

**SOUTH BRONX OVERALL ECONOMIC
DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED MARCH 31, 2006
(WITH COMPARATIVE TOTALS FOR 2005)**

South Bronx Overall Economic Development Corporation
Financial Statements
March 31, 2006

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
South Bronx Overall Economic
Development Corporation

We have audited the accompanying statement of financial position of South Bronx Overall Economic Development Corporation (SBOEDC) as of March 31, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from SBOEDC's financial statements and, in our report dated January 6, 2006, we expressed an unqualified opinion on these financial statements.

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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Bronx Overall Economic Development Corporation as of March 31, 2006, and the change in net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made primarily for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The data in the schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kodjo & Company, LLP

June 9, 2006

South Bronx Overall Economic Development Corporation
STATEMENT OF FINANCIAL POSITION
As of March 31

	<u>2006</u>	<u>2005</u>
ASSETS:		
Current assets:		
Cash (Note 14)	\$ 62,566	\$ 74,897
Cash – Tenants’ security deposits	53,974	53,355
Assets limited as to use (Note 3)	70,000	65,000
Accounts receivable	2,099,585	1,953,493
Contracts receivable	1,211,221	642,960
Contributions receivable (Note 12)	26,837	53,250
Due from SOBRO Development Corporation	-	19,743
Due from Credit, Inc. (Note 17 (c))	26,957	13,212
Prepaid expenses	<u>115,806</u>	<u>140,566</u>
Total current assets	<u>3,666,946</u>	<u>3,016,476</u>
Property and equipment, net of accumulated depreciation and amortization (Note 4)	6,882,905	7,255,232
Assets limited as to use (Note 3)	345,356	354,269
Other assets	<u>491,368</u>	<u>391,017</u>
Total assets	<u>\$ 11,386,575</u>	<u>\$ 11,016,994</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 749,010	\$ 632,841
Due to SOBRO Development Corporation (Note 17 (b))	72,636	-
Due to SOBRO Local Development Corporation (Note 17(a))	422,404	465,972
Contract advances (Note 9)	358,682	398,271
Loans payable – current (Note 6)	1,065,000	865,000
Mortgage notes payable – current (Note 5 and 20)	110,435	78,864
Bonds payable – current (Note 7)	<u>70,000</u>	<u>65,000</u>
Total current liabilities	<u>2,848,167</u>	<u>2,505,948</u>
Security deposits held	143,251	165,140
Loans payable – non-current (Note 6)	-	938,538
Mortgage notes payable – non-current (Note 5)	3,064,014	2,181,899
Bonds payable – non-current (Note 7)	3,350,000	3,420,000
Other liabilities and deferred benefits	<u>378,903</u>	<u>417,575</u>
Total liabilities	<u>9,784,335</u>	<u>9,629,100</u>
NET ASSETS		
Unrestricted	1,114,229	991,666
Temporarily restricted (Note 11)	<u>488,011</u>	<u>396,228</u>
Total net assets	<u>1,602,240</u>	<u>1,387,894</u>
Total liabilities and net assets	<u>\$ 11,386,575</u>	<u>\$ 11,016,994</u>

The accompanying notes are an integral
part of these financial statements.

South Bronx Overall Economic Development Corporation
STATEMENT OF ACTIVITIES
For the year ended March 31, 2006
(With comparative totals for 2005)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2006</u>	<u>2005</u>
Revenue:				
Federal government	\$ 1,118,423	\$ -	\$ 1,118,423	\$ 718,294
State and local governments	4,639,786	-	4,639,786	3,030,804
Universities and other	1,591,753	-	1,591,753	1,619,703
Tuition revenue (Note 18)	15,981	-	15,981	6,711
Foundations and corporations (Note 12)	556,845	285,800	842,645	456,105
Special events, net (Note 8)	158,083	24,587	182,670	142,257
Capital campaign (Note 10)	-	-	-	33,000
Contributions from affiliate (Note 17 (b))	109,819	-	109,819	59,897
In-kind contribution	-	-	-	139,996
Rental income and other gains	1,470,800	-	1,470,800	1,047,867
Administrative and management fees	1,093,042	-	1,093,042	1,664,888
Interest and other income	69,248	-	69,248	372,274
Net assets released from restrictions:				
Time restriction satisfied	51,000	(51,000)	-	-
Satisfaction of program restrictions	167,604	(167,604)	-	-
Total revenue	<u>11,042,384</u>	<u>91,783</u>	<u>11,134,167</u>	<u>9,291,796</u>
Expenses:				
Program Services:				
Youth Services	4,179,426	-	4,179,426	2,839,213
Adult Services	1,596,514	-	1,596,514	1,559,364
SoBRO Center for Career Development	15,981	-	15,981	6,711
Commercial Revitalization	547,911	-	547,911	462,182
Technical Assistance	630,294	-	630,294	554,992
Industrial and Economic Development	346,316	-	346,316	485,496
Community development	1,470,214	-	1,470,214	1,399,062
Total program services	<u>8,786,656</u>	<u>-</u>	<u>8,786,656</u>	<u>7,307,020</u>
Support Services:				
General and administrative	2,019,698	-	2,019,698	1,754,352
Fundraising	113,467	-	113,467	94,704
Total support services	<u>2,133,165</u>	<u>-</u>	<u>2,133,165</u>	<u>1,849,056</u>
Total expenses	<u>10,919,821</u>	<u>-</u>	<u>10,919,821</u>	<u>9,156,076</u>
Change in net assets	122,563	91,783	214,346	135,720
Net assets at beginning of year	991,666	396,228	1,387,894	1,252,174
Net assets at end of year	<u>\$ 1,114,229</u>	<u>\$ 488,011</u>	<u>\$ 1,602,240</u>	<u>\$ 1,387,894</u>

The accompanying notes are an integral
part of these financial statements.

South Bronx Overall Economic Development Corporation
STATEMENTS OF CASH FLOWS
For the years ended March 31

	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 214,346	\$ 135,720
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	572,178	550,931
Donated materials	-	(139,996)
(Increase) in accounts receivable	(146,092)	(1,138,720)
(Increase) decrease in contracts and contributions receivable	(541,848)	449,614
(Increase) in prepaid expenses and other assets	(75,591)	(26,916)
Increase (decrease) in accounts payable and accrued expenses	116,169	(271,082)
Increase (decrease) in due from/due to SOBRO Development Corporation	92,379	(85,681)
(Decrease) increase in due to SOBRO LDC	(43,568)	415,213
(Increase) in due from Credit, Inc.	(13,745)	(5,299)
(Decrease) in other liabilities	(38,672)	(75,768)
(Decrease) increase in contract advances	<u>(39,589)</u>	<u>76,646</u>
Net cash provided by operating activities	<u>95,967</u>	<u>(115,338)</u>
Cash Flows from Investing Activities:		
Capital expenditures	(193,262)	(115,412)
(Purchases) sales of investments	(3,913)	(14,800)
Net change in security deposits	<u>(21,270)</u>	<u>1,363</u>
Net cash (used in) investing activities	<u>(218,445)</u>	<u>(128,849)</u>
Cash Flows from Financing Activities:		
Proceeds from mortgage and loans	1,258,894	1,200,000
Repayment of mortgage notes, loans and bonds	<u>(1,148,747)</u>	<u>(975,376)</u>
Net cash provided by financing activities	<u>110,147</u>	<u>224,624</u>
Net (decrease) in cash	(12,331)	(19,563)
Cash at beginning of year	<u>74,897</u>	<u>94,460</u>
Cash at end of year	<u>\$ 62,566</u>	<u>\$ 74,897</u>
<u>Supplemental disclosures of cash information:</u>		
Cash paid for interest	<u>\$ 548,130</u>	<u>\$ 610,787</u>

The accompanying notes are an integral
part of these financial statements.

South Bronx Overall Economic Development Corporation
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE 1. ORGANIZATION AND OPERATIONS:

South Bronx Overall Economic Development Corporation (SBOEDC) is a nonprofit organization incorporated in the State of New York in 1972. SBOEDC is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and has been classified as a publicly supported organization as described in Code Section 509(a)(1) and 170(b)(A)(VI).

SBOEDC's primary function is to assist with the redevelopment of the South Bronx area of New York City. SBOEDC acts as an economic planner and developer and provides technical assistance and services to businesses and institutions in the public and private sectors. In addition, SBOEDC is responsible for education and employment programs designed to maintain and expand employment opportunities for residents of the area.

SBOEDC is substantially funded through grants and contracts awarded by government agencies, private foundations and corporations.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a) Basis of Accounting and Financial Statement Presentation

The financial statements' presentation is in conformity with generally accepted accounting principles for nonprofit organizations, which require SBOEDC to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

b) Revenue Recognition

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor's restriction.

All donor-restricted support is reported as an increase in temporarily restricted net assets. When a 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.

South Bronx Overall Economic Development Corporation
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Grant Awards

Federal, state and other grant awards received for specific purposes are recognized as support to the extent of the related expenses incurred in compliance with the specific restrictions. The unexpended funds are reported as contract advances.

Reimbursement for grant related expenses and overhead applicable to various programs conducted under contract with government agencies are subject to audit, which may result in adjustments for disallowances. The amount of the disallowances, if any, cannot be determined. Therefore, no provision is made for these potential liabilities.

(c) Assets Limited as to Use

Assets limited as to use primarily include assets held by the trustee under the indenture agreement. Amounts required to meet current liabilities of SBOEDC have been reclassified in the balance sheet at March 31, 2006.

(d) Deferred Costs

Deferred costs, which are included in other assets, principally consist of debt issuance costs, which are being amortized over the term of the debt.

(e) Property and Equipment

Property and equipment are recorded at cost and do not reflect changes in current market values. Expenditures in excess of \$1,000 are capitalized. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The depreciation for buildings, building improvements, furniture and equipment is computed the following useful lives:

	<u>Years</u>
Buildings and building improvements	25
Furniture and equipment	3-5

(f) Functional Allocation of 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 costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management in accordance with grant provisions or other equitable bases.

South Bronx Overall Economic Development Corporation
NOTES TO FINANCIAL STATEMENTS
 March 31, 2006

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Use of Estimates

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

NOTE 3. ASSETS LIMITED AS TO USE:

Certain assets limited as to use are held in a Guaranteed Investment Contract ("GIC"), which are valued at contract value. The GIC earns a fixed rate of interest of 5.70%. The composition of assets limited as to use at March 31, 2006 is as follows:

Cash and short-term investments	\$ 47,887
Guaranteed Investment Contract (GIC)	<u>367,469</u>
	415,356
Less amount required for current maturities	<u>(70,000)</u>
Total non-current	<u>\$ 345,356</u>

NOTE 4. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	<u>2006</u>	<u>2005</u>
Furniture and equipment	\$ 1,481,773	\$ 1,414,757
Less: accumulated depreciation	<u>(1,117,728)</u>	<u>(888,001)</u>
Net	<u>364,045</u>	<u>526,756</u>
Land, buildings and building improvements	3,752,612	3,658,614
Leasehold improvements	<u>4,569,288</u>	<u>4,545,051</u>
	8,321,900	8,203,665
Less: accumulated depreciation and amortization	<u>(1,803,040)</u>	<u>(1,475,189)</u>
Net	<u>6,518,860</u>	<u>6,728,476</u>
Total book value	<u>\$ 6,882,905</u>	<u>\$ 7,255,232</u>

Depreciation and amortization expense, which is included in the schedule of functional expenses, was \$572,178 and \$550,931 for the fiscal year ended March 31, 2006 and 2005, respectively.

NOTE 5. MORTGAGE NOTES PAYABLE:

South Bronx Overall Economic Development Corporation
NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Mortgage notes payable at March 31, are as follows:

	<u>2006</u>	<u>2005</u>
(a) Mortgage note payable due 7/2025	\$ 2,137,669	\$ 1,178,774
(b) 5% Mortgage note payable due 10/2021	<u>1,036,780</u>	<u>1,081,989</u>
Total	3,174,449	2,260,763
Less: Current portion	<u>(110,435)</u>	<u>(78,864)</u>
Long-term portion	<u>\$ 3,064,014</u>	<u>\$ 2,181,899</u>

- (a) On May 25, 2005, SBOEDC issued a 20-year mortgage note to a major bank in the aggregate principal sum of \$2,189,553, with a variable interest rate based on the Monthly Average 1 Year Treasury S Index plus 2.65 %. The mortgage note matures on July 1, 2025 and requires payment of principal and interest in monthly installments of \$14,446. The mortgage note is collateralized by the premises located at 1-9 East 170th Street, Bronx, New York and at 15-19 West 183rd Street, Bronx, New York and the property known as Unit B in the East 170th Street Condominium.
- (b) In fiscal year 2005, SBOEDC obtained a mortgage from the Bronx Overall Economic Development Corporation, a not-for profit local development corporation in the aggregate principal amount of \$1.2 million with a fixed interest rate of 5% per annum. The mortgage loan matures on November 7, 2021. The loan requires payment of principal and interest in monthly installments of \$7,919. The mortgage loan is collateralized by the premises located at 270 East 137th Street, Bronx, New York.

Principal payments for each of the next five years and thereafter are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2007	\$ 110,435
2008	116,083
2009	122,019
2010	128,260
2011	134,819
Thereafter	<u>2,562,833</u>
	<u>\$ 3,174,449</u>

South Bronx Overall Economic Development Corporation
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE 6. LOANS PAYABLE:

Loans payable at March 31, 2006, consist of the following:

a) Secured line of credit of \$750,000, payable to a major bank at an interest rate floating at Lender's base rate plus .50% (currently at 8%), collateralized by the personal property of the Company, subject only to existing liens of records on the closing date	\$300,000
b) Secured loan, payable to a major nonprofit corporation, at a fixed interest rate of 6.3% per annum, due on 1/31/07 collateralized by pledges and assignment of proceeds from capital campaign	265,000
c) Unsecured loan, payable to a major bank, in a single installment at a fixed interest rate of 4% and due on 3/1/07	<u>500,000</u>
Total loans payable (all current)	<u>\$ 1,065,000</u>

NOTE 7. BONDS PAYABLE:

On September 1, 2000, SBOEDC entered into an agreement with New York City Industrial Development Agency (the "IDA") to issue Civic Facility Revenue Bonds (South Bronx Overall Economic Development Corporation Project), Series 2000, in the aggregate principal amount of \$3,695,000, with a fixed interest rate of 8.65% per annum, to finance a portion of the costs of a project consisting of the acquisition, renovation and equipping of a commercial leasehold located at 2856-2870 Third Avenue, Bronx, New York (the "Facility"). The series 2000 bonds are scheduled to mature in various amounts through 2025. Quarterly interest payments began on December 1, 2000 and required annual principal repayments began starting December 1, 2002.

Principal and interest payments are guaranteed by SOBRO Local Development Corporation and SOBRO Development Corporation, which are affiliated companies of SBOEDC.

South Bronx Overall Economic Development Corporation
NOTES TO FINANCIAL STATEMENTS
 March 31, 2006

NOTE 7. BONDS PAYABLE: (Continued)

Bonds payable at March 31, 2006, are as follows:

8.65% Debentures, due 12/2025	\$ 3,420,000
Less: Current portion	<u>(70,000)</u>
Long-term portion	<u>\$ 3,350,000</u>

Under the terms of the Civic Facility Revenue Bonds, Series 2000 indentures, SBOEDC is required to maintain certain deposits with a trustee.

Maturities for each of the next five years and thereafter are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2007	\$ 70,000
2008	75,000
2009	85,000
2010	90,000
2011	95,000
Thereafter	<u>3,005,000</u>
	<u>\$ 3,420,000</u>

Unamortized portion of bonds issue costs of \$114,012 was included in Other Assets.

NOTE 8. SPECIAL EVENTS:

Revenue from special events in fiscal year ended March 31, 2006 was as follows:

	<u>Revenue</u>	<u>Expenses</u>	<u>Net Revenue</u>
Golf Tournament and Expo '2006	\$ 63,895	\$ 38,269	\$ 25,626
33rd Anniversary Annual Dinner	<u>312,553</u>	<u>155,509</u>	<u>157,044</u>
Total	<u>\$ 376,448</u>	<u>\$193,778</u>	<u>\$182,670</u>

South Bronx Overall Economic Development Corporation
NOTES TO FINANCIAL STATEMENTS
 March 31, 2006

NOTE 9. CONTRACT ADVANCES:

Contract advances consist of unexpended grant awards for the following programs:

	<u>2006</u>	<u>2005</u>
Commercial Revitalization program	\$ 45,685	\$ 101,183
New Visions program	74,998	98,398
Employment Preparation Education	65,703	65,703
Restaurant projects	32,838	46,967
All other programs	<u>139,458</u>	<u>86,020</u>
Total	<u>\$ 358,682</u>	<u>\$ 398,271</u>

NOTE 10. CAPITAL CAMPAIGN:

In 2002, SBOEDC initiated a capital campaign to raise approximately \$6.05 million over a two to three year period through a construction bond issue of approximately \$3.7 million and the remaining balance from private contributions and government grants. These funds are being used to renovate the third floor of the former Hearn's department store building. The renovated building is currently housing all SOBRO's operations. Through March 31, 2006, the total contributions from private source received under the capital campaign were \$1,484,350 and the related expenses excluding capital expenditures were \$195,172.

NOTE 11. RESTRICTIONS ON NET ASSETS:

Temporarily restricted net assets consisted to the following:

	<u>2006</u>	<u>2005</u>
Excel in School program	\$ 373,368	\$ 234,857
Time restrictions	26,837	53,250
Strive & Excel	18,523	23,654
Job Start program	49,085	49,085
Other	<u>20,198</u>	<u>35,382</u>
Total	<u>\$ 488,011</u>	<u>\$ 396,228</u>

South Bronx Overall Economic Development Corporation
NOTES TO FINANCIAL STATEMENTS
 March 31, 2006

NOTE 12. CONTRIBUTION AND CONTRIBUTION RECEIVABLE:

The Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made" requires that contributions received be recorded as unrestricted, temporarily or permanently restricted support depending on the existence and/or nature of any donor restrictions. As required by SFAS No. 116, pledges and promises to give must be fully recognized and discounted to their net present value using an appropriate rate of interest. Accordingly, SBOEDC recognized such promises received which totaled \$842,645 as revenue and recorded the uncollected balance of \$26,837 as contribution receivable as of March 31, 2006.

NOTE 13. COMMITMENTS AND CONTINGENCIES:

a) Operating Leases:

SBOEDC occupies office space and uses equipment under various operating leases. The leases provide for certain escalation charges based on increases in operating expenses of the buildings in addition to the base annual rent. In 2001, SBOEDC entered into a 25-year non-cancelable lease agreement, with an option to renew for an additional twenty years, for its headquarters. The future minimum rental payments under the various non-cancelable operating leases with terms in excess of one year are as follows:

<u>Fiscal Year</u>	
2007	\$ 125,000
2008	125,000
2009	125,000
2010	125,000
2011	125,000
Thereafter	<u>4,024,662</u>
Total	<u>\$ 4,624,662</u>

Rent expense for the fiscal year ended March 31, 2006 was \$632,277.

NOTE 13. COMMITMENTS AND CONTINGENCIES: (Continued)

b) Future program audits:

Reimbursements for program expense and overhead applicable to various programs conducted under contract with the City of New York agencies are subject to audit, which may result in adjustments or disallowance. The amount of disallowance, if any, cannot be determined. Therefore, no provision is made for these potential liabilities.

South Bronx Overall Economic Development Corporation
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE 14. CONCENTRATION OF CREDIT RISK:

SBOEDC maintains its cash in demand deposit accounts, the balance in some exceeds the FDIC's insurance limit. However, SBOEDC has not experienced any losses.

NOTE 15. COMPARATIVE DATA:

The amounts shown for the year ended March 31, 2005, in the accompanying financial statements are included to provide a basis for comparison with 2006, and therefore present summarized totals only. Accordingly, the 2005 amounts are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America.

NOTE 16. EMPLOYEE BENEFITS PLAN:

Tax Deferred Annuity Plan:

SBOEDC sponsors a qualified tax deferred annuity plan under Section 403(b) of the U.S. Internal Revenue code. Contributions are made to the plan covering all employees with at least six-months of service and consist of 6% of each covered employee's salary. Plan contribution for 2006 was \$195,339.

NOTE 17. RELATED PARTY TRANSACTIONS:

(a) **Due to SOBRO Local Development Corporation (SOBRO LDC)**

SBOEDC is related to SOBRO LDC by way of common corporate officers and members of the Board of Directors. The net amount of \$422,404 and \$465,972 due to SOBRO LDC represents advances received from SOBRO LDC to finance operations in 2006 and 2005, respectively. These amounts are repaid in the normal course of business. In addition, SBOEDC made a contribution of \$200,000 to SOBRO LDC in fiscal year ended March 31, 2006.

(b) **Due To / Due From SOBRO Development Corporation (SOBRO DC)**

SBOEDC is also related to SOBRO DC by way of common corporate officers and members of the Board of Directors. The net amounts of \$ 72,636 due to and \$19,743 due from SOBRO DC represent advances received or advances made from or to SOBRO DC to finance operations in 2006 and 2005, respectively. These amounts are normally repaid in the course of business. In addition, SOBRO DC made a contribution of \$109,819 and \$59,897 to SBOEDC in fiscal year ended March 31, 2006 and 2005, respectively.

South Bronx Overall Economic Development Corporation
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE 17. RELATED PARTY TRANSACTIONS: (Continued)

(c) **Due from Credit, Inc.**

SBOEDC is related to Credit, Inc. by way of common corporate officers and members of the Board of Directors. The net amounts of \$26,957 and \$13,212 due from Credit, Inc. represent advances made to Credit, Inc. to finance operations in 2006 and 2005, respectively. These amounts are repaid in the normal course of business.

(d) **Management and Administrative Fees**

SBOEDC provides management financial and accounting services to affiliated programs for fees. The total management and administrative fees charged to affiliated programs for 2006 and 2005 were \$496,420 and \$436,727, respectively.

NOTE 18. DISLOCATED WORKERS INDIVIDUAL TRAINING ACCOUNTS (ITA)

Tuition revenue was \$15,981 and \$6,711 for the SoBRO Center For Career Development applicable to the Dislocated Workers Individual Training Accounts (ITA) agreement for the fiscal year ended March 31, 2006 and 2005, respectively, under the terms of a contract agreement between South Bronx Overall Economic Development Corporation (SBOEDC) and the New York City Department of Employment.

NOTE 19. EMPIRE DEVELOPMENT ZONE PROGRAM (EDZ)

The Empire Development Zone program's expenditures were \$7,623 and \$47,978 for the years ended March 31, 2006 and 2005, respectively, and were included in the schedule of functional expenses under the "Industrial Development and Job Creation" program grouping.