

# Kingsbridge Heights Community Center, Inc.

Financial Statements  
Year Ended June 30, 2012

**Kingsbridge Heights Community  
Center, Inc.**

Financial Statements  
Year Ended June 30, 2012

# Kingsbridge Heights Community Center, Inc.

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Tel: +212 885-8000  
Fax: +212 697-1299  
www.bdo.com

100 Park Avenue  
New York, NY 10017

## 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, 2012, 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, 2011 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 January 5, 2012.

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, 2012, 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

March 5, 2013

# Kingsbridge Heights Community Center, Inc.

## Statement of Financial Position (with comparative totals for 2011)

<i>June 30,</i>	2012	2011
<b>Assets</b>		
<b>Current:</b>		
Cash and cash equivalents (Note 2)	\$ 105,852	\$ 92,489
Accounts receivable (Note 2)	460,123	849,423
Contribution receivable, net (Note 3)	353,671	222,345
Prepaid expenses	21,967	9,346
Deferred financing costs	-	16,052
<b>Total Current Assets</b>	<b>941,613</b>	<b>1,189,655</b>
<b>Fixed Assets, Net (Notes 2 and 4)</b>	<b>1,195,737</b>	<b>1,279,771</b>
	<b>\$2,137,350</b>	<b>\$2,469,426</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 209,765	\$ 246,284
Accrued payroll and payroll related liabilities	302,421	326,982
Deferred compensation, current portion (Note 11)	45,000	90,000
Deferred revenue, current portion (Note 2)	53,817	70,109
Due to governmental agency	3,606	18,764
Line of credit (Note 8)	-	250,000
Notes payable, current portion (Note 9)	37,736	39,840
<b>Total Current Liabilities</b>	<b>652,345</b>	<b>1,041,979</b>
Deferred Revenue, Net of Current Portion (Note 2)	577,877	586,553
Deferred Compensation, Net of Current Portion (Note 11)	-	67,640
Notes Payable, Net of Current Portion (Note 9)	436,906	210,060
<b>Total Liabilities</b>	<b>1,667,128</b>	<b>1,906,232</b>
<b>Commitments and Contingencies (Notes 5, 6 and 12)</b>		
<b>Net Assets (Notes 2, 6 and 7):</b>		
Unrestricted	160,222	345,794
Temporarily restricted	310,000	217,400
<b>Total Net Assets</b>	<b>470,222</b>	<b>563,194</b>
	<b>\$2,137,350</b>	<b>\$2,469,426</b>

*See accompanying notes to financial statements.*

# Kingsbridge Heights Community Center, Inc.

## Statement of Activities (with comparative totals for 2011)

*Year ended June 30,*

	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
<b>Revenue and Other Support:</b>				
Government grants	\$5,362,068	\$ -	\$5,362,068	\$6,548,617
Private grants	375,135	310,000	685,135	385,189
Program fees	198,569	-	198,569	159,210
Medicaid revenue	210,414	-	210,414	148,204
Donation (Note 5)	559,146	-	559,146	566,562
Interest income	71	-	71	94
Other income	81,921	-	81,921	19,135
Net assets released from restrictions (Note 7)	217,400	(217,400)	-	-
<b>Total Revenue and Other Support</b>	<b>7,004,724</b>	<b>92,600</b>	<b>7,097,324</b>	<b>7,827,011</b>
<b>Expenses:</b>				
Program services:				
Early Headstart	1,768,598	-	1,768,598	2,068,038
Administration for Children's Services				
Headstart	870,956	-	870,956	528,693
Parent and Child Preventive Services	1,318,166	-	1,318,166	1,208,586
Crime Victims Board	231,136	-	231,136	190,616
Office of People With Developmental Disabilities	212,485	-	212,485	191,864
Universal Pre-Kindergarten Services	188,152	-	188,152	163,976
Child Sexual Abuse Treatment and Prevention	173,993	-	173,993	126,196
Department of Youth and Community Development	122,251	-	122,251	124,020
Summer Camp	60,212	-	60,212	39,228
OCFS-TANF	46,800	-	46,800	89,063
CACFP	256,418	-	256,418	99,379
Other programs	765,261	-	765,261	1,853,929
<b>Total Program Services</b>	<b>6,014,428</b>	<b>-</b>	<b>6,014,428</b>	<b>6,683,588</b>
Supporting services:				
Management and general	1,021,018	-	1,021,018	1,107,428
Fundraising	212,493	-	212,493	51,707
<b>Total Supporting Services</b>	<b>1,233,511</b>	<b>-</b>	<b>1,233,511</b>	<b>1,159,135</b>
<b>Total Expenses</b>	<b>7,247,939</b>	<b>-</b>	<b>7,247,939</b>	<b>7,842,723</b>
<b>Change in Net Assets Before Net Revenues From Special Events</b>	<b>(243,215)</b>	<b>92,600</b>	<b>(150,615)</b>	<b>(15,712)</b>
<b>Net Revenues From Special Events:</b>				
Special events:				
Gross receipts	90,968	-	90,968	39,353
Direct costs	(33,325)	-	(33,325)	(8,986)
<b>Net Revenues From Special Events</b>	<b>57,643</b>	<b>-</b>	<b>57,643</b>	<b>30,367</b>
<b>Change in Net Assets</b>	<b>(185,572)</b>	<b>92,600</b>	<b>(92,972)</b>	<b>14,655</b>
<b>Net Assets, Beginning of Year</b>	<b>345,794</b>	<b>217,400</b>	<b>563,194</b>	<b>548,539</b>
<b>Net Assets, End of Year</b>	<b>\$ 160,222</b>	<b>\$ 310,000</b>	<b>\$ 470,222</b>	<b>\$ 563,194</b>

*See accompanying notes to financial statements.*

Kingsbridge Heights Community Center, Inc.

Statement of Functional Expenses  
(with comparative totals for 2011)

Year ended June 30,

	Program Services											Supporting Services			2012 Total	2011 Total		
	Early Headstart	Administra- tion for Children's Services Headstart	Parent and Child Preventive Services	Crime Victims Board	Office of People with Develop- mental Disabilities	Universal Pre- Kindergarten Services	Child Sexual Abuse Treatment and Prevention	Department of Youth and Community Development	Summer Camp	OCFS-TANF	CACFP	Other Programs	Total Program Services	Management and General			Fund- raising	Total Supporting Services
<b>Expenses:</b>																		
Personnel costs	\$1,243,788	\$674,920	\$1,097,032	\$199,817	\$188,358	\$139,077	\$135,407	\$120,682	\$33,097	\$40,650	\$ 92,442	\$302,087	\$4,267,357	\$ 773,320	\$184,543	\$ 957,863	\$5,225,220	\$5,378,368
Food, clothing and other purchased material	41,222	6,554	23,224	8,272	6,386	34,089	613	1,065	8,852	2,400	67,541	31,545	231,763	29,970	2,374	32,344	264,107	603,214
Facility related expense (Note 4)	96,580	159,617	151,833	5,249	4,189	3,106	25,011	-	528	-	2,594	223,392	672,099	12,990	15,637	28,627	700,726	778,734
Support and other purchased services	316,610	26,415	42,270	17,798	13,486	10,182	2,679	-	17,735	3,750	93,378	202,835	747,138	172,721	9,683	182,404	929,542	957,007
Depreciation and amortization of leasehold improvements	70,398	3,450	3,807	-	66	1,698	10,283	504	-	-	463	5,402	96,071	32,017	256	32,273	128,344	125,400
<b>Total</b>	<b>\$1,768,598</b>	<b>\$870,956</b>	<b>\$1,318,166</b>	<b>\$231,136</b>	<b>\$212,485</b>	<b>\$188,152</b>	<b>\$173,993</b>	<b>\$122,251</b>	<b>\$60,212</b>	<b>\$46,800</b>	<b>\$256,418</b>	<b>\$765,261</b>	<b>\$6,014,428</b>	<b>\$1,021,018</b>	<b>\$212,493</b>	<b>\$1,233,511</b>	<b>\$7,247,939</b>	<b>\$7,842,723</b>

See accompanying notes to financial statements.

# Kingsbridge Heights Community Center, Inc.

## Statement of Cash Flows (with comparative totals for 2011)

<i>Year ended June 30,</i>	2012	2011
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (92,972)	\$ 14,655
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization on leasehold improvements	128,344	125,400
(Increase) decrease in:		
Accounts receivable	389,300	(352,015)
Prepaid expenses	(12,621)	13,863
Contribution receivable	(131,326)	151,490
Deferred financing costs	16,052	(16,052)
Increase (decrease) in:		
Accounts payable and accrued expenses	(36,519)	61,576
Payroll and payroll related liabilities	(24,561)	31,019
Deferred compensation	(112,640)	(4,760)
Deferred revenue	(24,968)	341,146
Due to governmental agency	(15,158)	(25,492)
<b>Net Cash Provided By Operating Activities</b>	<b>82,931</b>	<b>340,830</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase of fixed assets	(44,310)	(385,323)
<b>Cash Flows From Financing Activities:</b>		
Proceeds from line of credit	-	194,431
Proceeds from short-term loans	483,698	249,900
Payments on line of credit	(250,000)	(415,000)
Repayment of short-term loans	(258,956)	(26,250)
<b>Net Cash Provided By (Used In) Financing Activities</b>	<b>(25,258)</b>	<b>3,081</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>13,363</b>	<b>(41,412)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>92,489</b>	<b>133,901</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 105,852</b>	<b>\$ 92,489</b>

*See accompanying notes to financial statements.*

# Kingsbridge Heights Community Center, Inc.

## Notes to Financial Statements

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### 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

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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

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### *(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 (the "IRS") 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 2012.

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, 2012, there was no tax provision, interest, or penalties recorded or included in the statement of activities. KHCC's tax returns are subject to audit by the IRS for the years ended June 30, 2009, 2010 and 2011.

### *(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").

# Kingsbridge Heights Community Center, Inc.

## Notes to Financial Statements

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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).

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

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### *(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.

### *(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, 2012, KHCC did not have any endowments and, as such, the adoption of NYMPIFA 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

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### *(q) New Accounting Pronouncement*

In May 2011, the FASB issued Accounting Standards Update (“ASU”) 2011-04, “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs”. ASU 2011-04 amended ASC 820 to provide a consistent definition of fair value and improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRSs. Some of the amendments clarify the application of existing fair value measurement and disclosure requirements, while other amendments change a particular principle or requirement for measuring fair value or disclosing information about fair value measurements. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. KHCC’s management is currently evaluating the effect that the provisions of ASU 2011-04 will have on KHCC’s 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, 2012, the realizable value of contribution receivable is \$356,550. All amounts are due in one year or less.

### **4. Fixed Assets, Net**

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

*June 30, 2012*

Land	\$ 61,500
Building and improvements	1,617,917
Furniture and equipment	810,685
	2,490,102
Less: Accumulated depreciation	(1,294,365)
	<u>\$ 1,195,737</u>

Depreciation expense for the year ended June 30, 2012 was \$128,344.

### **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, 2012, in-kind revenue and expense was \$526,483 and is recorded in donation and program services, respectively.

# Kingsbridge Heights Community Center, Inc.

## Notes to Financial Statements

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### 6. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30, 2012:

General	\$150,000
College/teens	90,000
Capital	50,000
Changing futures	20,000
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	\$310,000

### 7. Net Assets Released From Restrictions

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

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

### 8. Line of Credit

KHCC had available a line of credit of up to \$250,000 with a financial institution. On March 21, 2012, KHCC entered into an agreement whereby the outstanding balance of \$250,000 was converted into a five-year note. See Note 9 for additional information.

### 9. Notes Payable

On March 21, 2012, KHCC entered into two notes payable agreements with a financial institution for \$250,000 and \$233,698, respectively. The terms of the notes call for monthly payments of \$2,722 and \$2,544, respectively. Both notes carry an interest rate of 5.49% and are due on March 21, 2017. The notes payable are secured by business assets of KHCC.

Expected principal payments are as follows:

<i>Year ending</i>	
2013	\$ 37,736
2014	39,891
2015	42,169
2016	44,578
2017	310,268
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	\$474,642

# Kingsbridge Heights Community Center, Inc.

## Notes to Financial Statements

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### 10. 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, 2012 was \$65,899.

### 11. Deferred Compensation

KHCC had a nonqualified, unfunded deferred compensation agreement with a former key employee. During the year ended June 30, 2012, the former key employee agreed to waive the final two years of payments. On December 13, 2012, 2012 KHCC paid the employee the final installment under the amended agreement.

### 12. 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.

### 13. Subsequent Events

KHCC's management has performed subsequent events procedures through March 5, 2013, which is the date the financial statements were available to be issued and there were no subsequent events requiring adjustment to the financial statements.