appropriation adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as adjustments become known or as years are no longer subject to such audits. For the years ended June 30, 2013 and 2012, there were no adjustments related to grant appropriations for prior years.

Deferred revenue is recorded by the Organization for grant payments received in the current fiscal year relating to grants awarded for the next fiscal year.

(3) Investments and Fair Value Measurements

Operating investment income, net, for 2013 and 2012 was comprised of the following:

		2013	2012
Interest and dividend income	$	613,772	529,549
Realized gains (losses) on sales of securities, net		222,921	(454,566)
Unrealized gains (losses) on securities		1,203,598	(486,574)
Investment advisory fees		(193,486)	(214,695)
	$	1,846,805	(626,286)

Operating investment income, net, for 2013 and 2012 is reported in the combined statements of activities as follows:

		2013	2012
Unrestricted:			
Investment income appropriated for expenditure	$	1,050,000	1,818,000
Investment income (loss), net of amount appropriated for expenditure		104,483	(2,291,434)
Total		1,154,483	(473,434)
Temporarily restricted:			
Investment income (loss), net		692,322	(152,852)
Total investment income, net	$	1,846,805	(626,286)

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*, establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Includes alternative investments that can be redeemed at net asset value per share (or its equivalent) at or near the measurement date.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value in its entirety.

(Continued)

The Organization's assets at June 30, 2013 and 2012 that are reported at fair value are summarized in the following tables by their fair value hierarchy:

		2013			
		Level 1	Level 2	Level 3	Total
Investments:					
Cash and cash equivalents	$	253,778	98,404	—	352,182
Domestic fixed income		3,175,327	—	—	3,175,327
Domestic equities		5,810,376	—	1,517,758	7,328,134
International fixed income		2,045,606	—	—	2,045,606
International equities		1,465,406	2,484,946	—	3,950,352
Global asset allocation funds		8,921,028	—	—	8,921,028
Total investments	$	21,671,521	2,583,350	1,517,758	25,772,629
Beneficial interests in split-interest agreements	$	—	2,377,763	—	2,377,763

		2012			
		Level 1	Level 2	Level 3	Total
Investments:					
Cash and cash equivalents	$	291,074	109,036	—	400,110
Domestic fixed income		3,581,436	—	—	3,581,436
Domestic equities		4,830,245	—	1,377,433	6,207,678
International fixed income		2,293,227	—	—	2,293,227
International equities		1,424,374	2,204,211	—	3,628,585
Global asset allocation funds		5,718,085	—	—	5,718,085
Commodities fund		—	942,249	—	942,249
Hedge funds of funds		—	—	2,261,393	2,261,393
Total investments	$	18,138,441	3,255,496	3,638,826	25,032,763
Beneficial interests in split-interest agreements	$	—	2,250,700	—	2,250,700

(Continued)

The following table presents the Organization's activity for the fiscal year ended June 30, 2013 for Level 3 investments measured at fair value on a recurring basis using significant unobservable inputs:

		Domestic equities	Hedge fund of funds	Total
Fair value at July 1	$	1,377,433	2,261,393	3,638,826
Realized gains on investments		32,322	60,651	92,973
Unrealized gains (losses) on investments		258,003	(11,393)	246,610
Withdrawals		(150,000)	(2,310,651)	(2,460,651)
Fair value at June 30	$	1,517,758	—	1,517,758

The following table presents the Organization's activity for the fiscal year ended June 30, 2012 for Level 3 investments measured at fair value on a recurring basis using significant unobservable inputs:

		Domestic equities	Hedge fund of funds	Total
Fair value at July 1	$	1,432,642	2,292,471	3,725,113
Unrealized losses on investments		(55,209)	(31,078)	(86,287)
Fair value at June 30	$	1,377,433	2,261,393	3,638,826

The Organization's investments are not subject to limitations or restrictions that would inhibit the Organization's ability to redeem or sell its investments during the 2014 fiscal year.

As of June 30, 2012, the Organization's investments in hedge funds of funds represent portfolios of hedge funds comprised of the following broad categories: relative value, event driven, hedged equities, and futures trading.

The Organization's alternative investments contain redemption restrictions with required written notice ranging from 30 to 95 days. As of June 30, 2013, the following table summarizes the composition of alternative investments at the net asset value of such investments by the various redemption provisions:

		International equity	Domestic equities	Total amount
Redemption frequency:				
Monthly	$	2,484,946	—	2,484,946
Annual		—	1,517,758	1,517,758
Total	$	2,484,946	1,517,758	4,002,704

(4) Contributions and Pledges Receivable

(a) Contributions receivable, included in unrestricted, temporarily restricted, and permanently restricted net assets in the accompanying combined statements of financial position, consisted of the following at June 30, 2013 and 2012:

		2013	2012
Total contributions receivable	$	562,414	871,500
Less:			
Allowance for uncollectible receivables		34,550	30,050
Discounted at rates ranging from 3.2% to 6.0%		9,449	18,690
	$	518,415	822,760

Contributions receivable as of June 30, 2013 are expected to be collected as follows:

Less than one year	$	502,414
One to five years		60,000
	$	562,414

(b) The Center received donated services and in-kind gifts from various professional individuals. The amounts of these services recorded as contribution revenue and expense in the accompanying combined statements of activities are $25,669 and $43,589 in fiscal 2013 and 2012, respectively.

(5) Property and Equipment

The components of property and equipment and accumulated depreciation as of June 30, 2013 and 2012 consisted of the following:

		2013	2012
Land and improvements	$	1,985,874	1,985,874
Buildings and improvements		24,437,829	24,434,012
Furniture, fixtures, and computer and other equipment		6,569,532	6,712,914
Vehicles		344,495	410,752
Purchased computer software		737,015	747,676
		34,074,745	34,291,228
Less accumulated depreciation		30,409,374	30,001,677
Property and equipment, net	$	3,665,371	4,289,551

Depreciation expense amounted to $816,131 and $925,543 in fiscal 2013 and 2012, respectively.

In April 1997, the Center executed an agreement, which is set to expire in March 2015, to lease 9,040 square feet of its facility to St. Charles Hospital (St. Charles). Rental payments under this lease agreement were $337,558 and $332,593 for the years ended June 30, 2013 and 2012, respectively. Such payments are recorded as miscellaneous program revenue in the accompanying combined statements of activities. Future annual rental payments receivable under the lease are $341,920 and $258,358 for fiscal 2014 and 2015, respectively.

(6) Line of Credit

In June 2010, the Center was approved for a working capital line of credit of $3 million with a financial institution. During September 2011, the Center's line of credit was approved for an increase to $6 million. As of June 30, 2013 and 2012, there was $1,660,000 and $1,730,000, respectively, outstanding under this line. The line expires on January 31, 2014 and bears interest at the London Interbank Offered Rate (LIBOR) plus 2.25%. The line is secured by the Organization's investments with the financial institution.

(7) Temporarily Restricted and Permanently Restricted Net Assets

(a) Released from Restrictions

The following purpose and time restrictions on temporarily restricted net assets were satisfied during 2013 and 2012:

	2013		
	Programs and related expenses	**Capital**	**Total**
Inclusive technology program	$ 8,894	—	8,894
Universal design project	—	19,273	19,273
Kornreich Technology Center	18,717	5,385	24,102
Skills development area	1,382	—	1,382
Transition services	30,213	—	30,213
Prosper program	2,113	—	2,113
National Business and Disability Council	137,054	—	137,054
Fine arts program	39,335	—	39,335
Gym renovation	—	20,036	20,036
After-school programs	145,968	9,000	154,968
Career Readiness and Testing Center	21,077	—	21,077
Henry Viscardi School computer upgrade	—	48,000	48,000
Brace and wheelchair clinic	25,000	—	25,000
All other purposes	96,871	41,325	138,196
	$ 526,624	143,019	669,643

	2012		
	Programs and related expenses	**Capital**	**Total**
Inclusive technology program	$ 78,839	11,481	90,320
Kornreich Technology Center	21,790	6,674	28,464
Skills development area	1,018	—	1,018
Transition services	85,118	—	85,118
Prosper program	53,101	—	53,101
National Business and Disability Council	111,220	—	111,220
Fine arts program	46,315	—	46,315
After-school programs	8,598	6,274	14,872
Career Readiness and Testing Center	24,362	—	24,362
Henry Viscardi School computer upgrade	11,172	64,059	75,231
All other purposes	119,449	30,520	149,969
	$ 560,982	119,008	679,990

(b) ***Composition***

Temporarily restricted net assets at June 30, 2013 and 2012 are available for the following purposes:

		2013	2012
New Jersey laboratory project	$	34,341	34,341
Universal design project		—	19,273
Inclusive technology program		70,802	23,912
Kornreich Technology Center		615,361	563,001
Skills development area		23,638	21,269
Transition services		8,220	20,640
PROSPER program		550	2,113
National Business and Disability Council		185,704	211,150
Fine arts program		100,434	40,111
Gym renovation		—	20,036
Communication system		53,000	—
After-school programs		44,863	69,678
Career Readiness and Testing Center		13,942	35,020
General purpose endowment income		2,118,982	1,525,671
Henry Viscardi Museum		—	17,793
Beneficial interest in remainder trusts		2,377,763	2,250,700
All other purposes		333,772	255,380
	$	5,981,372	5,110,088

Permanently restricted net assets at June 30, 2013 and 2012 are restricted to investment in perpetuity, with the accumulated investment income available to support the following purposes:

		2013	2012
General – Center	$	4,091,103	4,091,103
General education – School		1,577,197	1,577,197
Kornreich Technology Center		1,097,586	1,012,000
To be designated by donor – School		400,000	400,000
Multimedia technology – School		300,000	300,000
Information services – Center		200,000	200,000
Information services – School		100,000	100,000
Fine arts programs – School		120,000	120,000
School art program – School		100,000	100,000
Kornreich Library		—	78,861
Career and Employment Institute		50,000	50,000
All other purposes		270,890	270,890
	$	8,306,776	8,300,051

(c) Endowment Funds

The Organization's endowments consist of 24 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Organization to function as endowments (quasi-endowment). As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization is subject to the provisions of New York Prudent Management of Institutional Funds Act (NYPMIFA) and has interpreted NYPMIFA as allowing it to appropriate for expenditure or accumulate so much of the donor-restricted endowment fund as is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to intent of the donor as expressed in the gift instrument absent explicit donor stipulations to the contrary. Accounting guidance associated with the enactment of NYPMIFA as set forth in ASC 958, Section 205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*, requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted to be classified as temporarily restricted net assets until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The following tables present the net asset classes of the Organization's endowment funds at June 30, 2013 and 2012:

	2013			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor restricted	$ (55,418)	2,845,620	8,306,776	11,096,978
Quasi (board-designated)	14,089,232	—	—	14,089,232
	$ 14,033,814	2,845,620	8,306,776	25,186,210

	2012			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor restricted	$ (105,418)	2,184,787	8,300,051	10,379,420
Quasi (board-designated)	13,923,518	—	—	13,923,518
	$ 13,818,100	2,184,787	8,300,051	24,302,938

(Continued)

Changes in endowment net assets for the fiscal years ended June 30, 2013 and 2012 were as follows:

	2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2012	$ 13,818,100	2,184,787	8,300,051	24,302,938
Investment income, net	1,154,177	692,322	—	1,846,499
Additions	111,537	109,216	6,725	227,478
Appropriation of endowment assets for expenditure	(1,050,000)	—	—	(1,050,000)
Other distributions	—	(140,705)	—	(140,705)
Net assets at June 30, 2013	$ 14,033,814	2,845,620	8,306,776	25,186,210

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2011	$ 16,096,993	2,458,068	8,298,051	26,853,112
Investment income, net	(473,867)	(152,852)	—	(626,719)
Donor-designated reclassification of net assets	—	10,000	(10,000)	—
Additions	17,159	72,655	12,000	101,814
Appropriation of endowment assets for expenditure	(1,818,000)	—	—	(1,818,000)
Other distributions	(4,185)	(203,084)	—	(207,269)
Net assets at June 30, 2012	$ 13,818,100	2,184,787	8,300,051	24,302,938

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Organization to retain as a fund for perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature would be reported in temporarily restricted net assets to the extent there are accumulated gains available to absorb such loss, or otherwise unrestricted net assets. There were deficiencies as of June 30, 2013 and 2012 of $55,418 and $105,418, respectively.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to protect the original value of the gift. Under this policy, as approved by the board of directors, the Organization expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. The

Organization has a policy of appropriating 4% of the net investment value, after deducting for 3% inflation and 1% in fees, on the endowment funds for spending unless otherwise explicitly stipulated by the donor. In 2013 and 2012, the board of trustees authorized appropriations of $1,050,000 and $1,818,000, respectively, from the board-designated endowment funds to subsidize certain operating costs.

(8) Retirement Benefits

(a) Employees of the Organization who meet certain age and service requirements are covered under a defined-contribution retirement plan with the Teachers Insurance and Annuity Association and College Retirement Equities Fund, which provides for the purchase of annuities for plan participants. Under the provisions of the Collective Bargaining Agreement (the Agreement), School employees hired after February 7, 2001 participate in the New York State’s Employee Retirement Systems Pension Plan. Retirement expense under these plans amounted to approximately $1,040,672 and $1,084,153 in fiscal 2013 and 2012, respectively.

In fiscal year 2012, the Center implemented a deferred compensation plan under Section 457(b) of the Internal Revenue Code in which the Center will contribute 4% of the base salary of certain eligible employees and up to 3% of the base salary that other designated eligible employees contribute to the plan on a pretax basis. For the years ended June 30, 2013 and 2012, the Center contributed $23,547 and $22,584, respectively, to the plan.

(b) Under the provisions of the Agreement, all union employees are entitled to receive payment of certain of their unused sick/personal days upon retirement. In addition, under the Agreement, the Organization is required to provide certain healthcare benefits to retired employees. Expenditures under these plans are reimbursable expenses under the School’s New York State grant when actual payments to retirees are made subject to the specific limitations on grant expenditures. Employees hired after September 1, 2013 will not be eligible for the postretirement healthcare benefits.

The following tables summarize the Organization’s unfunded status and accrued benefit costs associated with its postretirement plans at June 30, 2013 and 2012:

	2013		
	Medical plan	**Unused sick/ personal days**	**Total**
Reconciliation of the benefit obligations:			
Benefit obligation at beginning of year	$ 3,814,809	463,134	4,277,943
Service cost	146,432	26,496	172,928
Interest cost	132,070	15,169	147,239
Actuarial gain	(206,401)	(14,701)	(221,102)
Benefits paid	(120,821)	(78,858)	(199,679)
Benefit obligation at end of year	$ 3,766,089	411,240	4,177,329

	2012		
	Medical plan	**Unused sick/ personal days**	**Total**
Reconciliation of the benefit obligations:			
Benefit obligation at beginning of year	$ 3,387,772	348,697	3,736,469
Service cost	122,009	20,640	142,649
Interest cost	170,151	15,758	185,909
Actuarial loss	252,019	78,039	330,058
Benefits paid	(117,142)	—	(117,142)
Benefit obligation at end of year	$ 3,814,809	463,134	4,277,943

As of June 30, 2013, the items not yet recognized as a component of net periodic postretirement benefit cost are as follows:

	Medical plan	**Unused sick/ personal days**	**Total**
Prior service cost	$ 322,264	—	322,264
Net actuarial loss	668,015	186,357	854,372
	$ 990,279	186,357	1,176,636

The following tables provide the components of the net periodic benefit costs for the years ended June 30:

	2013		
	Medical plan	**Unused sick/ personal days**	**Total**
Service cost	$ 146,432	26,496	172,928
Interest cost	132,070	15,169	147,239
Amortization of prior service cost	32,033	—	32,033
Amortization of actuarial loss	55,877	15,382	71,259
Net postretirement expense	$ 366,412	57,047	423,459

		2012		
		Medical plan	Unused sick/ personal days	Total
Service cost	$	122,009	20,640	142,649
Interest cost		170,151	15,758	185,909
Amortization of prior service cost		32,033	505	32,538
Amortization of actuarial loss		45,404	12,023	57,427
Net postretirement expense	$	369,597	48,926	418,523

In addition to service and interest costs, the components of projected net periodic postretirement benefit costs for fiscal 2014 will include the following:

		Medical plan	Unused sick/ personal days	Total
Amortization of prior service costs	$	32,033	—	32,033
Amortization of a net loss		34,694	11,700	46,394

	2013	2012
Weighted average assumptions as of June 30:		
Discount rate – benefit obligation	4.24%	3.58%
Discount rate – net periodic benefit cost	3.58	4.95
Rate compensation increase	4.00	4.00

For measurement purposes, a 6% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2013. The rate was assumed to decrease to 5% for 2014 and remain at that level thereafter.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare benefit retirement plan. A one-percentage point change in assumed healthcare cost trend rates would have the following effects:

		2013	
Effect of change in medical cost trend rate		1% increase	1% decrease
Effect on total of service cost and interest	$	50,000	(46,000)
Effect on accumulated postretirement benefit obligation		299,000	(277,000)

(Continued)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid for fiscal years ending in:

	Medical plan	Unused sick/ personal days	Total
2014	$ 170,544	74,956	245,500
2015	180,633	25,510	206,143
2016	188,085	39,827	227,912
2017	202,214	43,364	245,578
2018	202,770	38,379	241,149
2019–2023	969,543	204,129	1,173,672
	$ 1,913,789	426,165	2,339,954

(9) Functional and Organizational Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the combined statements of activities. Accordingly, certain operating costs amounting to $2,718,708 and $2,665,472 in fiscal 2013 and 2012, respectively, have been allocated among the Center's and School's programs.

The following schedule summarizes the indirect costs, which are included in program expenses and fund-raising and external relations in the combined statements of activities for the years ended June 30, 2013 and 2012:

	2013	2012
Henry Viscardi School	$ 1,901,627	1,857,457
Abilities, Inc.	571,344	564,760
Research and Training Institute	43,467	89,238
Just One Break, Inc.	34,274	32,437
Innovation and expansion	64,918	24,869
Fundraising and external relations	103,078	96,711
Total program and supporting service overhead	$ 2,718,708	2,665,472

The Center entered into an administrative services agreement with Abilities, JOB, and the School, where the Center incurs all common central administrative overhead costs for those entities. These costs relate principally to maintenance, utilities, management, accounting, data processing, and purchasing services. Such costs are allocated among the entities based upon a formula that reflects management's estimate of usage of such services. The fees charged by the Center to Abilities, JOB, and the School eliminate in consolidation and combination.

(10) Contingencies

The Center and School are recipients of funding from both federal and state governmental agencies. Consequently, certain revenues included in the accompanying combined statements of activities are subject to audit by the grant agencies. Although such audits could result in reimbursement to the grantor agencies, management believes that any disallowances resulting from such audits would be immaterial to the financial position and results of operations of the Organization. Future funding from these agencies may be adversely affected by changes in reimbursement regulations, education law, or budgetary constraints experienced by such agencies.

Claims have been asserted against the Organization by various claimants. The claims are in various stages and some may ultimately be brought to trial. Incidents occurring through June 30, 2013 may result in the assertion of additional claims. In the opinion of management, losses from these asserted and unasserted actions, if any, will be settled within the limits of insurance coverage.

Indirect cost allowance recoveries under certain government grants are accrued on an estimated basis in the period the work is performed. Such estimates are subject to revision based upon actual indirect costs for the year. Final rates have been negotiated and accepted by the cognizant government granting agency for years through June 30, 2009. Management does not anticipate a material adverse impact on the financial position of the Organization as a result of changes to the interim rates utilized through June 30, 2013.

(11) Commitments

At June 30, 2013, the Organization was obligated for minimum annual rental payments under noncancelable operating leases for equipment and facilities as follows:

Year ending June 30:		
2014	$	98,839
2015		62,124
2016		45,338
2017		10,968
2018		10,668
	$	227,937

Rental expenses under leases approximated $187,075 and $224,529 for the years ended June 30, 2013 and 2012, respectively.

(12) Asset Retirement Obligation

The Organization accrues for costs related to legal obligations to perform asbestos abatement as a conditional asset retirement obligation and estimated that the present value of the cost of remediation is $210,211 and $198,312 as of June 30, 2013 and 2012, respectively. Accretion expense is recognized annually using the effective interest method. There was no remediation of asbestos during fiscal 2013 and 2012.

(13) Subsequent Events

The Organization evaluated events subsequent to June 30, 2013 and through November 22, 2013, the date on which the combined financial statements were issued and concluded that no additional disclosures are required.

Schedule

THE VISCARDI CENTER, INC. (FORMERLY NATIONAL CENTER FOR DISABILITY SERVICES); ITS SUBSIDIARIES, ABILITIES, INC. AND JUST ONE BREAK, INC.; AND HENRY VISCARDI SCHOOL

Combining Schedule of Functional Expenses

Year ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

	Program expenses						Supporting and other expenses				
	Henry Viscardi School	Abilities, Inc.	Just One Break, Inc.	Research and Training Institute	Innovation and expansion	Total program services	Management and general	Fund-raising and external relations	Total supporting services	2013 Total expenses	2012 Total expenses
Salaries	$ 8,402,019	2,710,727	212,329	199,570	31,122	11,555,767	768,460	540,785	1,309,245	12,865,012	13,732,394
Health and retirement benefits, payroll taxes, etc.	3,505,883	743,697	66,381	57,407	7,498	4,380,866	185,142	154,751	339,893	4,720,759	4,848,797
Total salaries and related expenses	11,907,902	3,454,424	278,710	256,977	38,620	15,936,633	953,602	695,536	1,649,138	17,585,771	18,581,191
Contracted medical, educational, and vocational services	166,112	750	23,835	31,673	—	222,370	—	110,471	110,471	332,841	260,122
Professional services and fees	495,822	112,068	19,832	3,838	124,613	756,173	141,542	106,985	248,527	1,004,700	851,596
Program and fund-raising supplies	344,022	64,000	4,639	6,045	17,617	436,323	50,654	118,746	169,400	605,723	488,116
Other supplies and printing	68,934	41,918	1,628	4,263	18,618	135,361	5,290	38,642	43,932	179,293	232,247
Property and equipment rentals	60,694	26,205	113,923	13,858	1,253	215,933	30,937	22,447	53,384	269,317	316,112
Donated services and in-kind gifts	—	8,400	—	—	—	8,400	—	17,269	17,269	25,669	43,589
Conferences and travel	26,591	80,927	4,960	459	1,351	114,288	8,656	18,322	26,978	141,266	142,430
Transportation of program participants	32,762	96,938	—	—	—	129,700	—	850	850	130,550	137,426
Postage	11,112	13,481	110	452	206	25,361	3,687	9,192	12,879	38,240	38,359
Telephone	41,786	32,323	25,664	9,228	312	109,313	7,694	7,402	15,096	124,409	125,424
Insurance	109,452	37,788	1,902	2,412	3,603	155,157	88,964	5,721	94,685	249,842	244,462
Repairs and maintenance – equipment and building	173,768	54,114	6,910	3,465	6,796	245,053	126,153	8,777	134,930	379,983	380,480
Heat, light, and power	219,620	63,019	16,669	4,794	7,160	311,262	176,807	11,369	188,176	499,438	492,583
Bad debt expense	762	—	11,667	1,416	—	13,845	—	105,670	105,670	119,515	28,421
Miscellaneous	109,250	23,546	11,701	379	712	145,588	8,976	31,167	40,143	185,731	135,531
Total functional expenses before depreciation	13,768,589	4,109,901	522,150	339,259	220,861	18,960,760	1,602,962	1,308,566	2,911,528	21,872,288	22,498,089
Depreciation	240,658	291,859	37,080	24,092	15,684	609,373	113,832	92,926	206,758	816,131	925,543
Total functional expenses	$ 14,009,247	4,401,760	559,230	363,351	236,545	19,570,133	1,716,794	1,401,492	3,118,286	22,688,419	23,423,632

See accompanying independent auditors' report.