

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

Combining Financial Statements
Year Ended June 30, 2009

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and Affiliated Organizations**

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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, 2009, 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, 2008 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 8, 2009.

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, 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.

BDO Seidman, LLP

January 12, 2010

Bowery Residents' Committee, Inc. and Affiliated Organizations

Combining Statement of Financial Position (with comparative totals for 2008)

June 30,

	2009			2008	
	Bowery Residents' Committee, Inc.	Affiliated Organizations	Eliminations	Total	Total
Assets					
Cash and cash equivalents	\$ 1,596,697	\$ 299,929	\$ -	\$ 1,896,626	\$ 1,256,902
Investments at fair value (Notes 3 and 5)	26,081	-	-	26,081	34,444
Investment in limited partnerships at cost (Note 7)	109	500,200	-	500,309	500,300
Accounts receivable (net of allowance for doubtful accounts of \$3,236,212 and \$1,859,276, respectively) (Note 3)	4,680,055	505,158	-	5,185,213	6,235,990
Prepaid expenses and deposits	301,889	87,407	-	389,296	537,579
Due from limited partnerships (Note 7)	910,726	-	-	910,726	130,572
Due from affiliates	4,667,512	-	(4,667,512)	-	-
Assets limited as reto use (Note 4)	-	-	-	-	12,176
Fixed assets, net (Notes 3, 6 and 9)	3,425,798	5,840,648	-	9,266,446	9,608,246
	\$15,608,867	\$ 7,233,342	\$(4,667,512)	\$18,174,697	\$18,316,209
Liabilities and Net Assets (Deficit)					
Liabilities:					
Accounts payable and accrued expenses	\$ 2,663,428	\$ 20,331	\$ -	\$ 2,683,759	\$ 4,091,178
Accrued salaries and fringes	1,415,452	-	-	1,415,452	1,229,198
Accrued interest payable	-	390,213	-	390,213	369,025
Deferred revenue	1,786,591	3,490	-	1,790,081	966,319
Construction advance in escrow (Note 4)	17,213	-	-	17,213	17,213
Due to affiliates	-	4,667,512	(4,667,512)	-	-
Line of credit (Note 8)	1,850,000	-	-	1,850,000	1,500,000
Loans payable (Note 9)	2,246,700	3,731,014	-	5,977,714	6,416,974
Total liabilities	9,979,384	8,812,560	(4,667,512)	14,124,432	14,589,907
Commitments and contingencies (Notes 8, 9, 10 and 14)					
Net assets (deficit):					
Unrestricted	5,548,520	(1,579,218)	-	3,969,302	3,208,800
Temporarily restricted (Note 12)	80,963	-	-	80,963	517,502
Total net assets (deficit)	5,629,483	(1,579,218)	-	4,050,265	3,726,302
	\$15,608,867	\$ 7,233,342	\$(4,667,512)	\$18,174,697	\$18,316,209

See accompanying notes to combining financial statements.

Bowery Residents' Committee, Inc. and Affiliated Organizations

Combining Statement of Activities (with comparative totals for 2008)

Year ended June 30,

	2009						2008
	Bowery Residents' Committee, Inc.			Affiliated Organizations unrestricted	Eliminations	Total	Total
	Unrestricted	Temporarily restricted	Total				
Revenues:							
Government and other grants	\$25,809,760	\$ -	\$25,809,760	\$ -	\$ -	\$25,809,760	\$22,281,791
Medicaid	5,708,846	-	5,708,846	-	-	5,708,846	5,036,309
Program service fees	6,067,325	162,000	6,229,325	-	-	6,229,325	5,467,568
Rental	752,302	-	752,302	471,741	-	1,224,043	1,016,767
Contributions	1,089,699	-	1,089,699	-	-	1,089,699	1,509,571
Management fee income	40,000	-	40,000	80,715	(120,715)	-	-
Loss on disposal of fixed assets	-	-	-	-	-	-	(357,366)
Interest and other	204,389	-	204,389	1,664	-	206,053	904,825
Net assets released from restrictions (Note 11)	598,539	(598,539)	-	-	-	-	-
Total revenues	40,270,860	(436,539)	39,834,321	554,120	(120,715)	40,267,726	35,859,465
Expenses:							
Program services:							
Gateway Services	8,457,386	-	8,457,386	-	-	8,457,386	7,655,683
Transitional Housing	17,171,186	-	17,171,186	-	-	17,171,186	16,069,391
Permanent Housing	5,821,513	-	5,821,513	-	-	5,821,513	4,556,815
Day Treatment and Services	4,305,552	-	4,305,552	-	-	4,305,552	3,601,589
Total program services	35,755,637	-	35,755,637	-	-	35,755,637	31,883,478
Supporting services:							
Management and general	3,750,775	-	3,750,775	-	(80,715)	3,670,060	3,257,205
Fundraising	244,809	-	244,809	-	-	244,809	372,008
Total supporting services	3,995,584	-	3,995,584	-	(80,715)	3,914,869	3,629,213
Affiliated Organizations' operating expenses	-	-	-	313,257	(40,000)	273,257	657,889
Total expenses	39,751,221	-	39,751,221	313,257	(120,715)	39,943,763	36,170,580
Change in net assets	519,639	(436,539)	83,100	240,863	-	323,963	(311,115)
Net assets (deficit), beginning of year	5,028,881	517,502	5,546,383	(1,820,081)	-	3,726,302	4,037,417
Net assets (deficit), end of year	\$ 5,548,520	\$ 80,963	\$ 5,629,483	\$(1,579,218)	\$ -	\$ 4,050,265	\$ 3,726,302

See accompanying notes to combining financial statements.

Bowery Residents' Committee, Inc. and Affiliated Organizations

Combining Statement of Functional Expenses (with comparative totals for 2008)

Year ended June 30,

	Bowery Residents' Committee, Inc.											2009 Total	2008 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					
Expenses:													
Salaries	\$4,586,563	\$ 8,163,991	\$2,050,764	\$1,406,671	\$16,207,989	\$2,001,322	\$162,655	\$2,163,977	\$18,371,966	\$ 9,744	\$ -	\$18,381,710	\$16,617,758
Employee taxes and fringe benefits	1,047,003	1,891,860	472,537	332,072	3,743,472	395,788	35,971	431,759	4,175,231	1,610	-	4,176,841	3,955,873
Total salaries and related expenses	5,633,566	10,055,851	2,523,301	1,738,743	19,951,461	2,397,110	198,626	2,595,736	22,547,197	11,354	-	22,558,551	20,573,631
Temporary services	131,834	223,861	54,822	25,359	435,876	29,547	-	29,547	465,423	-	-	465,423	597,436
Real estate, water and sewer taxes	40,235	119,878	8,189	1,295	169,597	24,895	-	24,895	194,492	2,086	-	196,578	116,233
Rent (Note 10)	779,735	3,020,452	2,471,499	399,682	6,671,368	180,432	-	180,432	6,851,800	106,640	-	6,958,440	5,079,584
Utilities	141,891	388,838	74,837	97,936	703,502	-	-	-	703,502	2,935	-	706,437	756,271
Communication	84,655	185,836	67,648	27,033	365,172	36,622	585	37,207	402,379	-	-	402,379	491,191
Printing and postage	249	1,352	369	15	1,985	10,940	1,967	12,907	14,892	-	-	14,892	15,103
Insurance	102,416	230,013	52,713	33,279	418,421	11,616	981	12,597	431,018	6,608	-	437,626	389,758
Professional fees	594,232	332,431	46,440	121,903	1,095,006	451,336	18,656	469,992	1,564,998	10,352	-	1,575,350	1,638,635
Staff training and recruitment	16,339	34,085	6,889	9,565	66,878	18,466	9	18,475	85,353	1	-	85,354	164,095
Dues and subscriptions	175	4,115	10,983	1,042	16,315	1,444	3,846	5,290	21,605	72	-	21,677	45,094
Office expenses	43,696	90,281	37,556	23,334	194,867	48,017	10,865	58,882	253,749	-	-	253,749	293,940
Supplies	109,681	374,507	80,654	56,275	621,117	4,986	6	4,992	626,109	-	-	626,109	623,481
Equipment	940	11,768	67,988	35,900	116,596	-	-	-	116,596	-	-	116,596	232,179
Maintenance and repairs	79,537	298,767	88,434	39,871	506,609	15,100	-	15,100	521,709	304	-	522,013	531,015
Travel	88,968	110,137	59,357	7,261	265,723	11,681	-	11,681	277,404	-	-	277,404	210,220
Client related expenses	231,583	1,053,013	159,361	817,216	2,261,173	15,259	-	15,259	2,276,432	-	-	2,276,432	2,497,220
Interest	96,950	50,137	-	-	147,087	55,636	-	55,636	202,723	21,188	-	223,911	234,183
Bad debt expense	82,785	403,171	-	844,684	1,330,640	-	-	-	1,330,640	-	-	1,330,640	243,161
Property management cost	-	-	-	-	-	80,715	-	80,715	80,715	-	(80,715)	-	-
Management fee expense	-	-	-	-	-	-	-	-	-	40,000	(40,000)	-	-
Other	161,078	162,336	156	-	323,570	11,658	9,268	20,926	344,496	-	-	344,496	458,884
Total expenses before depreciation and amortization	8,420,545	17,150,829	5,811,196	4,280,393	35,662,963	3,405,460	244,809	3,650,269	39,313,232	201,540	(120,715)	39,394,057	35,191,314
Depreciation and amortization	36,841	20,357	10,317	25,159	92,674	345,315	-	345,315	437,989	111,717	-	549,706	979,266
Total expenses	\$8,457,386	\$17,171,186	\$5,821,513	\$4,305,552	\$35,755,637	\$3,750,775	\$244,809	\$3,995,584	\$39,751,221	\$313,257	\$(120,715)	\$39,943,763	\$36,170,580

See accompanying notes to combining financial statements.

Bowery Residents' Committee, Inc. and Affiliated Organizations

Combining Statement of Cash Flows (with comparative totals for 2008)

Year ended June 30,

	2009				2008
	Bowery Residents' Committee, Inc.	Affiliated Organizations	Eliminations	Total	Total
Cash flows from operating activities:					
Change in net assets	\$ 83,100	\$ 240,863	\$ -	\$ 323,963	\$ (311,115)
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation and amortization	437,989	111,717	-	549,706	979,266
Net realized and unrealized losses on investments	8,363	-	-	8,363	14,023
Provision for bad debts	1,330,640	-	-	1,330,640	243,161
Loss on disposal of fixed assets	-	-	-	-	357,366
Decrease (increase) in assets:					
Accounts receivable	(226,289)	(53,574)	-	(279,863)	(1,357,381)
Prepaid expenses and deposits	148,283	-	-	148,283	102,884
Due from limited partnerships	(799,724)	19,570	-	(780,154)	(56,841)
Due from affiliates	(379,312)	-	379,312	-	-
Assets limited to use	12,176	-	-	12,176	80,514
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	(1,413,705)	6,286	-	(1,407,419)	1,532,291
Accrued salaries and fringes	186,254	-	-	186,254	(24,257)
Accrued interest payable	-	21,188	-	21,188	26,727
Deferred revenue	823,762	-	-	823,762	(997,082)
Construction advance in escrow	-	-	-	-	(80,513)
Due to affiliates	-	379,312	(379,312)	-	-
Net cash provided by operating activities	211,537	725,362	-	936,899	509,043
Cash flows from investing activities:					
Purchases of fixed assets, net of transfers to limited partnership (Note 7)	240,995	(448,901)	-	(207,906)	(535,895)
Investment in limited partnerships at cost	(9)	-	-	(9)	-
Net cash used in investing activities	240,986	(448,901)	-	(207,915)	(535,895)
Cash flows from financing activities:					
Proceeds from line of credit	350,000	-	-	350,000	1,000,000
Proceeds from loans	-	-	-	-	167,648
Principal payments on loans	(439,260)	-	-	(439,260)	(133,349)
Payments of line of credit	-	-	-	-	(700,000)
Net cash provided by (used in) financing activities	(89,260)	-	-	(89,260)	334,299
Net increase in cash and cash equivalents	363,263	276,461	-	639,724	307,447
Cash and cash equivalents, beginning of year	1,233,434	23,468	-	1,256,902	949,455
Cash and cash equivalents, end of year	\$ 1,596,697	\$ 299,929	\$ -	\$ 1,896,626	\$ 1,256,902
Supplemental disclosure of cash flow information:					
Cash paid during the year for interest	\$ 202,723	\$ 21,188	\$ -	\$ 223,911	\$ 234,068

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. 4th") 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*

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

(b) *Financial Statement Presentation*

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combining Financial Statements

These classes are defined as follows:

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

In August 2008, the Financial Accounting Standards Board (“FASB”) issued FASB Staff Position (“FSP”) No. 117-1, “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), and Enhanced Disclosures for All Endowment Funds”. This statement is intended to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations. This statement provides guidance on classifying the net assets (equity) associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The statement is effective for all fiscal years ending

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combining Financial Statements

after December 15, 2008. Effective January 1, 2008, BRC adopted FSP No. 117-1. The adoption of FSP No. 117-1 did not have a material impact on the combining financial statements of BRC.

(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) *Contributions*

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

(f) *Revenue Recognition*

Revenue from governmental grants is recognized as the expenditures for each contract are incurred. Revenue from fee for service programs is recognized when earned (services are provided daily and/or monthly).

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combining Financial Statements

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.

(g) *Deferred Revenue*

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

(h) *Provision for Doubtful Accounts*

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

(i) *Fixed Assets*

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

Building and improvements	10-65 years
Leasehold improvements	5-20 years
Furniture and equipment	5 years
Vehicles	4 years

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combining Financial Statements

(j) *Income Taxes*

BRC, Pitt, 330 E. 4th, 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 FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), on July 1, 2008. Under FIN 48, 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 FIN 48 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 jurisdictions where so required. No interest or penalty was accrued as of July 1, 2008 as a result of the adoption of FIN 48. For the year ended June 30, 2009, there was no interest or penalties recorded or included in the combining statement of activities.

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combining Financial Statements

(k) *Use of Estimates*

The preparation of combining financial statements in conformity with 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.

(l) *Functional Expenses*

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

(m) *Concentration of Credit Risk*

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

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combining Financial Statements

(n) *Comparative Financial Information*

The financial statements include certain prior year summarized comparative information. With respect to the statement of financial position, statement of activities and statement of cash flows, the prior year amounts are presented on a combined basis rather than by affiliate. With respect to the statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with 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, 2008 from which the summarized information was derived.

(o) *Reclassifications*

Certain amounts in the 2008 combining financial statements have been reclassified to conform to the 2009 presentation. The reclassifications have no effect on the net assets or the operating results of the prior year.

(p) *Fair Value Measurements*

On July 1, 2008, BRC adopted FASB 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

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combining Financial Statements

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:

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.

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combining Financial Statements

4. **Assets Limited as to Use** In January 2002, BRC received \$950,000 from the Office of Mental Health (“OMH”) to fund the costs associated with BRC’s proposed renovations and improvements at certain residential facilities. In order to ensure that the money will be used for its intended purpose, OMH has requested that these funds be held in escrow. All costs associated with the renovations and improvements will be paid directly to the appropriate parties by the escrow agent. During the year ended June 30, 2009, \$12,176 has been drawn from the escrow account for renovations and improvements. As of June 30, 2009, no funds remained in the escrow account.

5. **Investments at Fair Value** The cost and respective fair values of investments at June 30, 2009 are as follows:

	Fair value	Cost
Common stock	\$26,081	\$19,809

The fair value of the investments detailed above is determined by reference to market quotations at June 30, 2009. The investments are managed by professional investment advisors and managers.

In addition to the above investments, the investment portfolio includes \$71,896 of cash equivalents at June 30, 2009.

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combining Financial Statements

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, 2009. 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, 2009		
	Level 1	Level 2	Level 3
Assets			
Common stock	\$26,081	\$-	\$-

Common Stock

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

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

<i>June 30, 2009</i>			
	Bowery Residents' Committee, Inc.	Affiliated Organizations	Total
Land	\$ 2	\$ -	\$ 2
Buildings	1,904,573	7,054,352	8,958,925
Leasehold improvements	4,405,307	2,147,723	6,553,030
Furniture and equipment	1,162,353	80,312	1,242,665
Vehicles	468,034	-	468,034
Total fixed assets	7,940,269	9,282,387	17,222,656
Less: Accumulated depreciation and amortization	(4,514,471)	(3,441,739)	(7,956,210)
Fixed assets, net	\$ 3,425,798	\$ 5,840,648	\$ 9,266,446

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combining Financial Statements

The estimated cost to complete construction-in-progress is \$526,947.

7. Affiliates

Avenue D G.P. has a .01% interest in 139-141 Avenue D L.P. ("Glass Factory LP"). Glass Factory LP owns and operates low and moderate income housing for single adults with AIDS. BRC currently manages the project. BRC is entitled to an annual property management fee from Glass Factory LP of 8% of net rental income. Avenue D G.P. is also entitled to an annual partnership management fee of \$5,000. BRC received property management fees of \$28,413 and Avenue D G.P. received partnership management fees of \$5,000 for the year ended June 30, 2009. The amount due from Glass Factory LP at June 30, 2009 was \$196,934.

93 Pitt Street G.P. has a 1% interest in 93 Pitt Street L.P. The L.P. also operates a low income rental housing project which is also managed by BRC. BRC is entitled to an annual property management fee from 93 Pitt Street L.P. of 8% of net rental income. 93 Pitt Street G.P. is also entitled to an annual partnership management fee of \$5,000. BRC received property management fees of \$19,525 and 93 Pitt Street G.P. received partnership management fees of \$5,000 for the year ended June 30, 2009. The amount due from 93 Pitt Street L.P. at June 30, 2009 was \$462,403.

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 \$527,000, were paid for by BRC and subsequently transferred to 902 Liberty Avenue, L.P. as of June 30, 2009. 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 \$251,389.

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

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combining Financial Statements

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 4.16% at June 30, 2009. The total amount outstanding as of June 30, 2009 was \$1,850,000. BRC incurred and paid \$55,636 in interest expense during the year ended June 30, 2009.

9. Loans Payable Loans payable consist of the following:

June 30, 2009

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. | \$ 756,655 |
| (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. | 1,465,045 |
| (c) Loan payable due to Deutsche Bank Americas Foundation. This loan, for the total amount of \$75,000, was disbursed in the amount of \$25,000 per year for three years. As of June 30, 2009, BRC has received three disbursements. The loan will not accrue interest (0% loan), but will require repayment in \$25,000 increments, to be paid annually. | 25,000 |

Total BRC	2,246,700
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Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combining Financial Statements

June 30, 2009

Affiliated Organizations:

(d) 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

(e) 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

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combining Financial Statements

June 30, 2009

Affiliated Organizations (continued):

(f) 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
Total Affiliated Organizations	3,731,014
Total loans payable	\$5,977,714

Principal maturities of loans payable as of June 30, 2009 are as follows:

Year ended June 30,

2010	\$ 146,660
2011	129,540
2012	137,952
2013	146,868
2014	122,350
Thereafter	5,294,344
	\$5,977,714

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combining Financial Statements

10. Lease Commitments

BRC and its Affiliated Organizations lease space for their programs pursuant to noncancellable operating leases expiring through 2038. Rental expense was \$6,958,440 for the year ended June 30, 2009. The following represents the future minimum annual lease payments:

2010	\$ 4,333,043
2011	1,819,245
2012	747,542
2013	570,808
2014	1,683,828
Thereafter	14,580,094
	\$23,734,560

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, 2009 are as follows:

Horizons program	\$ 81,986
Outreach	75,000
Safe Haven	175,069
Time restricted	266,484
	\$598,539

Bowery Residents' Committee, Inc. and Affiliated Organizations

Notes to Combining Financial Statements

- 12. Temporarily Restricted Net Assets** Temporarily restricted net assets are available for the following purposes at June 30, 2009:

Delancey Street Senior Center	\$12,000
Horizons program	68,014
Safe Haven	949
	<u>\$80,963</u>

- 13. Pension Benefits** BRC maintains a defined contribution pension plan which covers substantially all of its employees. Under the terms of the plan, BRC matches the contributions of certain employees, as defined in the plan. BRC's pension expense amounted to \$245,780 for the year ended June 30, 2009.
- 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.
- 15. Subsequent Events** BRC's management has performed subsequent event procedures through January 12, 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.