

**Kingsbridge Heights Community
Center, Inc.**

Financial Statements
Year Ended June 30, 2013

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member
of BDO International Limited, a UK company limited by guarantee.

**Kingsbridge Heights Community
Center, Inc.**

Financial Statements
Year Ended June 30, 2013

Kingsbridge Heights Community Center, Inc.

Contents

Independent Auditor's Report	3-4
Financial Statements:	
Statement of Financial Position as of June 30, 2013	5
Statement of Activities for the Year Ended June 30, 2013	6
Statement of Functional Expenses for the Year Ended June 30, 2013	7
Statement of Cash Flows for the Year Ended June 30, 2013	8
Notes to Financial Statements	9-16



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Independent Auditor's Report

Board of Directors of
Kingsbridge Heights Community Center, Inc.
Bronx, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Kingsbridge Heights Community Center, Inc., which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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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, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The financial statements of Kingsbridge Heights Community Center, Inc. as of June 30, 2012 have been restated. As discussed in Note 12 to the financial statements, the June 30, 2012 financial statements have been restated to reverse the deferred revenue. This is related to the fixed assets that were purchased with Federal funds and the government grant income was deferred for the life of the asset. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Kingsbridge Heights Community Center, Inc.'s 2012 financial statements and our report, dated March 5, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

March 4, 2014

Kingsbridge Heights Community Center, Inc.

Statement of Financial Position (with comparative totals for 2012)

June 30,	2013	2012 (as restated)
Assets		
Current:		
Cash and cash equivalents (Notes 2 and 3)	\$ 177,399	\$ 105,852
Accounts receivable (Note 2)	633,456	460,123
Contribution receivable, net (Notes 2 and 3)	2,223,709	353,671
Prepaid expenses	11,966	21,967
Total Current Assets	3,046,530	941,613
Fixed Assets, Net (Notes 2 and 4)	1,106,602	1,195,737
	\$4,153,132	\$2,137,350
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 404,098	\$ 209,765
Accrued payroll and payroll related liabilities	309,907	302,421
Deferred compensation	-	45,000
Deferred revenue (Notes 2 and 3)	42,950	37,866
Due to government agency	117,501	3,606
Notes payable, current portion (Note 9)	39,891	37,736
Total Current Liabilities	914,347	636,394
Notes Payable, Net of Current Portion (Note 9)	397,021	436,906
Total Liabilities	1,311,368	1,073,300
Commitments and Contingencies (Notes 2, 10 and 11)		
Net Assets (Notes 2, 6 and 12):		
Unrestricted	756,764	754,050
Temporarily restricted	2,085,000	310,000
Total Net Assets	2,841,764	1,064,050
	\$4,153,132	\$2,137,350

See accompanying notes to financial statements.

Kingsbridge Heights Community Center, Inc.

Statement of Activities (with comparative totals for 2012)

Year ended June 30,	Unrestricted	Temporarily Restricted	2013 Total	2012 Total (as restated)
Revenue and Other Support:				
Government grants	\$6,053,167	\$ -	\$6,053,167	\$5,336,334
Private grants and contributions	451,783	2,005,000	2,456,783	685,135
Program fees	358,423	-	358,423	198,569
Medicaid revenue	213,265	-	213,265	210,414
In-kind donation (Note 5)	526,483	-	526,483	559,146
Other income	118,997	-	118,997	81,992
Net assets released from restrictions (Note 7)	230,000	(230,000)	-	-
Total Revenue and Other Support	7,952,118	1,775,000	9,727,118	7,071,590
Expenses:				
Program services:				
Early Headstart	1,702,183	-	1,702,183	1,768,598
Administration for Children's Services				
Headstart	340,533	-	340,533	870,956
Administration for Children Services				
Early Learn	1,547,807	-	1,547,807	-
Parent and Child Preventive Services	1,235,736	-	1,235,736	1,318,166
Crime Victims Board	216,776	-	216,776	231,136
Office for People With Developmental Disabilities	222,739	-	222,739	212,485
Universal Pre-Kindergarten Services	1,668	-	1,668	188,152
Child Sexual Abuse Treatment and Prevention	141,785	-	141,785	173,993
Department of Youth and Community Development	135,616	-	135,616	122,251
Summer Camp	61,674	-	61,674	60,212
OCFS-TANF	245,884	-	245,884	46,800
CACFP	375,130	-	375,130	256,418
Other programs	666,639	-	666,639	765,261
Total Program Services	6,894,170	-	6,894,170	6,014,428
Supporting services:				
Management and general	942,874	-	942,874	1,021,018
Fundraising	158,138	-	158,138	212,493
Total Supporting Services	1,101,012	-	1,101,012	1,233,511
Total Expenses	7,995,182	-	7,995,182	7,247,939
Change in Net Assets Before Net Revenues From Special Events	(43,064)	1,775,000	1,731,936	(176,349)
Net Revenues From Special Events:				
Special events:				
Gross receipts	83,200	-	83,200	90,968
Less: Direct costs to donors	(37,422)	-	(37,422)	(33,325)
Net Revenues From Special Events	45,778	-	45,778	57,643
Change in Net Assets	2,714	1,775,000	1,777,714	(118,706)
Net Assets, Beginning of Year, as Restated (Note 12)	754,050	310,000	1,064,050	1,182,756
Net Assets, End of Year	\$ 756,764	\$2,085,000	\$2,841,764	\$1,064,050

See accompanying notes to financial statements.

Kingsbridge Heights Community Center, Inc.

Statement of Functional Expenses
(with comparative totals for 2012)

Year ended June 30,	Program Services													Supporting Services					2013 Total	2012 Total
	Early Headstart	Administra- tion for Children's Services	Administra- tion for Children's Services Early Learn	Parent and Child Preventive Services	Crime Victims Board	Office for People with Developmental Disabilities	Office for Universal Pre- school Kindergarten Services	Child Sexual Abuse Treatment and Prevention	Department of Youth and Community Development	Summer Camp	OCFS Total	GA/CFR	Other Programs	Total Program Services	Management and General	Fund- raising	Total Supporting Services			
Expenses:	\$1,120,089	\$160,111	\$ 802,031	\$1,008,506	\$190,954	\$212,872	\$ -	\$ 87,839	\$113,990	\$32,837	\$224,848	\$ 56,096	\$342,369	\$4,157,552	\$675,145	\$136,788	\$ 811,933	\$4,969,485	\$5,225,220	
Personnel costs																		297,288	264,937	
Food, clothing and other purchased material	48,215	10,732	30,541	30,966	8,312	1,625	-	3,702	1,122	11,517	16,670	76,191	25,126	264,339	31,978	971	32,949	691,772	700,726	
Facility related expense (note 5)	46,307	152,184	65,922	153,455	4,570	2,792	-	27,878	-	252	-	2,349	233,704	679,813	11,885	74	11,959	1,920,193	929,342	
Support and other purchased services (note 5)	430,598	12,841	849,713	40,225	12,940	5,521	-	11,986	-	17,058	4,366	229,631	71,493	1,696,072	204,072	20,049	224,121	1,920,193	929,342	
Depreciation and amortization	71,074	4,565	-	2,584	-	(71)	1,608	10,360	504	-	-	463	4,247	96,394	19,704	256	20,050	116,444	138,164	
Total	\$1,702,183	\$340,533	\$1,547,807	\$1,335,736	\$216,776	\$222,739	\$1,668	\$141,785	\$135,616	\$81,674	\$245,884	\$375,130	\$666,639	\$6,894,170	\$842,874	\$158,138	\$1,001,012	\$7,995,182	\$7,247,509	

See accompanying notes to financial statements.

See accompanying notes to financial statements.

Kingsbridge Heights Community Center, Inc.

Statement of Cash Flows (with comparative totals for 2012)

Year ended June 30,	2013	2012 (as restated)
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,777,714	\$ (118,706)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	116,444	128,344
(Increase) decrease in:		
Accounts receivable	(173,333)	389,300
Contribution receivable	(1,870,038)	(131,326)
Prepaid expenses	10,001	(12,621)
Deferred financing costs	-	16,052
Increase (decrease) in:		
Accounts payable and accrued expenses	194,333	(36,519)
Accrued payroll and payroll related liabilities	7,486	(24,561)
Deferred compensation	(45,000)	(112,640)
Deferred revenue	5,084	766
Due to governmental agency	113,895	(15,158)
Net Cash Provided By Operating Activities	136,586	82,931
Cash Flows From Investing Activities:		
Purchase of fixed assets	(27,309)	(44,310)
Cash Flows From Financing Activities:		
Proceeds from short-term loans	-	483,698
Payments on line of credit	-	(250,000)
Repayment of short-term loans	(37,730)	(258,956)
Net Cash Used In Financing Activities	(37,730)	(25,258)
Net Increase in Cash and Cash Equivalents	71,547	13,363
Cash and Cash Equivalents, Beginning of Year	105,852	92,489
Cash and Cash Equivalents, End of Year	\$ 177,399	\$ 105,852
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 27,174	\$ 30,749

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, respectively.

(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.

(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.

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) Impairment of Long-Lived Assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairment losses for the years ended June 30, 2013.

(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 2013.

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, 2013, 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, 2010, 2011 and 2012.

(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

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). All contracts or grant monies received in excess of revenue earned are recorded as deferred revenue on the statement of financial position.

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.

(o) Net Asset Classification

KHCC follows 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, 2013, KHCC did not have any endowments.

(p) Recently Issued Accounting Pronouncements

- (i) In October 2012, the FASB issued Accounting Standards Update ("ASU") 2012-05, "Statement of Cash Flows: Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows." ASU 2012-05 requires a not-for-profit to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any not-for-profit imposed restrictions for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those securities would be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts would be classified as cash flows from financing activities. Otherwise, receipts from the sale of donated securities would be

Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

classified as cash flows from investing activities by the not-for-profit. The amendments are to be applied prospectively and are effective for fiscal years beginning after June 15, 2013. Management is currently evaluating the effect that the provisions of ASU 2012-05 will have on the financial statements.

- (ii) In February 2013, the FASB issued ASU 2013-03, "Clarifying the Scope and Applicability of a Particular Disclosure to Nonpublic Entities." This ASU clarifies the disclosure requirements of ASU 2011-4 for nonpublic entities. The ASU clarified that nonpublic entities are not required to disclose the fair value hierarchy within which the fair value measurements are categorized in their entirety for the terms that are not measured at fair value but for which fair value is disclosed. This ASU was effective immediately upon issuance. The Board adopted ASU 2013-03 based on its effective date. The adoption of this ASU did not have a material impact 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, 2013, the realizable value of the contribution receivable is \$2,223,709. 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, 2013</i>	
Land	\$ 61,500
Building and improvements	1,617,917
Furniture and equipment	835,714
Construction in progress	2,280
	2,517,411
Less: Accumulated depreciation	(1,410,809)
	<u>\$ 1,106,602</u>

Depreciation expense for the year ended June 30, 2013 was \$116,444. The estimated cost to complete construction in progress is approximately \$2,000,000.

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 revenue and corresponding expense on the statement of activities. For the year ended June 30, 2013, in-kind revenue and expense was \$526,483 and is recorded as in-kind donation and program services expense, respectively.

Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

6. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30, 2013:

General	\$ 15,000
College/teens	65,000
Capital grant	1,995,000
Changing futures	10,000
	<u>\$2,085,000</u>

Capital Grant

During the fiscal year, KHCC received a one-time capital grant for the construction of a new building for the Child Sexual Abuse Treatment and Prevention Program. The grant came from the following sources:

New York City Council	\$1,435,000
Office of the Borough President	410,000
Private grants	150,000
	<u>\$1,995,000</u>

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	45,000
General support	165,000
	<u>\$230,000</u>

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.

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 including interest 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.

Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

Expected principal payments are as follows:

<i>Year ending</i>	
2014	\$ 39,891
2015	42,169
2016	44,578
2017	310,274
	<u>\$436,912</u>

10. Pension Plan

KHCC sponsors a profit-sharing plan and trust covering all employees who have 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, 2013 was \$55,171.

11. 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.

12. Restatement of Net Assets

The accompanying financial statements for the year ended June 30, 2012 have been restated to reverse the deferred revenue. This is related to the fixed assets that were purchased with Federal funds and the government grant income was deferred for the life of the asset. The effects of the restatement are summarized as follows:

	Unrestricted	Temporary Restricted	Total
Net assets at June 30, 2011, as previously reported	\$345,794	\$217,400	\$ 563,194
Reversal of deferred revenue	619,562	-	619,562
Net assets at June 30, 2011, as restated	<u>\$965,356</u>	<u>\$217,400</u>	<u>\$1,182,756</u>
Change in net assets at June 30, 2012, as previously reported			\$ (92,972)
Adjustment to government grant income			(25,734)
Change in net assets at June 30, 2012, as restated			<u>\$ (118,706)</u>
Deferred revenue at June 30, 2012, as previously reported			\$ 631,694
Adjustment to deferred revenue			25,734
Reversal of deferred revenue to net assets			(619,562)
Deferred revenue at June 30, 2012, as restated			<u>\$ 37,866</u>

Kingsbridge Heights Community Center, Inc.

Notes to Financial Statements

13. Subsequent Events

KHCC's management has performed subsequent events procedures through March 4, 2014, which is the date the financial statements were available to be issued and there were no subsequent events requiring adjustment to the financial statements.