

**Bowery Residents' Committee, Inc.  
and Affiliated Organizations**

**Combining Financial Statements**  
Year Ended June 30, 2007

**Bowery Residents' Committee, Inc.  
and Affiliated Organizations**

**Combining Financial Statements**  
Year Ended June 30, 2007

# Bowery Residents' Committee, Inc. and Affiliated Organizations

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## **Independent Auditors' Report**

To the Board of Directors  
Bowery Residents' Committee, Inc.  
and Affiliated Organizations

We have audited the accompanying combining statement of financial position of Bowery Residents' Committee, Inc. and Affiliated Organizations as of June 30, 2007, and the related combining statements of activities, functional expenses and cash flows for the year then ended. These combining financial statements are the responsibility of the management of Bowery Residents' Committee, Inc. and Affiliated Organizations. Our responsibility is to express an opinion on these combining 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 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 Bowery Residents' Committee, Inc. and Affiliated Organizations' 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 combining financial statements referred to above present fairly, in all material respects, the financial position of Bowery Residents' Committee, Inc. and Affiliated Organizations as of June 30, 2007, and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Information for the year ended June 30, 2006 is presented for comparative purposes only and was extracted from the combining financial statements of Bowery Residents' Committee, Inc. and Affiliated Organizations for that year, on which we expressed an unqualified opinion, dated October 31, 2006.

*BDO Seidman, LLP*

November 5, 2007

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Combining Statement of Financial Position (with comparative totals for 2006)

June 30,

	2007				2006
	Bowery Residents' Committee, Inc.	Affiliated Organizations	Eliminations	Total	Total
<b>Assets</b>					
Cash and cash equivalents (Note 3)	\$ 826,992	\$ 7,600	\$ -	\$ 834,592	\$ 556,566
Investments at fair value (Note 5)	163,330	-	-	163,330	138,654
Investment in limited partnerships (Note 7)	100	500,200	-	500,300	500,300
Accounts receivable (net of allowance for doubtful accounts of \$1,809,129 and \$1,694,106, respectively)	4,900,931	220,839	-	5,121,770	4,617,983
Prepaid expenses and deposits	545,564	94,899	-	640,463	541,483
Due from limited partnerships (Note 7)	54,161	19,570	-	73,731	10,697
Due from affiliates	4,332,825	-	(4,332,825)	-	-
Assets limited to use (Note 4)	92,690	-	-	92,690	208,988
Fixed assets, net (Notes 6 and 9)	4,422,758	5,986,225	-	10,408,983	10,480,078
	<b>\$15,339,351</b>	<b>\$6,829,333</b>	<b>\$(4,332,825)</b>	<b>\$17,835,859</b>	<b>\$17,054,749</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 2,544,849	\$ 14,038	\$ -	\$ 2,558,887	\$ 2,332,049
Accrued salaries and fringes	1,253,455	-	-	1,253,455	1,270,605
Accrued interest payable	-	342,298	-	342,298	321,110
Deferred revenue (Note 3)	1,959,911	3,490	-	1,963,401	1,655,025
Construction advance in escrow (Note 4)	97,726	-	-	97,726	214,786
Due to affiliates	-	4,332,825	(4,332,825)	-	-
Line of credit (Note 8)	1,200,000	-	-	1,200,000	1,000,000
Loans payable (Note 9)	2,651,661	3,731,014	-	6,382,675	6,487,120
<b>Total liabilities</b>	<b>9,707,602</b>	<b>8,423,665</b>	<b>\$(4,332,825)</b>	<b>13,798,442</b>	<b>13,280,695</b>
<b>Commitments and contingencies (Notes 8, 9, 10 and 14)</b>					
<b>Net assets:</b>					
Unrestricted	5,258,785	(1,594,332)	-	3,664,453	3,519,054
Temporarily restricted (Note 12)	372,964	-	-	372,964	255,000
<b>Total net assets</b>	<b>5,631,749</b>	<b>(1,594,332)</b>	<b>-</b>	<b>4,037,417</b>	<b>3,774,054</b>
	<b>\$15,339,351</b>	<b>\$6,829,333</b>	<b>\$(4,332,825)</b>	<b>\$17,835,859</b>	<b>\$17,054,749</b>

*See accompanying notes to combining financial statements.*

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Combining Statement of Activities (with comparative totals for 2006)

Year ended June 30,

	2007			2006		
	Bowery Residents' Committee, Inc.					
	Unrestricted	Temporarily restricted	Total	Affiliated Organizations unrestricted	Total	Total
<b>Revenues:</b>						
Government and other grants	\$22,179,429	\$ -	\$22,179,429	\$ -	\$22,179,429	\$21,282,930
Medicaid	4,531,796	-	4,531,796	-	4,531,796	4,315,723
Program service fees	4,157,660	-	4,157,660	10,000	4,167,660	3,766,822
Rental	494,082	-	494,082	339,830	833,912	771,808
Contributions	1,072,746	372,964	1,445,710	-	1,445,710	955,108
Interest and other	252,972	-	252,972	-	252,972	319,103
Net assets released from restrictions (Note 11)	255,000	(255,000)	-	-	-	-
<b>Total revenues</b>	<b>32,943,685</b>	<b>117,964</b>	<b>33,061,649</b>	<b>349,830</b>	<b>33,411,479</b>	<b>31,411,494</b>
<b>Expenses:</b>						
Program services:						
Gateway Services	8,354,051	-	8,354,051	-	8,354,051	7,715,369
Transitional Housing	13,952,813	-	13,952,813	-	13,952,813	13,158,713
Permanent Housing	3,705,334	-	3,705,334	-	3,705,334	3,415,081
Day Treatment and Services	3,145,021	-	3,145,021	-	3,145,021	2,829,192
<b>Total program services</b>	<b>29,157,219</b>	<b>-</b>	<b>29,157,219</b>	<b>-</b>	<b>29,157,219</b>	<b>27,118,355</b>
Supporting services:						
Management and general	3,136,832	-	3,136,832	-	3,136,832	2,807,329
Fundraising	259,512	-	259,512	-	259,512	132,137
<b>Total supporting services</b>	<b>3,396,344</b>	<b>-</b>	<b>3,396,344</b>	<b>-</b>	<b>3,396,344</b>	<b>2,939,466</b>
Affiliated Organizations' expenses	-	-	-	594,553	594,553	572,799
<b>Total expenses</b>	<b>32,553,563</b>	<b>-</b>	<b>32,553,563</b>	<b>594,553</b>	<b>33,148,116</b>	<b>30,630,620</b>
<b>Change in net assets</b>	<b>390,122</b>	<b>117,964</b>	<b>508,086</b>	<b>(244,723)</b>	<b>263,363</b>	<b>780,874</b>
<b>Net assets, beginning of year</b>	<b>4,868,663</b>	<b>255,000</b>	<b>5,123,663</b>	<b>(1,349,609)</b>	<b>3,774,054</b>	<b>2,993,180</b>
<b>Net assets, end of year</b>	<b>\$ 5,258,785</b>	<b>\$ 372,964</b>	<b>\$ 5,631,749</b>	<b>\$(1,594,332)</b>	<b>\$ 4,037,417</b>	<b>\$ 3,774,054</b>

*See accompanying notes to combining financial statements.*

## Bowery Residents' Committee, Inc. and Affiliated Organizations

### Combining Statement of Functional Expenses (with comparative totals for 2006)

Year ended June 30,

	Bowery Residents' Committee, Inc.										2007 Total	2006 Total
	Program Services					Supporting Services						
	Gateway Services	Transitional Housing	Permanent Housing	Day Treatment and Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Bowery Residents' Committee, Inc.	Affiliated Organizations		
<b>Expenses:</b>												
Salaries	\$4,648,781	\$ 6,622,047	\$1,787,855	\$1,360,227	\$14,418,910	\$1,602,598	\$ 93,291	\$1,695,889	\$16,114,799	\$ 19,103	<b>\$16,133,902</b>	\$15,116,192
Employee taxes and fringe benefits	1,153,113	1,666,770	440,942	323,160	3,583,985	414,807	28,720	443,527	4,027,512	2,459	<b>4,029,971</b>	3,587,367
<b>Total salaries and related expenses</b>	<b>5,801,894</b>	<b>8,288,817</b>	<b>2,228,797</b>	<b>1,683,387</b>	<b>18,002,895</b>	<b>2,017,405</b>	<b>122,011</b>	<b>2,139,416</b>	<b>20,142,311</b>	<b>21,562</b>	<b>20,163,873</b>	<b>18,703,559</b>
Temporary services	95,022	270,886	40,533	5,522	411,963	92,345	12,003	104,348	516,311	-	<b>516,311</b>	268,554
Real estate, water and sewer taxes	27,867	49,589	2,563	-	80,019	11,099	-	11,099	91,118	2,299	<b>93,417</b>	67,979
Rent (Note 10)	683,944	1,905,472	789,473	241,082	3,619,971	162,487	-	162,487	3,782,458	83,156	<b>3,865,614</b>	3,469,027
Utilities	113,967	411,630	47,026	52,507	625,130	14,620	-	14,620	639,750	4,046	<b>643,796</b>	673,495
Communication	65,543	148,361	46,937	27,261	288,102	110,329	-	110,329	398,431	-	<b>398,431</b>	377,210
Printing and postage	2,309	419	249	520	3,497	12,158	4,912	17,070	20,567	16	<b>20,583</b>	21,150
Insurance	93,484	171,425	62,022	45,921	372,852	32,308	-	32,308	405,160	13,563	<b>418,723</b>	579,885
Professional fees	558,300	343,526	36,775	92,183	1,030,784	268,546	89,127	357,673	1,388,457	32,353	<b>1,420,810</b>	1,215,628
Staff training and recruitment	54,329	40,684	10,936	12,079	118,028	78,180	694	78,874	196,902	19	<b>196,921</b>	120,279
Dues and subscriptions	10	2,201	2,843	26	5,080	815	1,600	2,415	7,495	-	<b>7,495</b>	36,616
Office expenses	13,350	50,095	33,646	31,949	129,040	78,712	9,083	87,795	216,835	-	<b>216,835</b>	248,750
Supplies	108,330	280,217	18,669	42,522	449,738	6,023	625	6,648	456,386	473	<b>456,859</b>	513,864
Equipment	9,238	57,957	26,376	5,544	99,115	-	-	-	99,115	-	<b>99,115</b>	117,224
Maintenance and repairs	97,530	321,265	151,694	33,823	604,312	50,908	-	50,908	655,220	2,972	<b>658,192</b>	558,434
Travel	153,615	66,390	14,109	4,524	238,638	20,795	83	20,878	259,516	-	<b>259,516</b>	202,830
Client related expenses	308,504	1,092,757	168,070	841,005	2,410,336	11,005	375	11,380	2,421,716	-	<b>2,421,716</b>	2,234,240
Interest	102,840	57,724	-	-	160,564	54,132	-	54,132	214,696	29,504	<b>244,200</b>	213,344
Other	8,421	101,849	30	8,130	118,430	28,235	18,999	47,234	165,664	-	<b>165,664</b>	201,877
<b>Total expenses before depreciation and amortization</b>	<b>8,298,497</b>	<b>13,661,264</b>	<b>3,680,748</b>	<b>3,127,985</b>	<b>28,768,494</b>	<b>3,050,102</b>	<b>259,512</b>	<b>3,309,614</b>	<b>32,078,108</b>	<b>189,963</b>	<b>32,268,071</b>	<b>29,823,945</b>
<b>Depreciation and amortization</b>	<b>55,554</b>	<b>291,549</b>	<b>24,586</b>	<b>17,036</b>	<b>388,725</b>	<b>86,730</b>	<b>-</b>	<b>86,730</b>	<b>475,455</b>	<b>404,590</b>	<b>880,045</b>	<b>806,675</b>
<b>Total expenses</b>	<b>\$8,354,051</b>	<b>\$13,952,813</b>	<b>\$3,705,334</b>	<b>\$3,145,021</b>	<b>\$29,157,219</b>	<b>\$3,136,832</b>	<b>\$259,512</b>	<b>\$3,396,344</b>	<b>\$32,553,563</b>	<b>\$594,553</b>	<b>\$33,148,116</b>	<b>\$30,630,620</b>

*See accompanying notes to combining financial statements.*

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Combining Statement of Cash Flows (with comparative totals for 2006)

Year ended June 30,

	2007				2006
	Bowery Residents' Committee, Inc.	Affiliated Organizations	Eliminations	Total	Total
<b>Cash flows from operating activities:</b>					
Change in net assets	\$ 508,086	\$(244,723)	\$ -	\$ 263,363	\$ 780,874
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Depreciation and amortization	475,455	404,590	-	880,045	806,675
Net realized and unrealized (gains) losses on investments	(12,519)	-	-	(12,519)	259
Donated investments	(107,984)	-	-	(107,984)	(96,726)
Provision for bad debts	115,023	-	-	115,023	458,328
Decrease (increase) in assets:					
Accounts receivable	(398,981)	(219,829)	-	(618,810)	(45,751)
Prepaid expenses and deposits	(4,081)	(94,899)	-	(98,980)	(176,901)
Restricted reserves	-	-	-	-	175,296
Due from limited partnerships	(53,255)	(9,779)	-	(63,034)	(906)
Due from affiliates	(155,186)	-	155,186	-	-
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	233,129	(6,291)	-	226,838	(1,054,110)
Accrued salaries and fringes	(17,150)	-	-	(17,150)	(116,948)
Accrued interest payable	-	21,188	-	21,188	21,188
Deferred revenue	308,376	-	-	308,376	(464,865)
Construction advance in escrow	(117,060)	-	-	(117,060)	(180,276)
Due to limited partnerships	-	-	-	-	(185,456)
Due to affiliates	-	155,186	(155,186)	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>773,853</b>	<b>5,443</b>	<b>-</b>	<b>779,296</b>	<b>(79,319)</b>
<b>Cash flows from investing activities:</b>					
Purchases of fixed assets	(787,472)	(21,478)	-	(808,950)	(1,259,102)
Proceeds from sale of investments	95,827	-	-	95,827	-
<b>Net cash used in investing activities</b>	<b>(691,645)</b>	<b>(21,478)</b>	<b>-</b>	<b>(713,123)</b>	<b>(1,259,102)</b>
<b>Cash flows from financing activities:</b>					
Proceeds from line of credit	500,000	-	-	500,000	1,000,000
Proceeds from loans	152,852	10,000	-	162,852	1,918,188
Principal payments on loans	(267,297)	-	-	(267,297)	(1,929,594)
Payments of line of credit	(300,000)	-	-	(300,000)	-
<b>Net cash provided by financing activities</b>	<b>85,555</b>	<b>10,000</b>	<b>-</b>	<b>95,555</b>	<b>988,594</b>
<b>Net increase (decrease) in cash, cash equivalents and assets limited to use</b>	<b>167,763</b>	<b>(6,035)</b>	<b>-</b>	<b>161,728</b>	<b>(349,827)</b>
<b>Cash, cash equivalents and assets limited to use, beginning of year</b>	<b>751,919</b>	<b>13,635</b>	<b>-</b>	<b>765,554</b>	<b>1,115,381</b>
<b>Cash, cash equivalents and assets limited to use, end of year</b>	<b>\$ 919,682</b>	<b>\$ 7,600</b>	<b>\$ -</b>	<b>\$ 927,282</b>	<b>\$ 765,554</b>
<b>Supplemental disclosures of cash flow information:</b>					
Cash paid during the year for interest	\$ 214,696	\$ 29,504	\$ -	\$ 244,200	\$ 167,156

*See accompanying notes to combining financial statements.*

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

### 1. Nature of Organizations

Bowery Residents' Committee, Inc. ("BRC") and Affiliated Organizations were formed for the purpose of addressing the needs of persons with limited resources in the metropolitan New York City area. This included the homeless, hungry, chemically dependent, psychiatrically disabled, aged and persons with HIV and AIDS. BRC provides a comprehensive array of services including health care, vocational rehabilitation, AIDS services, community education and advocacy. By providing these services, BRC offers its clients the means to function successfully in the society, and seeks to improve the quality of life in our community.

This mission is also serviced by the following Affiliated Organizations:

- (a) **91 Pitt Street Housing Development Fund Corporation** ("Pitt") provides housing to formerly homeless people with mental illness.
- (b) **330 East 4th Street Housing Development Fund Corporation** ("330 E. 4<sup>th</sup>") permanently houses formerly homeless elderly persons who participate in case management, crisis intervention, nutritional, and recreational services.
- (c) **Fulton Street Housing Development Fund Corporation** ("Fulton") is a community residence for individuals diagnosed with severe and persistent mental illness.
- (d) **93 Pitt Street G.P., Inc.** ("Pitt Street G.P.") provides permanent housing for individuals with mental illness or HIV/AIDS.
- (e) **Palace Renaissance, Inc.** ("Palace") provides space to further BRC's mission.
- (f) **BRC AIDS Services Corporation** ("BRC AIDS") provides healthcare services to persons with HIV/AIDS.
- (g) **139-141 Avenue D G.P., Inc.** ("Avenue D G.P.") provides permanent housing to persons with HIV/AIDS.

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

- (h) **Palace Renaissance Housing Development Fund Corporation** ("Palace HDFC") provides permanent housing.
- (i) **902 Liberty Avenue Housing Development Fund Corporation** ("Liberty Avenue") will provide housing to persons and families of low income.

### 2. **Principles of Combination**

The combining financial statements include the accounts of BRC and various Affiliated Organizations which are affiliated through common Board membership and/or common ownership. All material intercompany transactions and balances have been eliminated.

### 3. **Summary of Significant Accounting Policies**

#### (a) *Basis of Presentation*

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

#### (b) *Financial Statement Presentation*

The classification of a not-for-profit organization'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.

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

These classes are defined as follows:

- (i) **Permanently Restricted** – Net assets resulting from contributions and other inflows of assets whose use by BRC and Affiliated Organizations is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of BRC and Affiliated Organizations.
- (ii) **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by BRC and Affiliated Organizations is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of BRC and Affiliated Organizations pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.
- (iii) **Unrestricted** – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) *Cash and Cash Equivalents*

BRC considers all highly liquid instruments purchased with a maturity of three months or less and money market and mutual funds accounts with dollar for dollar values to be cash equivalents.

(d) *Investments*

Investments in equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Income from investments, including unrealized gains and losses, are reported in the statement of activities as change in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions.

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

(e) *Contributions*

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted gifts and grants, received and utilized in the current year, are reflected in the statement of activities in the unrestricted class of net assets.

(f) *Revenue Recognition*

Revenue from governmental grants is recognized as the expenditures for each contract are incurred. Revenue from fee for service programs is recognized when 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.

Program fees represent the participants' contribution towards the cost of BRC services. Rates are regulated by Federal and state law.

BRC receives third party payments for some program participants. A portion of the payment represents the participant's program fees and is recognized as revenue when received. Any portion of the payment which is for the participant's personal use is recognized as a liability due to the client.

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

(g) *Deferred Revenue*

Revenue from contracts is recognized as earned when contract expenses are incurred to the maximum amount allowed for each contract award. Any payments received that have not been earned are classified as deferred revenue on the statement of financial position.

(h) *Provision for Doubtful Accounts*

BRC and Affiliated Organizations provide an allowance for doubtful accounts for accounts and pledges receivable which are specifically identified by management as to their uncertainty in regards to collectibility.

(i) *Fixed Assets*

Fixed assets with a purchase price in excess of \$5,000 are capitalized. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	10-40 years
Leasehold improvements	5-20 years
Furniture and equipment	5 years
Vehicles	4 years

(j) *Income Taxes*

BRC, Pitt, 330 E. 4<sup>th</sup>, Fulton, BRC AIDS and Palace HDFC are exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The 501(c)(3) tax exemption status for Liberty Avenue is pending.

Pitt Street G.P. and Avenue D G.P. are New York corporations subject to Federal income tax and applicable state and local taxes.

Palace is an exempt organization from Federal income tax under Section 501(c)(2) of the Internal Revenue Code.

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

(k) *Use of Estimates*

The preparation of combining financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combining financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(l) *Functional Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain administrative costs have been allocated among the programs and supporting services based on benefits received.

(m) *Concentration of Credit Risk*

Financial instruments, which potentially subject BRC to significant concentrations of credit risk, consist primarily of cash and cash equivalents and trade accounts receivable. At times, cash and cash equivalents may include deposits at various financial institutions in excess of Federal Deposit Insurance Corporation insured limits.

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

(n) *Comparative Financial Information*

The financial statements include certain prior year summarized comparative information. With respect to the statement of financial position, statement of activities and statement of cash flows, the prior year amounts are presented on a combined basis rather than by affiliate. With respect to the statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with BRC's financial statements for the year ended June 30, 2006 from which the summarized information was derived.

(o) *Reclassifications*

Certain amounts in the 2006 combining financial statements have been reclassified to conform to the 2007 presentation. The reclassifications have no effect on the net assets or the operating results of the prior year.

(p) *New Pronouncement*

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements". This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. As of June 30, 2007, BRC and Affiliated Organizations do not believe the adoption of SFAS No. 157 will impact the amounts reported in the financial statements.

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

However, additional disclosures will be required about the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statement of activities for a fiscal period.

4. **Assets Limited to Use** In January 2002, BRC received \$950,000 from the Office of Mental Health (“OMH”) to fund the costs associated with BRC’s proposed renovations and improvements at certain residential facilities. In order to ensure that the money will be used for its intended purpose, OMH has requested that these funds be held in escrow. All costs associated with the renovations and improvements will be paid directly to the appropriate parties by the escrow agent. During the year ended June 30, 2007, \$116,298 has been drawn from the escrow account for renovations and improvements, leaving a balance of \$92,690 as of June 30, 2007.

5. **Investments at Fair Value** The cost and respective fair values of investments at June 30, 2007 are as follows:

	Fair value	Cost
Common stocks	\$163,330	\$119,132

The fair value of the investments detailed above is determined by reference to market quotations at June 30, 2007. The investments are managed by professional investment advisors and managers.

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

**6. Fixed Assets, Net** Fixed assets, net consist of the following:

*June 30, 2007*

	Bowery Residents' Committee, Inc.	Affiliated Organizations	Total
Land	\$ 2	\$ -	\$ 2
Building and improvements	1,724,511	6,549,208	8,273,719
Leasehold improvements	4,364,590	3,045,156	7,409,746
Furniture and equipment	990,506	80,311	1,070,817
Vehicles	200,283	-	200,283
Construction-in-progress	305,933	-	305,933
Total fixed assets	7,585,825	9,674,675	17,260,500
Less: Accumulated depreciation and amortization	(3,163,067)	(3,688,450)	(6,851,517)
Fixed assets, net	\$ 4,422,758	\$ 5,986,225	\$10,408,983

Depreciation and amortization expense was \$880,045 for the year ended June 30, 2007.

**7. Affiliates**

Avenue D G.P. has a .01% interest in 139-141 Avenue D L.P. ("Glass Factory LP"). Glass Factory LP owns and operates low and moderate income housing for single adults with AIDS. BRC currently manages the project. BRC is entitled to an annual property management fee from Glass Factory LP of 8% of net rental income. Avenue D G.P. is also entitled to an annual partnership management fee of \$5,000. BRC received property management fees of \$28,413 and Avenue D G.P. received partnership management fees of \$5,000 for the year ended June 30, 2007. The amount due to Glass Factory LP at June 30, 2007 was \$1,696.

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

93 Pitt Street G.P. has a 1% interest in 93 Pitt Street L.P. The L.P. also operates a low income rental housing project which is also managed by BRC. BRC is entitled to an annual property management fee from 93 Pitt Street L.P. of 8% of net rental income. 93 Pitt Street G.P. is also entitled to an annual partnership management fee of \$5,000. BRC received property management fees of \$19,525 and 93 Pitt Street G.P. received partnership management fees of \$5,000 for the year ended June 30, 2007. The amount due from 93 Pitt Street L.P. at June 30, 2007 was \$75,427.

The affiliates recognized the investment in limited partnerships under the cost method of accounting.

### **8. Line of Credit**

BRC has a \$2,000,000 unsecured revolving line of credit with a bank. This line of credit is available through December 9, 2008 and bears interest at a rate per annum equal to the sum of LIBOR plus 100 basis points. The total amount outstanding as of June 30, 2007 was \$1,200,000. BRC incurred and paid \$46,236 in interest during the year ended June 30, 2007.

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

**9. Loans Payable**      Loans payable consist of the following:

*June 30, 2007*

*BRC:*

- 
- |   |            |
|---|------------|
| (a) Mortgage due to the Dormitory Authority of New York State payable in semi-annual installments of \$57,980 including interest at 6.22%. The mortgage matures December 1, 2017 and is secured by substantially all real and personal property and an assignment of certain receivables.   | \$ 884,392 |
| (b) Mortgage due to the Low Income Investment Fund, payable in annual installments of \$12,116 including interest at 6.5% per annum. The mortgage matures in April 2014 and is secured by all real and personal property.   | 1,564,417  |
| (c) Loan payable due to Deutsche Bank Americas Foundation. This loan, for the total amount of \$75,000, was disbursed in the amount of \$25,000 per year for three years. As of June 30, 2007, BRC has received three disbursements. The loan will not accrue interest (0% loan), but will require repayment in \$25,000 increments, to be paid annually. | 75,000     |
-

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

*June 30, 2007*

*BRC (continued):*

(d) Loan payable due to the Corporation for Supporting Housing, with interest payments of 6% accrued and paid at maturity date. The loan matures at closing of construction financing or 30 months from CSH loan closing and is an unsecured loan. The outstanding principal and the accrued interest amount will be repaid on the maturity date of the loan.	\$ 127,852
Total BRC	2,651,661

*Affiliated Organizations:*

(e) 330 E. 4th Mortgage payable due the City of New York. A portion of the loan, in the amount of \$659,392, will be self-amortizing over its 30-year term, payable in equal monthly installments of principal and interest at a rate of 1.25% per annum. The remaining \$1,035,654 shall accrue interest at the same rate during years 1 through 25, but will not require any debt service payments during that period, provided there has been no default thereunder through that date. This portion of the loan shall be decreased each year during years 26 through 30 to the extent of 20% of the principal and accrued interest.	1,695,046
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# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

*June 30, 2007*

*Affiliated Organizations (continued):*

*(f) Palace HDFC*

Loan payable due the City of New York.

The loan will not accrue interest (0% loan) and will not require any debt service payments during years 1 through 25, provided there has been no default thereunder through that date.

The loan shall be decreased each year during years 26 through 30 to the extent of 20% of the principal.

	\$2,035,968
Total Affiliated Organizations	3,731,014
Total loans payable	\$6,382,675

Principal maturities of loans payable as of June 30, 2007 are as follows:

*Year ended June 30,*

2008	\$ 109,244
2009	137,715
2010	145,012
2011	127,781
2012	135,956
Thereafter	5,726,967
	\$6,382,675

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

**10. Lease Commitments**

BRC and its Affiliated Organizations lease space for their programs pursuant to noncancellable operating leases expiring through 2038. Rental expense was \$3,865,614 for the year ended June 30, 2007. The following represents the future minimum annual lease payments:

2008	\$ 3,762,056
2009	3,925,751
2010	3,737,193
2011	2,783,348
2012	2,478,246
Thereafter	15,660,613
	<b>\$32,347,207</b>

**11. Net Assets Released from Restrictions**

Temporarily restricted net assets that were released from donor restrictions by incurring expenses satisfying the restricted purpose as of June 30, 2007 are as follows:

Housing development	\$120,000
Program evaluation	35,000
Time restricted	100,000
	<b>\$255,000</b>

**12. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at June 30, 2007:

Senior Center	\$ 40,000
Housing development	50,000
Horizons program	25,000
Safe Haven	125,000
Time restricted	132,964
	<b>\$372,964</b>

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

- 13. Pension Benefits** BRC maintains a defined contribution pension plan which covers substantially all of its employees. Under the terms of the plan, BRC matches the contributions of certain employees, as defined in the plan. BRC's pension expense amounted to \$135,817 for the year ended June 30, 2007.
- 14. Contingencies** BRC is a defendant in various legal actions arising out of the normal course of its operations, the final outcome of which cannot presently be determined. BRC management is of the opinion that the ultimate liability, if any, with respect to all of these matters will not have a material adverse effect on BRC's financial position.