

Kingsbridge Heights Community Center, Inc.

Financial Statements
Year Ended June 30, 2011

**Kingsbridge Heights Community
Center, Inc.**

Financial Statements
Year Ended June 30, 2011

Kingsbridge Heights Community Center, Inc.

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Independent Auditors' Report

Board of Directors of
Kingsbridge Heights Community Center, Inc.

We have audited the accompanying statement of financial position of Kingsbridge Heights Community Center, Inc. as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Kingsbridge Heights Community Center, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended June 30, 2010 is presented for comparative purposes only and was extracted from the financial statements of Kingsbridge Heights Community Center, Inc., for that year, on which we expressed an unqualified opinion dated December 22, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kingsbridge Heights Community Center, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kingsbridge Heights Community Center, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

BDO USA, LLP

January 5, 2012

Kingsbridge Heights Community Center, Inc.

Statement of Financial Position (with comparative totals for 2010)

<i>June 30,</i>	2011	2010
Assets		
Current:		
Cash and cash equivalents (Note 2)	\$ 92,489	\$ 133,901
Accounts receivable (Note 2)	849,423	497,408
Contribution receivable, net (Note 3)	222,345	373,835
Prepaid expenses	9,346	23,209
Deferred financing costs	16,052	-
Total Current Assets	1,189,655	1,028,353
Fixed Assets, Net (Notes 2 and 4)	1,279,771	1,019,848
	\$2,469,426	\$2,048,201
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 246,284	\$ 184,708
Accrued payroll and payroll related liabilities	326,982	295,963
Deferred compensation, current portion (Note 11)	90,000	49,761
Deferred revenue, current portion (Note 2)	70,109	100,756
Due to governmental agency	18,764	44,256
Short-term loans	-	26,250
Line of credit (Note 8)	250,000	470,569
Note payable, current portion (Note 9)	39,840	-
Total Current Liabilities	1,041,979	1,172,263
Deferred Revenue, Net of Current Portion (Note 2)	586,553	214,760
Deferred Compensation, Net of Current Portion (Note 11)	67,640	112,639
Note Payable, Net of Current Portion (Note 9)	210,060	-
Total Liabilities	1,906,232	1,499,662
Commitments and Contingencies (Notes 5, 6 and 13)		
Net Assets (Notes 2, 6 and 7):		
Unrestricted	345,794	307,959
Temporarily restricted	217,400	240,580
Total Net Assets	563,194	548,539
	\$2,469,426	\$2,048,201

See accompanying notes to financial statements.

Kingsbridge Heights Community Center, Inc.

Statement of Activities (with comparative totals for 2010)

Year ended June 30,

	Unrestricted	Temporarily Restricted	2011 Total	2010 Total
Revenue and Other Support:				
Government grants	\$6,548,617	\$ -	\$6,548,617	\$5,600,018
Private grants	167,789	217,400	385,189	479,469
Program fees	159,210	-	159,210	180,194
Medicaid revenue	148,204	-	148,204	-
Donation (Note 5)	566,562	-	566,562	496,542
Interest income	94	-	94	63
Other income	19,135	-	19,135	13,029
Net assets released from restrictions (Note 7)	240,580	(240,580)	-	-
Total Revenue and Other Support	7,850,191	(23,180)	7,827,011	6,769,315
Expenses:				
Program services:				
Early Headstart	2,162,777	-	2,162,777	1,193,992
Administration for Children's Services				
Headstart	868,366	-	868,366	803,265
Parent and Child Preventive Services	1,690,860	-	1,690,860	1,696,300
Crime Victims Board	188,083	-	188,083	229,257
Office of Mental Retardation and				
Developmental Disabilities	186,923	-	186,923	201,935
Universal Pre-Kindergarten Services	158,142	-	158,142	178,867
Child Sexual Abuse Treatment and				
Prevention	116,647	-	116,647	224,810
Department of Youth and Community				
Development	122,504	-	122,504	103,190
Summer Camp	38,558	-	38,558	44,825
Other programs	1,150,728	-	1,150,728	1,320,311
Total Program Services	6,683,588	-	6,683,588	5,996,752
Supporting services:				
Management and general	1,107,428	-	1,107,428	1,204,278
Fundraising	51,707	-	51,707	125,240
Total Supporting Services	1,159,135	-	1,159,135	1,329,518
Total Expenses	7,842,723	-	7,842,723	7,326,270
Change in Net Assets Before Net Revenues From Special Events	7,468	(23,180)	(15,712)	(556,955)
Net Revenues From Special Events:				
Special events:				
Gross receipts	39,353	-	39,353	135,940
Direct costs	(8,986)	-	(8,986)	(38,952)
Net Revenues From Special Events	30,367	-	30,367	96,988
Change in Net Assets	37,835	(23,180)	14,655	(459,967)
Net Assets, Beginning of Year	307,959	240,580	548,539	1,008,506
Net Assets, End of Year	\$ 345,794	\$217,400	\$ 563,194	\$ 548,539

See accompanying notes to financial statements.

Kingsbridge Heights Community Center, Inc.

Statement of Functional Expenses
(with comparative totals for 2010)

Year ended June 30,

	Program Services										Supporting Services			2011 Total	2010 Total	
	Early Headstart	Administration for Children's Services Headstart	Parent and Child Preventive Services	Crime Victims Board	Office of People with Developmental Disabilities	Universal Pre- Kindergarten Services	Child Sexual Abuse Treatment and Prevention	Department of Youth and Community Development	Summer Camp	Other Programs	Total Program Services	Management and General	Fund- raising			Total Supporting Services
Expenses:																
Personnel costs	\$1,247,102	\$670,667	\$1,368,221	\$167,961	\$174,230	\$145,785	\$ 73,364	\$116,139	\$23,685	\$ 561,727	\$4,548,881	\$ 824,576	\$32,422	\$ 856,998	\$5,405,879	\$5,503,719
Food, clothing and other purchased material	401,193	17,468	64,478	5,282	3,095	5,504	2,596	2,565	3,789	239,849	745,819	23,735	557	24,292	770,111	664,875
Facility related expense (Note 4)	425,137	155,352	179,866	3,614	1,819	5,760	37,805	3,800	-	249,628	1,062,781	99,790	358	100,148	1,162,929	801,291
Support and other purchased services	89,345	24,879	78,295	11,226	7,779	1,093	2,882	-	11,084	99,524	326,107	159,327	18,370	177,697	503,804	356,385
Total	\$2,162,777	\$868,366	\$1,690,860	\$188,083	\$186,923	\$158,142	\$116,647	\$122,504	\$38,558	\$1,150,728	\$6,683,588	\$1,107,428	\$51,707	\$1,159,135	\$7,842,723	\$7,326,270

See accompanying notes to financial statements.

Kingsbridge Heights Community Center, Inc.

Statement of Cash Flows (with comparative totals for 2010)

<i>Year ended June 30,</i>	2011	2010
Cash Flows From Operating Activities:		
Change in net assets	\$ 14,655	\$(459,967)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	125,400	112,740
(Increase) decrease in:		
Accounts receivable	(352,015)	(26,483)
Prepaid expenses	13,863	(9,516)
Cash surrender value of life insurance	-	22,049
Contribution receivable	151,490	(25,075)
Deferred financing costs	(16,052)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	61,576	7,642
Payroll and payroll related liabilities	31,019	(55,093)
Deferred compensation	(4,760)	162,400
Deferred revenue	341,146	(3,518)
Due to governmental agency	(25,492)	42,231
Net Cash Provided By (Used In) Operating Activities	340,830	(232,590)
Cash Flows From Investing Activities:		
Purchase of fixed assets	(385,323)	(36,977)
Cash Flows From Financing Activities:		
Proceeds from line of credit	194,431	389,000
Proceeds from short-term loans	249,900	99,156
Payments on line of credit	(415,000)	(150,000)
Repayment of short-term loans	(26,250)	(72,906)
Net Cash Provided By Financing Activities	3,081	265,250
Net Decrease in Cash and Cash Equivalents	(41,412)	(4,317)
Cash and Cash Equivalents, Beginning of Year	133,901	138,218
Cash and Cash Equivalents, End of Year	\$ 92,489	\$ 133,901

See accompanying notes to financial statements.

Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

1. Nature of Organization

Kingsbridge Heights Community Center, Inc. ("KHCC") was organized as a New York State not-for-profit corporation to provide a community-based and directed social service center in the Kingsbridge section of the Bronx, City of New York, that will promote and improve the economic and social welfare, and increase the accessibility of social services to the community.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements have been prepared on an accrual basis. In the statement of financial position, assets are presented in order of liquidity or conversion to cash and liabilities are reflected in order of their maturity resulting in the use of cash.

(b) Financial Statement Presentation

The classification of KHCC's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by KHCC is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of KHCC.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by KHCC is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of KHCC pursuant to those stipulations.

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

Unrestricted - Board Designated - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations but has been set aside by action of the Board of Directors for future use by KHCC.

(c) Cash and Cash Equivalents

KHCC considers all highly liquid instruments with original maturities of three months or less to be cash and cash equivalents.

(d) Fixed Assets

Expenditures in excess of \$1,000 which enhance the value of fixed assets are capitalized. Fixed assets are stated at cost or, if donated, at fair market value at date of the gift. Fixed assets acquired under the terms of grant provisions, title to which reverts to the grantor at the termination of the contract, are recorded as an asset in the unrestricted fund. Deferred revenue equal to the cost of the asset is recorded at the time of the purchase and is amortized over the useful life of the asset.

Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

Depreciation is computed over the estimated useful lives of the assets by the straight-line method for financial reporting purposes as follows:

Buildings and improvements	5 - 25 years
Furniture and equipment	5 - 7 years

(e) Deferred Revenue

Deferred revenue consists primarily of certain fixed assets that were acquired by KHCC for various programs. These expenditures are reimbursed by the funding agency in the year that the items are purchased. Revenue is recognized over the useful life of the asset purchased based on the amount of depreciation expense.

(f) Contributions and Pledges

Contributions and unconditional promises to give are recorded as revenue when either unsolicited cash is received or when donors make a promise to give. Contributions received are classified as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. All contributions are considered to be for unrestricted use unless specifically restricted by the donor.

(g) Income Taxes

KHCC was incorporated in the State of New York and is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for income taxes in the accompanying financial statements. In addition, KHCC has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2011.

KHCC follows the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, "Income Taxes", which states an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. KHCC does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. KHCC has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, KHCC has filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the year ended June 30, 2011, there was no tax provision, interest, or penalties recorded or included in the statement of activities.

(h) Revenue Recognition

KHCC receives a substantial portion of its revenue for services provided to approved clients from third-party reimbursement agencies; primarily U.S. Department of Health and Human Services ("DHHS"), NYC Administration for Children Services ("ACS"), New York State Office for People with Developmental Disabilities ("OPWDD"), NYC Department of Youth and Community Development ("DYCD"), New York State Office of Children and Family Services ("OCFS") and New York State Department of Health ("DOH").

Revenue from governmental grants is recognized as the expenditures for each contract are incurred. Revenue from fees for service programs is recognized as they are earned (services are provided daily and/or monthly).

Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

Reimbursements are subject to audit and retroactive adjustment by the respective third party fiscal intermediary. Revenue from retroactive adjustments is recognized in the year the adjustments are made.

(i) Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Provision for Doubtful Accounts

KHCC does not provide an allowance for doubtful accounts. Doubtful accounts are written off as they are deemed by management to be uncollectible. All accounts receivable, as stated in the financial statements, are deemed by KHCC management to be fully collectible.

(k) Comparative Financial Information

The financial statements include certain prior year summarized comparative information. Accordingly, such information should be read in conjunction with the prior year financial statements from which the summarized information was derived. With respect to the statement of activities, the prior year information is not presented by net asset class. With respect to the statement of functional expenses, the prior year expenses by expense classification are presented in total rather than by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America.

(l) Concentration of Credit Risk

Financial instruments which potentially subject KHCC to concentration of credit risk consist primarily of cash and cash equivalents, in excess of FDIC insurance limits. The financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

(m) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

(n) Fair Value Measurements

KHCC has adopted ASC 820, "Fair Value Measurements and Disclosures". This statement defines fair value and establishes a hierarchy for inputs used in measuring fair value that maximized the use of observable inputs and minimized the use of unobservable inputs, requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as KHCC would use in pricing KHCC's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that can not be sourced from a broad active market in which assets or liabilities identical or similar to those of KHCC are traded. KHCC estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers for each investment based on the best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 - Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include certain mutual funds and equity that are actively traded on a major exchange.

Level 2 - Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date. Most debt securities, preferred stocks, certain equity securities, short-term investments and derivatives are model priced using observable inputs and are classified within Level 2.

Level 3 - Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value. Examples include limited partnerships and private equity investments, and limited liability investment companies.

The adoption of ASC 820 did not impact the KHCC financial statements.

(o) Net Asset Classification

KHCC has adopted ASC 958-205, "Classification of Donor-Restricted Endowment Funds". This statement is intended to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations. This statement provides guidance on classifying the net assets (equity) associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), which is the NYS version of UPMIFA. As of June 30, 2011, KHCC did not have any endowments and, as such, the adoption of NYPMIFA did not have a significant effect on the KHCC financial statements.

(p) Reclassifications

Certain prior year balances have been reclassified to be consistent with the current year financial statement presentation.

Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

3. Contribution Receivable, Net

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flow. Conditional promises to give are not included as support until such time as the conditions are substantially met.

At June 30, 2011, the realizable value of contribution receivable is \$222,345. All amounts are due in one year or less.

4. Fixed Assets, Net

Fixed assets, net, stated at cost, consist of the following:

<i>June 30, 2011</i>	
Land	\$ 61,500
Building and improvements	1,604,317
Furniture and equipment	779,975
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	2,445,792
Less: Accumulated depreciation	(1,166,021)
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	\$ 1,279,771

Depreciation expense for the year ended June 30, 2011 was \$125,400.

5. In-kind Expenses

KHCC occupies some space for program and administrative services provided at no cost by the New York City Parks Department. An estimate for the fair value of this space has been recorded as a revenue and corresponding expense on the statement of activities. For the year ended June 30, 2011, in-kind revenue and expense was \$526,483 and is recorded in donation and program services, respectively.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30, 2011:

Child Sexual Abuse Program	\$ 20,000
College Direction	2,400
Future general support	195,000
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	\$217,400

Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

7. Net Assets Released from Restrictions

Temporarily restricted net assets that were released from donor restrictions are as follows:

Child Sexual Abuse Program	\$ 30,000
College Direction Program	45,580
Future general support	165,000
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	\$240,580

8. Line of Credit

KHCC has available a line of credit of up to \$250,000 with a financial institution. The line calls for monthly payments of interest at a variable rate based on the London Interbank Offered Rate ("LIBOR") plus 6.50% (6.68% as of June 30, 2011). The outstanding balance plus accrued interest is payable in one payment on April 1, 2012. The line is secured by KHCC's assets. There was \$250,000 outstanding under this line of credit at June 30, 2011.

9. Note Payable

On June 29, 2011, KHCC entered into a note payable agreement with a financial institution. The note payable is secured by real estate property currently owned by KHCC. The term of the note calls for monthly payments of principal in the amount of \$3,320 plus interest at a variable rate based on LIBOR plus 6.0% (6.18% as of June 30, 2011). The unpaid principal balance on the note is due July 1, 2012. However, KHCC expects to refinance the note in annual installments such that the principal is paid over 6 years. As such, the principal balance expected to be refinanced has been excluded from current liabilities in the accompanying statement of financial position.

Expected principal payments are as follows:

<i>Year ending</i>	
2012	\$ 39,840
2013	39,840
2014	39,840
2015	39,840
2016	39,840
Thereafter	50,700
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	\$249,900

10. Short-Term Loans

KHCC had received several emergency loans from the Fund for the City of New York to cover operational expenses incurred, for which governmental agencies have not yet provided reimbursement. The loans, which did not accrue interest, were due upon the receipt of the funds which the loans covered, or upon demand by the Fund for the City of New York. These loans were repaid in 2011. There were no balances outstanding under these loans at June 30, 2011.

Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

11. Pension Plan

KHCC sponsors a profit-sharing plan and trust covering all employees who attained 12 consecutive months of employment. Contributions are determined as a percentage of each eligible employee's base salary and all employees are fully vested in their contributions. Pension expense for the year ended June 30, 2011 was \$52,022.

12. Deferred Compensation

KHCC has a nonqualified, unfunded deferred compensation agreement with a former key employee. During the year ended June 30, 2010, under the agreement, KHCC made payments totaling \$33,000 and transferred a life insurance policy with a cash value of \$22,000 to the former employee. In addition, the agreement calls for future payments, which are recorded as a liability in the statement of financial position at their net present value as follows:

Due immediately	\$ 45,000
June 30, 2012	45,000
June 30, 2013	45,000
June 30, 2014	45,000
Total future payments	180,000
Less discount at 5.44%	(22,360)
Net present value of deferred compensation	\$157,640

13. Commitments and Contingencies

On September 28, 2010, KHCC entered into a license agreement with the Parks Department of the City of New York (the "Department"). Under the terms of this agreement, KHCC is entitled to operate its programs at the center. Under the agreement KHCC is responsible for the maintenance of the center. The agreement is terminable upon twenty five days notice at the discretion of the Department or KHCC.

14. Subsequent Events

KHCC's management has performed subsequent events procedures through January 5, 2012, which is the date the financial statements were available to be issued and there were no subsequent events requiring adjustment to the financial statements.