

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

## **Combining Financial Statements** Year Ended June 30, 2010

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

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

**Combining Financial Statements**  
Year Ended June 30, 2010

# 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, 2010, 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. Information for the year ended June 30, 2009 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 January 12, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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, 2010, 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.

BDO USA, LLP

December 16, 2010

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Combining Statement of Financial Position (with comparative totals for 2009)

June 30,

	2010			2009	
	Bowery Residents' Committee, Inc.	Affiliated Organizations	Eliminations	Total	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 1,235,952	\$ 41,159	\$ -	\$ 1,277,111	\$ 1,896,626
Investments at fair value (Note 4)	60,359	-	-	60,359	26,081
Investment in limited partnerships at cost (Note 7)	109	500,200	-	500,309	500,309
Accounts receivable (net of allowance for doubtful accounts of \$3,547,728 and \$3,236,212, respectively)	6,320,972	557,321	-	6,878,293	5,185,213
Prepaid expenses and deposits	1,015,815	87,407	-	1,103,222	389,296
Due from limited partnerships (Note 7)	746,358	-	-	746,358	910,726
Due from affiliates	3,871,556	-	(3,871,556)	-	-
Assets limited as to use (Note 5)	2,502,002	-	-	2,502,002	-
Fixed assets, net (Notes 6 and 9)	4,216,880	5,436,486	-	9,653,366	9,266,446
	<b>\$19,970,003</b>	<b>\$6,622,573</b>	<b>\$(3,871,556)</b>	<b>\$22,721,020</b>	<b>\$18,174,697</b>
<b>Liabilities and Net Assets (Deficit)</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 4,921,946	\$ 20,332	\$ -	\$ 4,942,278	\$ 2,683,759
Accrued salaries and fringes	1,905,494	-	-	1,905,494	1,415,452
Accrued interest payable	-	411,401	-	411,401	390,213
Deferred revenue	1,532,784	3,490	-	1,536,274	1,790,081
Construction advance in escrow (Note 5)	2,019,215	-	-	2,019,215	17,213
Due to affiliates	-	3,871,556	(3,871,556)	-	-
Line of credit (Note 8)	2,000,000	-	-	2,000,000	1,850,000
Loans payable (Note 9)	2,100,040	3,731,014	-	5,831,054	5,977,714
<b>Total liabilities</b>	<b>14,479,479</b>	<b>8,037,793</b>	<b>(3,871,556)</b>	<b>18,645,716</b>	<b>14,124,432</b>
<b>Commitments and contingencies (Notes 8, 9, 10 and 14)</b>					
<b>Net assets (deficit):</b>					
Unrestricted	5,291,601	(1,415,220)	-	3,876,381	3,969,302
Temporarily restricted (Note 12)	198,923	-	-	198,923	80,963
<b>Total net assets (deficit)</b>	<b>5,490,524</b>	<b>(1,415,220)</b>	<b>-</b>	<b>4,075,304</b>	<b>4,050,265</b>
	<b>\$19,970,003</b>	<b>\$6,622,573</b>	<b>\$(3,871,556)</b>	<b>\$22,721,020</b>	<b>\$18,174,697</b>

*See accompanying notes to combining financial statements.*

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Combining Statement of Activities (with comparative totals for 2009)

Year ended June 30,

	2010						2009
	Bowery Residents' Committee, Inc.			Affiliated Organizations unrestricted	Eliminations	Total	Total
	Unrestricted	Temporarily restricted	Total				
<b>Revenues:</b>							
Government and other grants	\$31,834,627	\$ -	\$31,834,627	\$ -	\$ -	\$ 31,834,627	\$25,809,760
Medicaid	5,484,171	-	5,484,171	-	-	5,484,171	5,708,846
Program service fees	6,141,543	-	6,141,543	-	-	6,141,543	6,229,325
Rental	916,226	-	916,226	669,579	(229,920)	1,355,885	1,224,043
Contributions	1,176,634	210,923	1,387,557	-	-	1,387,557	1,089,699
Management fee income	40,000	-	40,000	91,637	(131,637)	-	-
Interest and other	167,661	-	167,661	8,505	-	176,166	206,053
Net assets released from restrictions (Note 11)	92,963	(92,963)	-	-	-	-	-
<b>Total revenues</b>	<b>45,853,825</b>	<b>117,960</b>	<b>45,971,785</b>	<b>769,721</b>	<b>(361,557)</b>	<b>46,379,949</b>	<b>40,267,726</b>
<b>Expenses:</b>							
Program services:							
Gateway Services	8,606,291	-	8,606,291	-	-	8,606,291	8,457,386
Transitional Housing	22,559,839	-	22,559,839	-	(229,920)	22,329,919	17,171,186
Permanent Housing	6,623,558	-	6,623,558	-	-	6,623,558	5,821,513
Day Treatment and Services	4,163,060	-	4,163,060	-	-	4,163,060	4,305,552
<b>Total program services</b>	<b>41,952,748</b>	<b>-</b>	<b>41,952,748</b>	<b>-</b>	<b>(229,920)</b>	<b>41,722,828</b>	<b>35,755,637</b>
Supporting services:							
Management and general	3,731,241	-	3,731,241	-	(91,637)	3,639,604	3,670,060
Fundraising	426,755	-	426,755	-	-	426,755	244,809
<b>Total supporting services</b>	<b>4,157,996</b>	<b>-</b>	<b>4,157,996</b>	<b>-</b>	<b>(91,637)</b>	<b>4,066,359</b>	<b>3,914,869</b>
Affiliated Organizations' operating expenses	-	-	-	605,723	(40,000)	565,723	273,257
<b>Total expenses</b>	<b>46,110,744</b>	<b>-</b>	<b>46,110,744</b>	<b>605,723</b>	<b>(361,557)</b>	<b>46,354,910</b>	<b>39,943,763</b>
<b>Change in net assets</b>	<b>(256,919)</b>	<b>117,960</b>	<b>(138,959)</b>	<b>163,998</b>	<b>-</b>	<b>25,039</b>	<b>323,963</b>
<b>Net assets (deficit), beginning of year</b>	<b>5,548,520</b>	<b>80,963</b>	<b>5,629,483</b>	<b>(1,579,218)</b>	<b>-</b>	<b>4,050,265</b>	<b>3,726,302</b>
<b>Net assets (deficit), end of year</b>	<b>\$ 5,291,601</b>	<b>\$198,923</b>	<b>\$ 5,490,524</b>	<b>\$(1,415,220)</b>	<b>\$ -</b>	<b>\$ 4,075,304</b>	<b>\$ 4,050,265</b>

*See accompanying notes to combining financial statements.*

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

### Combining Statement of Functional Expenses (with comparative totals for 2009)

Year ended June 30,

	Bowery Residents' Committee, Inc.										2010 Total	2009 Total	
	Program Services					Supporting Services			Total Bowery Residents' Committee, Inc.	Affiliated Organizations			Eliminations
	Gateway Services	Transitional Housing	Permanent Housing	Day Treatment and Services	Total Program Services	Management and General	Fundraising	Total Supporting Services					
<b>Expenses:</b>													
Salaries	\$4,723,016	\$10,383,255	\$2,193,885	\$1,563,687	\$18,863,843	\$1,952,300	\$248,235	\$2,200,535	\$21,064,378	\$ 9,973	\$ -	\$21,074,351	\$18,381,710
Employee taxes and fringe benefits	1,122,569	2,450,050	530,564	372,053	4,475,236	448,234	58,311	506,545	4,981,781	2,326	-	4,984,107	4,176,841
<b>Total salaries and related expenses</b>	<b>5,845,585</b>	<b>12,833,305</b>	<b>2,724,449</b>	<b>1,935,740</b>	<b>23,339,079</b>	<b>2,400,534</b>	<b>306,546</b>	<b>2,707,080</b>	<b>26,046,159</b>	<b>12,299</b>	<b>-</b>	<b>26,058,458</b>	<b>22,558,551</b>
Temporary services	71,625	421,938	37,118	68,896	599,577	44,050	-	44,050	643,627	-	-	643,627	465,423
Real estate, water and sewer taxes	55,695	89,117	9,268	5,603	159,683	17,625	-	17,625	177,308	3,791	-	181,099	196,578
Rent (Note 10)	793,629	4,802,361	3,111,106	805,454	9,512,550	187,646	-	187,646	9,700,196	102,764	(229,920)	9,573,040	6,958,440
Utilities	109,383	406,876	64,165	51,040	631,464	16,775	-	16,775	648,239	177	-	648,416	706,437
Communication	80,559	199,527	55,283	28,339	363,708	41,237	475	41,712	405,420	-	-	405,420	402,379
Printing and postage	258	2,705	770	76	3,809	12,499	40,132	52,631	56,440	-	-	56,440	14,892
Insurance	114,824	221,750	81,971	36,054	454,599	-	-	-	454,599	11,528	-	466,127	437,626
Professional fees	449,546	349,640	30,328	101,021	930,535	637,334	63,030	700,364	1,630,899	25,606	-	1,656,505	1,575,350
Staff training and recruitment	23,106	89,863	14,291	11,389	138,649	11,803	578	12,381	151,030	-	-	151,030	85,354
Dues and subscriptions	59	6,567	14,929	1,246	22,801	95,318	1,748	97,066	119,867	201	-	120,068	21,677
Office expenses	49,885	102,526	28,001	10,893	191,305	43,017	6,011	49,028	240,333	-	-	240,333	253,749
Supplies	107,282	463,757	143,106	71,404	785,549	8,641	4,305	12,946	798,495	-	-	798,495	626,109
Equipment	-	83,816	26,759	52,838	163,413	1,000	-	1,000	164,413	-	-	164,413	116,596
Maintenance and repairs	99,825	513,110	85,354	65,267	763,556	6,942	-	6,942	770,498	-	-	770,498	522,013
Travel	112,027	49,317	22,161	5,935	189,440	14,012	9	14,021	203,461	-	-	203,461	277,404
Client related expenses	245,105	1,332,216	138,925	855,157	2,571,403	10,847	-	10,847	2,582,250	-	-	2,582,250	2,276,432
Interest	93,706	45,980	-	-	139,686	28,709	-	28,709	168,395	21,188	-	189,583	223,911
Bad debt expense	225,981	108,580	-	32,569	367,130	-	-	-	367,130	-	-	367,130	1,330,640
Property management cost	-	-	-	-	-	91,637	-	91,637	91,637	-	(91,637)	-	-
Management fee expense	-	-	-	-	-	-	-	-	-	40,000	(40,000)	-	-
Other	-	51,897	-	3,370	55,267	22,999	3,921	26,920	82,187	-	-	82,187	344,496
<b>Total expenses before depreciation and amortization</b>	<b>8,478,080</b>	<b>22,174,848</b>	<b>6,587,984</b>	<b>4,142,291</b>	<b>41,383,203</b>	<b>3,692,625</b>	<b>426,755</b>	<b>4,119,380</b>	<b>45,502,583</b>	<b>217,554</b>	<b>(361,557)</b>	<b>45,358,580</b>	<b>39,394,057</b>
<b>Depreciation and amortization</b>	<b>128,211</b>	<b>384,991</b>	<b>35,574</b>	<b>20,769</b>	<b>569,545</b>	<b>38,616</b>	<b>-</b>	<b>38,616</b>	<b>608,161</b>	<b>388,169</b>	<b>-</b>	<b>996,330</b>	<b>549,706</b>
<b>Total expenses</b>	<b>\$8,606,291</b>	<b>\$22,559,839</b>	<b>\$6,623,558</b>	<b>\$4,163,060</b>	<b>\$41,952,748</b>	<b>\$3,731,241</b>	<b>\$426,755</b>	<b>\$4,157,996</b>	<b>\$46,110,744</b>	<b>\$605,723</b>	<b>\$(361,557)</b>	<b>\$46,354,910</b>	<b>\$39,943,763</b>

See accompanying notes to combining financial statements.

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Combining Statement of Cash Flows (with comparative totals for 2009)

Year ended June 30,

	2010				2009
	Bowery Residents' Committee, Inc.	Affiliated Organizations	Eliminations	Total	Total
<b>Cash flows from operating activities:</b>					
Change in net assets	\$ (138,959)	\$ 163,998	\$ -	\$ 25,039	\$ 323,963
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation and amortization	608,161	388,169	-	996,330	549,706
Net realized and unrealized (gains) losses on investments	(23,636)	-	-	(23,636)	8,363
Provision for bad debts	367,130	-	-	367,130	1,330,640
Decrease (increase) in assets:					
Accounts receivable	(2,008,047)	(52,163)	-	(2,060,210)	(279,863)
Prepaid expenses and deposits	(713,926)	-	-	(713,926)	148,283
Due from limited partnerships	164,368	-	-	164,368	(780,154)
Due from affiliates	779,963	-	(779,963)	-	-
Assets limited to use	(2,502,002)	-	-	(2,502,002)	12,176
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	2,258,518	1	-	2,258,519	(1,407,419)
Accrued salaries and fringes	490,042	-	-	490,042	186,254
Accrued interest payable	-	21,188	-	21,188	21,188
Deferred revenue	(253,807)	-	-	(253,807)	823,762
Construction advance in escrow	2,002,002	-	-	2,002,002	-
Due to affiliates	-	(779,963)	779,963	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>1,029,807</b>	<b>(258,770)</b>	<b>-</b>	<b>771,037</b>	<b>936,899</b>
<b>Cash flows from investing activities:</b>					
Purchases of fixed assets, net of transfers to limited partnership (Note 7)	(1,383,250)	-	-	(1,383,250)	(207,906)
Investment in limited partnerships at cost	-	-	-	-	(9)
Purchases of investments	(293,647)	-	-	(293,647)	-
Proceeds from sale of investments	283,005	-	-	283,005	-
<b>Net cash used in investing activities</b>	<b>(1,393,892)</b>	<b>-</b>	<b>-</b>	<b>(1,393,892)</b>	<b>(207,915)</b>
<b>Cash flows from financing activities:</b>					
Proceeds from line of credit	150,000	-	-	150,000	350,000
Principal payments on loans	(146,660)	-	-	(146,660)	(439,260)
<b>Net cash provided by (used in) financing activities</b>	<b>3,340</b>	<b>-</b>	<b>-</b>	<b>3,340</b>	<b>(89,260)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(360,745)</b>	<b>(258,770)</b>	<b>-</b>	<b>(619,515)</b>	<b>639,724</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,596,697</b>	<b>299,929</b>	<b>-</b>	<b>1,896,626</b>	<b>1,256,902</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,235,952</b>	<b>\$ 41,159</b>	<b>\$ -</b>	<b>\$ 1,277,111</b>	<b>\$ 1,896,626</b>
<b>Supplemental disclosure of cash flow information:</b>					
Cash paid during the year for interest	\$ 168,395	\$ -	\$ -	\$ 168,395	\$ 223,911

*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.
- (j) **902 Liberty Avenue G.P., Inc.** (“Liberty Avenue GP”) 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*

In June 2009, the Financial Accounting Standards Board (“FASB”) issued FASB Accounting Standards Codification (“ASC”) effective for certain financial statements issued for interim and annual periods ending after December 15, 2009. The ASC identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (“GAAP”) in the United States. In accordance with the ASC, references to previously issued accounting standards have been replaced by ASC references. Subsequent revisions to GAAP will be incorporated into the ASC through Accounting Standards Updates (“ASU”).

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.

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

(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.

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.

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

(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 at Fair Value*

Investments in equity securities with readily determinable fair values 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.

(e) *Fair Value Measurements*

BRC adopted ASC 820, "Fair Value Measurements and Disclosures", relevant portions of which were previously addressed in Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements". 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 BRC would use in pricing BRC'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 BRC are traded. BRC 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 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:

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

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 equity that is 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 with 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.

(f) *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.

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

(g) *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.

(h) *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.

(i) *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.

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

(j) *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

(k) *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.

Pitt Street G.P., Avenue D G.P. and Liberty Avenue 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.

BRC adopted the provisions of ASC 740, "Income Taxes" (relevant portions of which were previously addressed in FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes"). Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained upon examination by a taxing authority. The implementation of ASC 740 had no impact on BRC's financial statements. BRC does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. BRC has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, BRC has filed IRS Form 990 information returns, as required, and all other applicable returns in

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

jurisdictions where so required. For the year ended June 30, 2010, there was no interest or penalties recorded or included in the combining statement of activities.

(l) *Use of Estimates*

The preparation of combining financial statements in conformity with accounting principles generally accepted in the United States of America 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.

(m) *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.

(n) *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

(o) *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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with BRC's financial statements for the year ended June 30, 2009 from which the summarized information was derived.

(p) *New Accounting Pronouncements*

(i) *Updates to Fair Value Measurements and Disclosures*

In 2009, FSP 157-4, "Disclosures Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly", was issued and later codified into ASC 820, which expanded disclosures and required that major categories for debt and equity securities in the fair value hierarchy table be determined on the basis of the nature and risks of the investments.

In September 2009, the FASB issued ASU 2009-12, "Fair Value Measurements and Disclosures: Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)", which amended ASC Subtopic 820-10, "Fair Value Measurements and Disclosures — Overall". ASU 2009-12 is effective for the first reporting period ending after December 15, 2009. ASU 2009-12 expands the required disclosures for certain investments with a reported net asset value ("NAV"). ASU 2009-12 permits, as a practical

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

expedient, an entity holding investments in certain entities that calculate NAV per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that NAV per share or its equivalent without adjustment. The ASU requires enhanced disclosures about the nature and risks of investments within its scope. Such disclosures include the nature of any restrictions on an investor's ability to redeem its investments at the investor's ability to redeem its investments at the measurement date, any unfunded commitments, and the investment strategies of the investee. BRC has adopted ASU 2009-12 for the year ended June 30, 2010. The effect of the adoption of the ASU had no impact on the combining statement of financial position and combining statement of activities.

*(q) New Accounting Standards to be Adopted*

- (i)* In January 2010, the FASB issued ASU No. 2010-06, "Fair Value Measurements and Disclosures", which amends ASC 820, adding new disclosure requirements for Levels 1 and 2, separate disclosures of purchases, sales, issuances, and settlements relating to Level 3 measurements and clarification of existing fair value disclosures. ASU 2010-06 is effective for periods beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010. The adoption of ASU 2010-06 is not expected to have a material impact on BRC's combining financial statements.

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

- (ii) On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). This law, which is a modified version of the Uniform Prudent Management of Institutional Funds Act, makes significant changes to the rules governing how New York not-for-profit organizations may manage, invest and spend their endowment funds. The new law is designed to allow organizations to cope more easily with fluctuations in the value of their endowments and to afford them greater access to funds needed to support their programs and services in difficult financial times. This should provide some relief to organizations that, due to the recent economic downturn, have found themselves with underwater endowments. It also expands the options available to organizations seeking relief from donor restrictions on funds that have become obsolete, impracticable or wasteful. NYPMIFA applies to New York not-for-profit, education and religious corporations, associations organized and operated exclusively for charitable purposes, and certain trusts.

#### 4. Investments at Fair Value

The cost and respective fair values of investments at June 30, 2010 are as follows:

	Fair value	Cost
Common stock	\$60,359	\$48,702

The fair value of the investments detailed above is determined by reference to market quotations at June 30, 2010. The investments are managed by professional investment advisors and managers.

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

In addition to the above investments, the investment portfolio includes \$5,090 of cash equivalents at June 30, 2010.

The following table shows, by level within the fair value hierarchy, BRC's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2010. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. BRC's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the asset or liability's placement within the fair value hierarchy levels.

	Recurring fair value measurements by level at June 30, 2010		
	Level 1	Level 2	Level 3
<b>Assets</b>			
Assets limited as to use - short-term investments	\$2,502,002		
Common stock	60,359	\$-	\$-

### *Common Stock*

Investments are valued using active, high volume trades for underlying securities.

**5. Assets Limited as to Use**

Assets limited as to use consist of amounts held in escrow for the renovation of new program office space to be occupied by BRC (see Note 10(b)). The balance in the escrow account as of June 30, 2010 is \$2,502,002. This consists of approximately \$2 million that was contributed by the landlord. The landlord's total commitment to the project is \$4,180,000. The project is currently under construction and should be completed by February 2011. The total cost of leasehold improvements is expected to be approximately \$13.8 million.

# 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, 2010*

	Bowery Residents' Committee, Inc.	Affiliated Organizations	Total
Land	\$ 2	\$ -	\$ 2
Buildings	1,765,092	7,193,833	8,958,925
Leasehold improvements	4,570,497	2,147,723	6,718,220
Construction-in-progress	1,155,559	-	1,155,559
Furniture and equipment	1,201,903	80,312	1,282,215
Vehicles	490,986	-	490,986
Total fixed assets	9,184,039	9,421,868	18,605,907
Less: Accumulated depreciation and amortization	(4,967,159)	(3,985,382)	(8,952,541)
Fixed assets, net	\$ 4,216,880	\$ 5,436,486	\$ 9,653,366

The estimated cost to complete construction-in-progress (see Note 5) is approximately \$12.7 million.

**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 \$35,528 and Avenue D G.P. received partnership management fees of \$5,000 for the year ended June 30, 2010. The amount due from Glass Factory LP at June 30, 2010 was \$173,468.

# 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 \$38,432 and 93 Pitt Street G.P. received partnership management fees of \$5,000 for the year ended June 30, 2010. The amount due from 93 Pitt Street L.P. at June 30, 2010 was \$245,387.

902 Liberty Ave., G.P. has a .01% interest in 902 Liberty Ave, L.P. 902 Liberty Ave., L.P. is currently developing low and moderate income housing. BRC will manage the project upon completion. Project costs, which approximated \$85,000, were paid for by BRC and subsequently transferred to 902 Liberty Avenue, L.P. as of June 30, 2010. BRC will be entitled to a property management fee of 8% of net rental income when the project is completed. The amount due from 902 Liberty Ave., L.P. was \$327,503.

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, 2010 and bears interest at a rate per annum equal to the sum of LIBOR plus 100 basis points which was 4.47% at June 30, 2010. The total amount outstanding as of June 30, 2010 was \$2,000,000. BRC incurred and paid \$28,709 in interest expense during the year ended June 30, 2010.

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

**9. Loans Payable**

Loans payable consist of the following:

*June 30, 2010*

*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.	\$ 686,674
(b) Mortgage due to the Low Income Investment Fund, payable in monthly 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.	1,413,366
Total BRC	2,100,040

*Affiliated Organizations:*

(c) 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

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

*June 30, 2010*

*Affiliated Organizations (continued):*

(d) 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.

\$2,025,968

(e) Mortgage payable due Rebel Realty LLC, accrued interest and principal are due on or before January 2, 2028. The mortgage is secured by real property.

10,000

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Total Affiliated Organizations 3,731,014

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Total loans payable \$5,831,054

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Principal maturities of loans payable as of June 30, 2010 are as follows:

*Year ended June 30,*

2011	\$ 129,540
2012	137,952
2013	146,868
2014	144,917
2015	95,049
Thereafter	5,176,728
	\$5,831,054

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# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

**10. Commitments**

(a) BRC and its Affiliated Organizations lease space for their programs pursuant to noncancellable operating leases expiring through 2038. Rental expense was \$9,573,040 for the year ended June 30, 2010. The following represents the future minimum annual lease payments:

2011	\$ 4,096,717
2012	1,412,718
2013	602,716
2014	409,018
2015	412,681
Thereafter	14,133,023
	\$21,066,873

(b) On February 18, 2010, BRC entered into a lease agreement with a landlord for a new facility which will house the administrative offices and some of BRC's residential and outpatient programs. The lease term is for 33 years and begins once BRC takes occupancy of the building, which is expected to occur in February 2011 (see Note 5). The following represents the future minimum annual lease payments:

2011	\$ 1,243,688
2012	2,984,850
2013	2,984,850
2014	2,984,850
2015	2,984,850
Thereafter	109,252,710
	\$122,435,798

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

- 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, 2010 are as follows:

Horizons <i>program</i>	\$68,014
Delancey Street Senior Center	24,000
Safe Haven	949
	<u>\$92,963</u>

- 12. Temporarily Restricted Net Assets** Temporarily restricted net assets are available for the following purposes at June 30, 2010:

Horizons <i>program</i>	\$198,923
	<u>\$198,923</u>

- 13. Pension Benefits** BRC maintains two defined contribution pension plans which cover substantially all of its employees. Under the terms of the plans, BRC matches the contributions of certain employees, as defined in the plans. BRC's pension expense amounted to \$316,161 for the year ended June 30, 2010.

- 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.

# Bowery Residents' Committee, Inc. and Affiliated Organizations

## Notes to Combining Financial Statements

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- 15. Subsequent Events** BRC's management has performed subsequent event procedures through December 16, 2010, which is the date the combining financial statements were available to be issued and there were no subsequent events requiring adjustments to the combining financial statements or disclosures as stated herein.