

**SOUTH BRONX OVERALL ECONOMIC  
DEVELOPMENT  
CORPORATION AND RELATED  
ORGANIZATIONS  
CONSOLIDATED FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT  
MARCH 31, 2009**

**SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS**

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**SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS**

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## **Independent Auditor's Report**

### **Board of Directors South Bronx Overall Economic Development Corporation and Related Organizations**

We have audited the accompanying consolidated balance sheet of South Bronx Overall Economic Development Corporation and Related Organizations as of March 31, 2009, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the organizations' 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 South Bronx Overall Economic Development Corporation and Related Organizations' 2008 financial statements and, in our report dated May 19, 2009, we expressed an unqualified opinion on those 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 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 South Bronx Overall Economic Development Corporation and Related 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of South Bronx Overall Economic Development Corporation and Related Organizations as of March 31, 2009, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

*Loeb & Troper LLP*

January 8, 2010

**SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS**

**CONSOLIDATED BALANCE SHEET**

**MARCH 31, 2009**

**(With Summarized Financial Information for March 31, 2008)**

	2009	2008
<b>ASSETS</b>		
Current assets		
Cash	\$ 50,889	\$ 132,915
Cash - tenants' security deposits	58,100	66,513
Accounts receivable	1,706,085	1,730,188
Contracts receivable	1,728,869	1,673,653
Contributions receivable		3,762
Rent receivable	561,486	473,901
Loans receivable (Note 3)	34,909	29,400
Prepaid expenses and other receivables	107,626	122,651
Total current assets	4,247,964	4,232,983
Loans receivable (Note 3)		7,368
Assets limited as to use (Note 13)	428,049	421,384
Developer fees receivable (Note 14)	952,006	952,006
Fixed assets - net (Note 4)	6,432,479	6,506,937
Financing costs - net	286,347	350,329
Total assets	\$ 12,346,845	\$ 12,471,007

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**SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS**

**CONSOLIDATED BALANCE SHEET**

**MARCH 31, 2009**

**(With Summarized Financial Information for March 31, 2008)**

	<b>2009</b>	<b>2008</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 1,673,503	\$ 1,325,649
Advances from government agencies	312,958	612,919
Loans payable (Note 5)	1,312,490	962,490
Mortgage notes payable (Note 6)	124,616	117,683
Capital leases payable (Note 7)	90,000	85,000
Deferred income	3,953	
Security deposits	229,365	229,914
	<b>3,746,885</b>	<b>3,333,655</b>
<b>Long-term liabilities</b>		
Loans payable (Note 5)	587,333	819,833
Mortgage notes payable (Note 6)	2,734,139	2,863,422
Capital lease payable (Note 7)	3,100,000	3,190,000
	<b>6,421,472</b>	<b>6,873,255</b>
	<b>10,168,357</b>	<b>10,206,910</b>
<b>Net assets (Exhibit B)</b>		
Unrestricted	1,844,826	2,053,880
Temporarily restricted (Note 8)	333,662	210,217
	<b>2,178,488</b>	<b>2,264,097</b>
	<b>\$ 12,346,845</b>	<b>\$ 12,471,007</b>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS**

**EXHIBIT B**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**YEAR ENDED MARCH 31, 2009  
(With Summarized Financial Information  
for the Year Ended March 31, 2008)**

	Unrestricted	Temporarily Restricted	Totals
	2009	2009	2008
Revenues and support			
Government contracts and grants	\$ 8,089,749	\$ 8,089,749	\$ 8,223,033
Corporate and foundation grants	18,055	200,000	150,510
Special events income			
Direct costs of special events	207,708		358,868
Rental income (Note 10)	2,129,920		1,873,333
Developer fees	7,500	7,500	20,000
Management fees (Note 1)	355,657	355,657	250,946
Contracted services (Note 1)	974,304	974,304	818,735
Interest income	571	571	63
Other revenue	204,177	204,177	196,882
Net assets released from restrictions (Note 8)	76,555	(76,555)	
	12,064,196	123,445	11,892,370
Total revenues and support		12,187,641	
Expenses			
Program services			
Youth services	4,660,663	4,660,663	4,687,471
Adult services and testing assessment	2,192,651	2,192,651	1,779,234
Commercial revitalization	191,985	191,985	317,057
Technical assistance programs	728,540	728,540	747,264
Industrial development and job creation programs	282,653	282,653	400,077
Community development	2,685,540	2,685,540	2,011,145
	10,742,032	10,742,032	9,942,248

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SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS

EXHIBIT B  
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CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2009  
(With Summarized Financial Information  
for the Year Ended March 31, 2008)

	Unrestricted	Temporarily Restricted	Totals
	2009	2009	2008
Expenses (continued)			
Supporting services			
Management and general	\$ 1,363,765	\$ 1,363,765	\$ 2,050,320
Fund raising	167,453	167,453	153,651
Total supporting services	1,531,218	1,531,218	2,203,971
Total expenses (including interest expense of \$528,359 in 2009 and \$565,896 in 2008)	12,273,250	12,273,250	12,146,219
Change in net assets (Exhibit C)	(209,054)	\$ 123,445	(253,849)
Net assets - beginning of year	2,053,880	210,217	2,264,097
Net assets - end of year (Exhibit A)	\$ 1,844,826	\$ 333,662	\$ 2,178,488
		\$	\$ 2,264,097

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**YEARS ENDED MARCH 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ (85,609)	\$ (253,849)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	436,349	466,718
Decrease (increase) in assets		
Cash - tenants' security deposits	8,413	(2,730)
Accounts receivable	24,103	(522,338)
Contracts receivable	(55,216)	254,791
Contributions receivable	3,762	46,048
Rent receivable	(87,585)	(108,609)
Prepaid expenses and other receivables	15,025	27,926
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	347,854	133,822
Advances from government agencies	(299,961)	375,754
Deferred income	3,953	
Security deposits	(549)	5,656
Net cash provided by operating activities	<u>310,539</u>	<u>423,189</u>
Cash flows from investing activities		
Fixed asset acquisitions	(297,909)	(399,461)
Increase in limited use assets	(6,665)	(6,195)
Proceeds from repayment of loans	1,859	5,125
Net cash used by investing activities	<u>(302,715)</u>	<u>(400,531)</u>
Cash flows from financing activities		
Repayment of mortgage, loans and capital lease	(314,850)	(283,628)
Proceeds from loans	225,000	356,945
Net cash provided (used) by financing activities	<u>(89,850)</u>	<u>73,317</u>
Net increase (decrease) in cash	(82,026)	95,975
Cash - beginning of year	<u>132,915</u>	<u>36,940</u>
Cash - end of year	<u>\$ 50,889</u>	<u>\$ 132,915</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 528,359</u>	<u>\$ 565,896</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2009**

**NOTE 1 - NATURE OF ORGANIZATION**

South Bronx Overall Economic Development Corporation (the "Organization" or SBOEDC) was formed to transform South Bronx, New York into a center of commerce, industry, government, culture and higher education. Working in conjunction with the government, the private sector and the community, SBOEDC plans, advocates and facilitates major infrastructure investments in the South Bronx; directly develops and manages smaller strategic real estate projects; pursues a variety of initiatives to encourage small business in the South Bronx; and advocates and undertakes projects to provide amenities and cultural programs to make downtown South Bronx more attractive and hospitable.

SBOEDC's primary sources of revenues are government contracts and grants, private grants, as well as rental revenues.

SBOEDC is comprised of the following corporations:

<u>Abbreviations</u>	<u>Organization</u>
SBOEDC	South Bronx Overall Economic Development Corporation, the parent corporation, was formed in 1972 to help facilitate revitalization and development of South Bronx and surrounding neighborhoods into a regional subcenter in the New York metropolitan area. SBOEDC is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.
SoBRO-LDC	SoBRO Local Development Corporation was formed by SoBRO to encourage the development, retention and expansion of industry and commerce primarily in the South Bronx community. SBOEDC is the sole member of SoBRO-LDC. SoBRO-LDC is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.
SoBRO-DC	SoBRO Development Corporation was formed by SoBRO to address South Bronx's need for development of local businesses. SoBRO-DC owns and leases properties in the South Bronx that are rented to local businesses. SBOEDC is the sole member of SoBRO-DC. SoBRO-DC is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

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**SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2009**

**NOTE 1 - NATURE OF ORGANIZATION (continued)**

<u>Abbreviations</u>	<u>Organization</u>
CI	CREDIT, Inc. was formed by SoBRO to facilitate capital and financial services for organizations, minorities and female entrepreneurs and other businesses that, due to the location in a distressed or low-income community, are not adequately served by mainstream financial institutions, thereby enabling them to succeed and thrive. SBOEDC is the sole member of CI. CI is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

SBOEDC is affiliated with various not-for-profit and for-profit organizations by shared service agreements.

SBOEDC provides management services to affiliated programs for fees. The total management and administrative fees charged to affiliated programs for the year ended 2009 was \$355,657. In addition, SBOEDC contracts with affiliates and related organizations to provide personnel services. Personnel services provided to affiliates and related organizations totaled \$974,304 for the year ended March 31, 2009.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of accounting* - The financial statements are prepared on the accrual basis.

*Principles of consolidation* - All material intercompany transactions and balances have been eliminated.

*Use of estimates* - The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Accounts receivable* - Receivables are recorded for services rendered but unpaid.

*Rents receivable* - Receivables are recorded for unpaid rent. SBOEDC does not charge interest on outstanding receivables.

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**SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2009**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Contract receivables/revenues* - Contract receivables are recorded for services rendered but unpaid. Contract revenues are recognized when earned. SBOEDC charges affiliate organizations fees for providing maintenance personnel at their buildings. Services are provided at cost and are billed monthly.

*Contributions receivable* - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are subsequently met.

*Loans receivable* - SBOEDC records receivables based on loan agreements. Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management.

*Allowance for doubtful accounts* - SBOEDC determines whether an allowance for uncollectibles should be provided for contributions, loans and accounts receivable (including development, contract and rent receivables). Such estimates are based on management's assessment of the aged basis of its contributions and other sources, current economic conditions, subsequent receipts and historical information. Contributions, loans, and accounts receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. SBOEDC does not charge interest on outstanding receivables.

*Assets limited as to use* - Assets that are not available for unlimited use are classified as assets limited as to use. The use of these assets is limited due to a variety of reasons such as: amounts held in escrow by, or on deposit with, financial institutions that collateralize loan or mortgage obligations; placed on deposit with banks participating in letters of credit; and money held by the Trustee to make principal and interest payments to bondholders.

*Investments* - Investments are recorded at fair market value, except for the guaranteed investment contract, which is valued at contract value.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could affect the amounts reported in SBOEDC's balance sheet.

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**SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2009**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Developer's fees/receivables* - Developer's fees are recognized when earned. SBOEDC charges affiliate organizations fees for development services. Receivables are recorded for services rendered but unpaid.

*Fixed assets* - Fixed assets are recorded at cost. SBOEDC capitalizes all property and equipment having a cost of \$2,500 or more with an estimated useful life of greater than one year. Depreciation and amortization are recorded on the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	5 - 40 years
Furniture and fixtures	5 - 7 years
Equipment	3 - 5 years

Amortization of leasehold improvements is provided over the lesser of the life of the lease or the estimated useful life of the improvements.

*Financing costs* - Financing costs are amortized on the straight-line basis over the life of the related mortgages, bonds or lines of credit.

*Tenant security deposits* - SBOEDC obtains security deposits from all commercial tenants. Those funds are commingled with SBOEDC's operating funds and do not earn interest.

*Advances from government agencies* - Advances from government agencies represent unspent government grant monies that are to be used in the future period.

*Revenues from government agencies* - Revenues from government agencies are recognized when earned. Expense-based grants are recognized as allowable expenses are incurred. Performance based grants are recognized as milestones are achieved.

*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 restriction.

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**SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2009**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Rental income** - SBOEDC leases office space to eligible tenants. All lease agreements are for at least a one-year term. All leases are operating leases and recognition is driven by Statement of Financial Accounting Standards (SFAS) No. 13, *Accounting for Leases*. Revenue is recognized on the first day of each month for the current month's rent.

**Management fees** - SBOEDC charges affiliate organizations fees for management services based on management agreements. Receivables are recorded for services rendered but unpaid.

**Rent expense** - SBOEDC and related organizations lease space at various locations. All leases are operating leases and are driven by SFAS No. 13, *Accounting for Leases*; therefore, all leases are reflected on the straight-line basis. Rent expense is recognized on the first day of each month for the current month's rent.

**Functional expenses** - The costs of providing SBOEDC's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Net assets** - Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose.

**Summarized comparative information** - The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles read in conjunction with SBOEDC's financial statements for the year ended March 31, 2008, from which the information was derived.

**Financial Accounting Standards Board (FASB) Interpretation No. 48 - Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109 (FIN 48)**

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109 (FIN 48)*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for nonpublic companies and not-for-profits for periods beginning after December 15, 2008.

As FIN 48 has not been adopted, SBOEDC is continuing to use FASB Statement No. 5, *Accounting for Contingencies (FAS 5)* to evaluate uncertain tax positions. SBOEDC is currently evaluating the impact on the financial statements of adopting FIN 48.

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**SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2009**

**NOTE 3 - LOANS RECEIVABLE**

CI provides low interest loans to aid in the expansion and revitalization of commercial and industrial businesses in the South Bronx, New York area.

In addition, CI occasionally provides loans to businesses for specific uses from its own unrestricted funds. The loans receivable balances at March 31, 2009 total \$57,815, with an allowance of uncollectible accounts of \$50,000.

SBOEDC occasionally provides loans to its tenants for specific uses from its own unrestricted funds. The loans receivable balances from tenant loans at March 31, 2009 total \$27,094.

Future loan receivable payments are due as follows:

Past due	\$ 84,909
Allowance for doubtful accounts	<u>(50,000)</u>
	<u>\$ 34,909</u>

**NOTE 4 - FIXED ASSETS**

Fixed assets consist of the following:

Land	\$ 162,295
Buildings and improvements	6,574,216
Leasehold improvements	2,334,674
Furniture and fixtures	453,973
Equipment	629,398
Construction in progress	<u>537,173</u>
	10,691,729
Accumulated depreciation and amortization	<u>(4,259,250)</u>
	<u>\$ 6,432,479</u>

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**SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2009**

**NOTE 5 - LOANS PAYABLE**

The balance at March 31, 2009 consists of the following:

Description	Effective Interest Rate at 3/31/09	Amount Payable
A. A secured line of credit for \$750,000 payable to Citibank with an interest rate floating at Lender's base rate plus .50%, collateralized by the program receivables of the Organization, subject only to existing liens of records on the closing date. The line of credit expired on October 31, 2008. Management is in the process of renewing the line of credit. The line is currently overdue.	5.75%	\$ 650,000
B. A secured loan, payable to Local Initiatives Support Corporation, was due on September 1, 2009 and was being extended on a month-to-month basis, collateralized by pledges and assignment of proceeds from capital campaign. As of January 8, 2010, the loan was paid off.	6.30%	157,307
C. Unsecured loan, payable to Citibank, in a single installment at a fixed interest rate of 4% is due on March 1, 2010. The line is secured by the Organization's annual Gala fund-raising receipts.	4.00%	450,000
D. Unsecured, non-interest-bearing loan payable to the Community Partnership Development Corporation, in a single installment to be paid upon construction loan closing. Management anticipates closing to occur by March 31, 2011.	0.00%	250,000
E. Unsecured, non-interest-bearing loan payable to Treuhold Capital Group LLC in a single installment to be paid when the construction project procures financing. Management anticipates this to occur by March 31, 2011.	0.00%	325,000

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**SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2009**

**NOTE 5 - LOANS PAYABLE (continued)**

<u>Description</u>	<u>Effective Interest Rate at 3/31/09</u>	<u>Amount Payable</u>
F. A secured loan with New York National Bank for \$34,000, collateralized by all the assets of CI, due on February 6, 2012.	8.25%	\$ 19,133
G. A revolving loan fund account, payable to New York State Urban Development Corporation (UDC). The maximum amount of funds available under the agreement is \$100,000. The agreement requires CI to use due diligence in evaluating prospective borrowers and good faith efforts to collect repayment from borrowers. As borrowers repay the loans, CI remits the proceeds to UDC. In the event that these good faith collections efforts fail and a loan is declared uncollectible, CI is not liable to UDC for the unpaid principal on the loan. The loan from UDC is interest-free.	0.00%	<u>48,383</u>
Total loans payable		<u>\$ 1,899,823</u>

Principal payments for these loans for the next five years are as follows:

<u>Year Ending</u>	
3/31/10	\$ 1,312,490
3/31/11	581,800
3/31/12	<u>5,533</u>
Total loans payable	<u>\$ 1,899,823</u>

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**SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2009**

**NOTE 6 - MORTGAGE NOTES PAYABLE**

The balances at March 31, 2009 consist of the following:

<u>Description</u>	<u>Effective Interest Rate at 3/31/09</u>	<u>Amount Payable</u>
A. On May 25, 2005, SBOEDC obtained a ten-year mortgage note from JP Morgan Chase Bank in the aggregate principal sum of \$2,189,553, with a variable interest rate based on the Monthly Average 1 Year Treasury Index plus 2.65%. The mortgage note matures on July 1, 2015 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.	7.4%	\$ 1,958,718
B. In fiscal year 2001, 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 in monthly installments of \$7,919. The mortgage loan is collateralized by the premises located at 270 East 137th Street, Bronx, New York.	5.0%	<u>900,038</u>
Total mortgage notes payable		<u>\$ 2,858,756</u>

All of the mortgages are secured by real estate owned by SBOEDC.

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**SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2009**

**NOTE 6 - MORTGAGE NOTES PAYABLE (continued)**

Principal payments on these mortgages payable for the next five years and thereafter are as follows:

<u>Year Ending</u>	
3/31/10	\$ 124,616
3/31/11	131,962
3/31/12	139,450
3/31/13	147,977
3/31/14	156,718
Thereafter	<u>2,158,032</u>
Total mortgage notes payable	<u>\$ 2,858,755</u>

**NOTE 7 - CAPITAL LEASE 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. As part of the agreement, SBOEDC transferred leasehold title to the building and its contents to the IDA. Capital leased assets are \$5,324,793 with accumulated amortization of \$1,983,305 as of March 31, 2009.

Principal and interest payments are guaranteed by SoBRO-LDC and SoBRO-DC.

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**SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2009**

**NOTE 9 - OCCUPANCY (continued)**

The initial term of the lease was to expire on June 6, 2012, but the lease term was extended to September 20, 2024.

SoBRO-LDC is the lessee of the premises located at 430 Westchester Ave., Bronx, New York and 553-555 Brook Avenue, Bronx, New York. Both leases are on a month-to-month basis and are cancelable at any time.

SBOEDC leases office space and uses equipment under a noncancelable operating lease. The lease provides 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 noncancelable operating leases with terms in excess of one year are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2010	\$ 448,646
2011	573,646
2012	573,646
2013	573,646
2014	573,646
Thereafter	<u>6,492,710</u>
Total	<u>\$ 9,235,940</u>

Total rent expense for the fiscal year ended March 31, 2009 was \$652,897.

-continued-

**SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2009**

**NOTE 10 - FUTURE NONCANCELABLE LEASE REVENUE**

Future noncancelable lease revenue through 2031 for SBOEDC, SoBRO-LDC and SoBRO-DC is expected as follows:

2010	\$ 1,425,740
2011	1,423,543
2012	1,254,150
2013	1,230,287
2014	1,137,419
Thereafter	<u>11,833,669</u>
	<u>\$ 18,304,808</u>

**NOTE 11 - PENSION PLAN**

SBOEDC has a defined contribution pension plan covering employees who meet age and length of service requirements. Pension expense for the year ended March 31, 2009 was \$280,061.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

Reimbursements for program expense and overhead applicable to various programs conducted under contract with governmental agencies are subject to audit, which may result in adjustments or disallowances. The amount of disallowance, if any, cannot be determined. Therefore, no provision is made for these potential liabilities. Management does not anticipate any material adjustments, as a result of these audits.

**NOTE 13 - ASSETS LIMITED AS TO USE**

Certain assets limited as to use are held in a Guaranteed Investment Contract ("GIC"), which is carried 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, 2009 is as follows:

Cash (tax escrow)	\$ 59,447
Cash (capital replacement fund)	1,133
Guaranteed investment contract (debt reserve fund)	<u>367,469</u>
	<u>\$ 428,049</u>

-continued-

**SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2009**

**NOTE 14 - DEVELOPER FEES**

Developer fees consist of the fees related to the development and renovation of potential and existing projects. These projects will reimburse SBOEDC for the outstanding developer fees.

**NOTE 15 - FUNCTIONAL EXPENSES**

Program services	\$ 10,742,032
Management and general	1,363,765
Fund raising	167,453
Direct cost of special events	<u>87,527</u>
Total expenses	<u>\$ 12,360,777</u>

SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS

CONSOLIDATING BALANCE SHEET

MARCH 31, 2009  
(With Summarized Financial Information for March 31, 2008)

	SBOEDC	SoBRO- LDC	SoBRO- DC	CI	2009	Totals	2008
<b>ASSETS</b>							
Current assets							
Cash	\$ 18,137	\$ 24,995	\$ 340	\$ 7,417	\$ 50,889	\$	132,915
Cash - tenants' security deposits	57,110		990		58,100		66,513
Accounts receivable	1,706,085				1,706,085		1,730,188
Contracts receivable	1,728,869				1,728,869		1,673,653
Contributions receivable - current							3,762
Rent receivable	104,419	64,357	392,710		561,486		473,901
Loans receivable	27,094			7,815	34,909		29,400
Prepaid expenses and other receivables	103,659	3,967			107,626		122,651
Total current assets	3,745,373	93,319	394,040	15,232	4,247,964		4,232,983
Loans receivable							7,368
Assets limited as to use	426,916		1,133		428,049		421,384
Developer fees receivable	952,006				952,006		952,006
Fixed assets - net	6,176,632	178,390	77,457		6,432,479		6,506,937
Financing costs - net	286,347				286,347		350,329
Total assets	\$ 11,587,274	\$ 271,709	\$ 472,630	\$ 15,232	\$ 12,346,845	\$	12,471,007

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SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS

CONSOLIDATING BALANCE SHEET

MARCH 31, 2009  
(With Summarized Financial Information for March 31, 2008)

	SBOEDC	SoBRO- LDC	SoBRO- DC	CI	2009	Totals 2008
<b>LIABILITIES AND NET ASSETS</b>						
Current liabilities						
Accounts payable and accrued expenses	\$ 1,249,907	\$ 100,946	\$ 322,650		\$ 1,673,503	\$ 1,325,649
Due to (from) related organizations	824,480	(679,821)	(92,224)	(52,435)		
Advances from government agencies	312,958				312,958	612,919
Loans payable	1,257,307			55,183	1,312,490	962,490
Mortgage notes payable	124,616				124,616	117,683
Capital leases payable	90,000				90,000	85,000
Deferred income			3,953		3,953	
Security deposits	138,762	37,203	53,400		229,365	229,914
Total current liabilities	3,998,030	(541,672)	287,779	2,748	3,746,885	3,333,655
Long-term liabilities						
Loans payable	575,000			12,333	587,333	819,833
Mortgage notes payable	2,734,139				2,734,139	2,863,422
Capital leases payable	3,100,000				3,100,000	3,190,000
Total long-term liabilities	6,409,139			12,333	6,421,472	6,873,255
Total liabilities	10,407,169	(541,672)	287,779	15,081	10,168,357	10,206,910
Net assets						
Unrestricted	846,443	813,381	184,851	151	1,844,826	2,053,880
Temporarily restricted	333,662				333,662	210,217
Total net assets	1,180,105	813,381	184,851	151	2,178,488	2,264,097
Total liabilities and net assets	\$ 11,587,274	\$ 271,709	\$ 472,630	\$ 15,232	\$ 12,346,845	\$ 12,471,007

See independent auditor's report.

SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS

SCHEDULE 2

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED MARCH 31, 2009

(With Summarized Financial Information for the Year Ended March 31, 2008)

	SBOEDC	SoBRO- LDC	SoBRO- DC	CI	Intercompany Eliminations	Total	
						2009	2008
Revenues, gains, losses and other support							
Government contracts and grants	\$ 8,089,749					\$ 8,089,749	\$ 8,223,033
Corporate and foundation grants	218,055					218,055	150,510
Special events income	\$ 295,235						
Direct costs of special events	(87,527)					207,708	358,868
Rental income	1,078,166	\$ 349,907	\$ 701,847			2,129,920	1,873,333
Developer fees	7,500					7,500	20,000
Management fees	355,657					355,657	250,946
Contracted services	1,153,039				\$ (178,735)	974,304	818,735
Interest income	571					571	63
Other revenue	189,749		14,428			204,177	196,882
Total revenues, gains, losses and other support	11,300,194	349,907	716,275		(178,735)	12,187,641	11,892,370
Expenses							
Program services							
Youth services	4,660,663					4,660,663	4,687,471
Adult services and testing assessment	2,192,651					2,192,651	1,779,234
Commercial revitalization	191,985					191,985	317,057
Technical assistance programs	728,540					728,540	747,264
Industrial development and job creation programs	282,653					282,653	400,077
Community development	2,240,359	146,733	297,345	\$ 1,103		2,685,540	2,011,145
Total program services	10,296,851	146,733	297,345	1,103		10,742,032	9,942,248
Supporting services							
Management and general	1,336,557	136,357	69,586		(178,735)	1,363,765	2,050,320
Fund raising	167,453					167,453	153,651
Total supporting services	1,504,010	136,357	69,586		(178,735)	1,531,218	2,203,971
Total expenses	11,800,861	283,090	366,931	1,103	(178,735)	12,273,250	12,146,219
Change in net assets before other changes	(500,667)	66,817	349,344	(1,103)	-	(85,609)	(253,849)
Contributions from (to) related organizations	333,223		(334,343)	1,120			
Change in net assets	(167,444)	66,817	15,001	17	-	(85,609)	(253,849)
Net assets - beginning of year	1,347,549	746,564	169,850	134		2,264,097	2,517,946
Net assets - end of year	\$ 1,180,105	\$ 813,381	\$ 184,851	\$ 151	\$ -	\$ 2,178,488	\$ 2,264,097

See independent auditor's report.

SOUTH BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION  
AND RELATED ORGANIZATIONS

SCHEDULE 3

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2009

(With Summarized Financial Information for the Year Ended March 31, 2008)

	Program Services						Supporting Services				Total	
	Youth Services	Adult Services and Testing Assessment	Commercial Revitalization	Technical Assistance Programs	Industrial Development and Job Creation Programs	Community Development	Total Program Expenses	Management and General	Fund Raising	Direct Cost of Special Events	2009	2008
Salaries	\$ 2,597,006	\$ 1,253,186	\$ 106,895	\$ 415,191	\$ 166,396	\$ 941,503	\$ 5,480,177	\$ 606,747	\$ 83,689		\$ 6,170,613	\$ 5,752,105
Payroll taxes and employee benefits	630,350	310,332	28,861	110,001	42,550	254,206	1,376,300	116,670	22,596		1,515,566	1,447,514
Consultants and contract services	276,817	135,452	15,958	53,798	16,191	111,344	609,560	83,534	28,577		721,671	720,249
Travel and conferences	483,912	51,792	1,265	17,632	4,157	40,384	599,142	18,344	2,530		620,016	385,289
Occupancy	134,948	202,990	11,676	27,310	18,306	626,175	1,021,405	159,842	21,563		1,202,810	1,336,010
Equipment rental and maintenance	81,522	57,568	97	2,981	1,239	6,862	150,269	1,412	195		151,876	206,052
Communication and consumable supplies	354,773	131,399	7,997	44,281	13,366	28,600	580,416	17,416	2,402		600,234	650,754
Interest	52,729	26,365	10,546	15,819	10,546	291,077	407,082	121,277			528,359	565,896
Property taxes	7,525	3,763	1,505	2,258	1,505	41,390	57,946	17,309			75,255	90,601
Bad debts								101,884			101,884	213,728
Depreciation and amortization	35,730	17,865	7,146	34,369	8,136	277,317	380,563	55,786			436,349	466,718
Catering and entertainment										\$ 87,527	87,527	138,020
Miscellaneous	5,351	1,939	39	4,900	261	66,682	79,172	63,544	5,901		148,617	311,303
<b>Total expenses</b>	<b>4,660,663</b>	<b>2,192,651</b>	<b>191,985</b>	<b>728,540</b>	<b>282,653</b>	<b>2,685,540</b>	<b>10,742,032</b>	<b>1,363,765</b>	<b>167,453</b>	<b>87,527</b>	<b>12,360,777</b>	<b>12,284,239</b>
Less expenses deducted directly from revenues on the statement of activities										(87,527)	(87,527)	(138,020)
<b>Total expenses reported by function (Exhibit B)</b>	<b>\$ 4,660,663</b>	<b>\$ 2,192,651</b>	<b>\$ 191,985</b>	<b>\$ 728,540</b>	<b>\$ 282,653</b>	<b>\$ 2,685,540</b>	<b>\$ 10,742,032</b>	<b>\$ 1,363,765</b>	<b>\$ 167,453</b>	<b>\$ -</b>	<b>\$ 12,273,250</b>	<b>\$ 12,146,219</b>

See independent auditor's report.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2009

(With Summarized Financial Information for the Year Ended March 31, 2008)

	Program Services						Supporting Services			Total		
	Youth Services	Adult Services and Testing Assessment	Commercial Revitalization	Technical Assistance Programs	Industrial Development and Job Creation Programs	Community Development	Total	Management and General	Fund. Raising	Direct Cost of Special Events	2009	2008
Salaries	\$ 2,597,006	\$ 1,253,186	\$ 106,895	\$ 415,191	\$ 166,396	\$ 941,503	\$ 5,480,177	\$ 606,747	\$ 83,689		\$ 6,170,613	\$ 5,752,105
Payroll taxes and employee benefits	630,350	310,332	28,861	110,001	42,550	254,206	1,376,300	116,670	22,596		1,515,566	1,447,514
Consultants and contract services	276,817	135,452	15,958	53,798	16,191	96,495	594,711	62,186	28,577		685,474	692,777
Travel and conferences	483,912	51,792	1,265	17,632	4,157	28,464	587,222	18,344	2,530		608,096	375,343
Occupancy	134,948	202,990	11,676	27,310	18,306	242,587	637,817	156,334	21,563		815,714	978,621
Equipment rental and maintenance	81,522	57,568	97	2,981	1,239	2,191	145,598	1,412	195		147,205	203,621
Communication and consumable supplies	354,773	131,399	7,997	44,281	13,366	27,024	578,840	17,416	2,402		598,658	649,871
Interest	52,729	26,365	10,546	15,819	10,546	290,009	406,014	121,277			527,291	563,352
Property taxes	7,525	3,763	1,505	2,258	1,505	41,390	57,946	17,309			75,255	90,601
Bad debts								99,532			99,532	178,087
Depreciation and amortization	35,730	17,865	7,146	34,369	8,136	250,107	353,353	55,786			409,139	440,502
Catering and entertainment										\$ 87,527	87,527	138,020
Miscellaneous	5,351	1,939	39	4,900	261	66,383	78,873	63,544	5,901		148,318	307,657
<b>Total expenses</b>	<b>4,660,663</b>	<b>2,192,651</b>	<b>191,985</b>	<b>728,540</b>	<b>282,653</b>	<b>2,240,359</b>	<b>10,296,851</b>	<b>1,336,557</b>	<b>167,453</b>	<b>87,527</b>	<b>11,888,388</b>	<b>11,818,071</b>
Less expenses deducted directly from revenues on the statement of activities										\$ (87,527)	(87,527)	(138,020)
<b>Total expenses reported by function</b>	<b>\$ 4,660,663</b>	<b>\$ 2,192,651</b>	<b>\$ 191,985</b>	<b>\$ 728,540</b>	<b>\$ 282,653</b>	<b>\$ 2,240,359</b>	<b>\$ 10,296,851</b>	<b>\$ 1,336,557</b>	<b>\$ 167,453</b>	<b>\$ -</b>	<b>\$ 11,800,861</b>	<b>\$ 11,680,051</b>

See independent auditor's report.

**SoBRO LOCAL DEVELOPMENT CORPORATION**

**SCHEDULE 5**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED MARCH 31, 2009**  
**(With Summarized Financial Information for the Year Ended March 31, 2008)**

	Program Services		Supporting Services		Total	
	Community Development	Management and General	2009	2008	2009	2008
Consultants and contract services	\$ 14,849	\$ 134,816	\$ 149,665	\$ 196,460		
Travel and conferences	11,920		11,920	9,946		
Occupancy	95,871	1,541	97,412	112,186		
Equipment rental and maintenance				2,431		
Communication and consumable supplies	1,575		1,575	838		
Bad debts				246		
Depreciation	22,435		22,435	22,287		
Miscellaneous	83		83	251		
<b>Total expenses reported by function</b>	<b>\$ 146,733</b>	<b>\$ 136,357</b>	<b>\$ 283,090</b>	<b>\$ 344,645</b>		

See independent auditor's report.

SOBRO DEVELOPMENT CORPORATION

SCHEDULE 6

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2009

(With Summarized Financial Information for the Year Ended March 31, 2008)

	Program Services		Supporting Services		Total	
	Community Development	Management and General	2009	2008	2009	2008
Consultants and contract services		\$ 65,267	\$ 65,267	\$ 62,737		
Occupancy	\$ 287,718	1,967	289,685	245,203		
Equipment rental and maintenance	4,671		4,671			
Bad debts		2,352	2,352	20,395		
Amortization	4,775		4,775	3,929		
Miscellaneous	181		181	2,516		
Total expenses reported by function	\$ 297,345	\$ 69,586	\$ 366,931	\$ 334,780		

See independent auditor's report.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2009  
 (With Summarized Financial Information for the Year Ended March 31, 2008)

	Program Services	Supporting Services	Total
	Community Development	Management and General	2009      2008
Consultants and contract services			\$ 2,698
Communication and consumable supplies			45
Interest	1,068		\$ 1,068
Bad debts			2,544
Miscellaneous	35		15,000
			879
Total expenses reported by function	\$ 1,103	-	\$ 1,103
			\$ 21,166

See independent auditor's report.