
**GODDARD RIVERSIDE COMMUNITY CENTER
AND RELATED ENTITY**

Consolidated Financial Statements

For the year ended June 30, 2010
(with comparative totals for 2009)

GODDARD RIVERSIDE COMMUNITY CENTER AND RELATED ENTITY

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Independent Auditors' Report

To the Board of Directors
Goddard Riverside Community Center
New York, New York

We have audited the accompanying consolidated statements of financial position of Goddard Riverside Community Center and related entity as of June 30, 2010 and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Goddard Riverside Community Center and related entity as of June 30, 2010 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

N. Cheng & Co., P.C.

New York, New York
November 16, 2010

GODDARD RIVERSIDE COMMUNITY CENTER AND RELATED ENTITY**Consolidated Statement of Financial Position**

June 30, 2010

(with comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash	\$ 392,154	\$ 1,181,084
Accounts receivable	2,913,831	2,162,374
Contributions receivable – Note 7	846,333	1,046,732
Interest receivable	33,679	35,567
Prepaid expenses	241,655	154,377
Investments – Note 4	11,542,307	11,201,283
Fixed assets, at cost - net of accumulated depreciation and amortization of \$2,947,582 (2010) and \$3,456,675 (2009) – Note 3	1,608,366	1,639,849
Mortgage receivable – Note 15	<u>2,981,845</u>	<u>2,981,845</u>
Total assets	<u>\$ 20,560,170</u>	<u>\$ 20,403,111</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts and accrued expenses payable	\$ 2,147,965	\$ 1,517,287
Due to related parties – Note 8	197,029	262,258
Refundable advances	1,310,621	1,224,290
Loan – Note 9	<u>710,000</u>	<u>810,000</u>
Total liabilities	<u>4,365,615</u>	<u>3,813,835</u>
Commitments and contingencies – Notes 6, 11 and 16		
<u>Net assets</u>		
Unrestricted		
Operating	261,972	485,241
Board designated endowment – Note 13	<u>11,064,542</u>	<u>10,645,231</u>
Total unrestricted	11,326,514	11,130,472
Temporarily restricted – Note 14	2,068,385	2,659,148
Permanently restricted – Note 13	<u>2,799,656</u>	<u>2,799,656</u>
Total net assets	<u>16,194,555</u>	<u>16,589,276</u>
Total liabilities and net assets	<u>\$ 20,560,170</u>	<u>\$ 20,403,111</u>

The accompanying notes are an integral part of this statement.

GODDARD RIVERSIDE COMMUNITY CENTER AND RELATED ENTITY
Consolidated Statement of Activities
For the year ended June 30, 2010
(with comparative totals for 2009)

	Unrestricted				Total 2009
	Operating	Board designated	Temporarily restricted	Permanently restricted	
Revenues					
Contributions and grants					
Contributions	\$ 791,621	\$ 791,621	\$ 1,846,953	\$ 2,638,574	\$ 4,494,392
Government grants	16,631,137	16,631,137		16,631,137	16,339,497
Program fees	1,331,494	1,331,494		1,331,494	1,219,492
Benefits	949,927	949,927		949,927	1,124,514
Less: direct benefits expense	(224,397)	(224,397)		(224,397)	(219,879)
In-kind services – Note 10	603,961	603,961		603,961	801,627
Net investment income – Note 4	3,086	\$ 912,369		915,455	(1,400,113)
Reimbursements from affiliates	885,314	885,314		885,314	850,216
Other revenues	58,813	58,813		58,813	97,897
Releases from restriction – Note 14	2,930,774	(493,058)	(2,437,716)		
Total revenues	<u>23,961,730</u>	<u>419,311</u>	<u>(590,763)</u>	<u>23,790,278</u>	<u>23,307,643</u>
Expenses					
Program services					
Youth	2,559,539	2,559,539		2,559,539	2,944,034
Senior citizens and adults	2,113,439	2,113,439		2,113,439	1,985,947
Housing and homeless	12,760,186	12,760,186		12,760,186	12,212,467
Preschool	3,930,577	3,930,577		3,930,577	4,519,946
Total program services	<u>21,363,741</u>	<u>21,363,741</u>		<u>21,363,741</u>	<u>21,662,394</u>
Supporting services					
Management and general	2,023,086	2,023,086		2,023,086	2,137,268
Fund raising	798,172	798,172		798,172	733,547
Total supporting services	<u>2,821,258</u>	<u>2,821,258</u>		<u>2,821,258</u>	<u>2,870,815</u>
Total expenses	<u>24,184,999</u>	<u>24,184,999</u>		<u>24,184,999</u>	<u>24,533,209</u>
Change in net assets from operations	(223,269)	419,311	(590,763)	(394,721)	(1,225,566)
Net assets at beginning of year	485,241	10,645,231	2,659,148	16,589,276	17,814,842
Net assets at end of year	<u>\$ 261,972</u>	<u>\$ 11,064,542</u>	<u>\$ 2,068,385</u>	<u>\$ 2,799,656</u>	<u>\$ 16,589,276</u>

The accompanying notes are an integral part of this statement.

GODDARD RIVERSIDE COMMUNITY CENTER AND RELATED ENTITY**Consolidated Statement of Cash Flows**

For the year ended June 30, 2010

(with comparative totals for 2009)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	(\$ 394,721)	(\$ 1,225,566)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	509,092	606,266
Net unrealized (gains) and losses on investments	(663,353)	1,750,650
Change in accounts receivable	(751,457)	274,494
Change in contributions receivable	200,399	(248,232)
Change in interest receivable	1,888	2,690
Change in prepaid expenses	(87,278)	4,386
Change in accounts and accrued expenses payable	630,678	(358,747)
Change in due to/from related parties	(65,229)	92,804
Change in refundable advances	<u>86,331</u>	<u>(26,532)</u>
Net cash (used in)/provided by operating activities	<u>(533,650)</u>	<u>872,213</u>
Cash flows from investing activities		
Acquisition of fixed assets	(477,609)	(392,245)
Purchase of investments including donated stocks	(2,731,730)	(6,663,019)
Proceeds from sale of investments	<u>3,054,059</u>	<u>5,950,010</u>
Net cash used in investing activities	<u>(155,280)</u>	<u>(1,105,254)</u>
Cash flows from financing activities		
Loan proceeds	830,000	810,000
Loan payments	<u>(930,000)</u>	<u>(150,000)</u>
Net cash (used in)/provided by financing activities	<u>(100,000)</u>	<u>660,000</u>
Net (decrease)/increase in cash and cash equivalents	(788,930)	426,959
Cash at beginning of year	<u>1,181,084</u>	<u>754,125</u>
Cash at end of year	<u>\$ 392,154</u>	<u>\$ 1,181,084</u>
Supplementary information		
Cash paid for interest	<u>\$ 26,159</u>	<u>\$ 18,777</u>

The accompanying notes are an integral part of this statement.

GODDARD RIVERSIDE COMMUNITY CENTER AND RELATED ENTITY

Notes to Consolidated Financial Statements

June 30, 2010

Note 1 Organization

Goddard Riverside Community Center (“GRCC”) was organized in the State of New York under Section 805 of the Not-for-profit Corporation Law to provide various social services to its community.

GRCC builds community, changes lives and supports New Yorkers in need through services including early childhood and youth programs, college counseling, supportive housing, employment readiness, and assistance to homeless and older adults in Manhattan. GRCC embraces the potential and worth of each individual, connecting them across social, economic and other barriers, and acknowledges the importance of a strong community.

GRCC cares for families with a variety of educational and recreational programs for toddlers, children, and young people, including making college accessible to low-income youngsters. GRCC helps people who are living on the streets to address the underlying issues that led to their homelessness, acquire basic life skills and reintegrate into the community. GRCC prevents evictions and preserves affordable housing by providing free legal-representation for low-income tenants and organizing tenants to advocate for their rights. Older adults are helped to live in their own homes for as long as possible; in addition, GRCC provides elders with health and social services, meals, recreation, companionship, and arts activities. GRCC educates community members on important civic issues and mobilizes them to advocate for better public policies at the city, state and federal levels. GRCC operates 27 programs at 21 different sites on the Upper West Side and in Harlem.

GRCC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as a publicly supported organization as described in Code Sections 509(a)(1) and 170(b)(1)(A)(vi).

St. Matthew’s and St. Timothy’s Neighborhood Center, Incorporated (“SMSTNC”), a 501(c)(3) not-for-profit organization that provides charitable, educational, nutritional and similar assistance programs for the benefit of the community. The financial statements of SMSTNC are consolidated with the operation of GRCC. SMSTNC changed its by-laws to state that GRCC the sole member of SMSTNC on May 31, 2006. SMSTNC is funded primarily by federal, state and city agencies.

Note 2 Summary of significant accounting policies

Basis of consolidation. The accompanying consolidated financial statements include the financial position, statement of activities and cash flows of GRCC and SMSTNC. All significant intercompany accounts and transactions have been eliminated in consolidation. The individual entities have interrelated directors and share common personnel. Some expenses, including salaries and professional fees, have been allocated between GRCC and SMSTNC based upon services rendered by common personnel and professional services. The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for profit entities.

GODDARD RIVERSIDE COMMUNITY CENTER AND RELATED ENTITY

Notes to Consolidated Financial Statements

June 30, 2010

Note 2 Summary of significant accounting policies - (continued)

Financial statements. The financial statements have been prepared in accordance with the Financial Accounting Standards Board in its Statement of Financial Accounting Standards SFAS Nos. 116 and 117, which established accounting standards for not-for-profit organizations. The standards require reporting information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Net assets. Net assets are classified as follows:

Unrestricted - operating - this class includes net assets from unrestricted contributions and from other resources not subject to donor-imposed restrictions.

Unrestricted - board designated endowment - represents resources designated by the Board of Directors for long term support.

Temporarily restricted - this class includes net assets from restricted contributions (temporary restrictions) whose donor-imposed restrictions have not yet been met.

Permanently restricted - this class includes contributions restricted by the donor with no specified expiration date. Annual investment income is available for support of specified purposes. Investment income is recognized in the temporarily restricted or unrestricted classes of net assets based on donor stipulations.

In addition, in August 2008, the FASB released a Staff Position document ("FSP"), SFAS No. 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enhanced Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds." The FSP requires expanded disclosures about the activities in an organization's endowment funds (both donor restricted and board designated) and is effective for operating years ending after December 15, 2008. As of June 30, 2010, New York State has not adopted UPMIFA.

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

Comparative information. The consolidated financial statements include summarized prior year information, which is presented in total, but not by asset class. This summarized information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the consolidated financial statements for the year ended June 30, 2009, from which the summarized information was derived. The independent auditor's opinion on the consolidated financial statements for the year ended June 30, 2009 was unqualified.

GODDARD RIVERSIDE COMMUNITY CENTER AND RELATED ENTITY

Notes to Consolidated Financial Statements

June 30, 2010

Note 2 Summary of significant accounting policies - (continued)

Support. Contributions received and unconditional promises to give are measured at their fair value and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Gifts of goods and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, GRCC and its consolidated affiliate report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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 substantially met.

Functional allocation of expenses. The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of GRCC and SMSTNC.

Cash and cash equivalents. Cash and cash equivalents consist of cash held in checking and money market accounts. All highly liquid investments with maturity of three months or less when purchased are considered to be cash equivalents. GRCC and SMSTNC maintain its cash and cash equivalents in what it believes to be quality financial institutions. Accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 effective through December 31, 2013. GRCC and SMSTNC are not exposed to credit risk in excess of the FDIC limit.

Fixed assets. Depreciation of fixed assets and amortization of leasehold improvements are provided over the estimated useful lives of the respective assets or life of the lease whichever is shorter on a straight-line method as follows:

	<u>Estimated life</u>
Leasehold improvements	3 - 15 years
Office equipment	3 - 5 years
Transportation vehicles	5 years

GODDARD RIVERSIDE COMMUNITY CENTER AND RELATED ENTITY

Notes to Consolidated Financial Statements

June 30, 2010

Note 2 Summary of significant accounting policies - (continued)

Government grant advances. Government grant awards are classified as refundable advances until expended for the purposes of the grants since they have traits that bear a closer resemblance to exchange transactions (purchase of services) than to contributions.

Deferred revenue. Program fees received in advance that relate to future fiscal years have been recorded as deferred revenue and will be recognized in the period to which they apply.

Fair value measurements. GRCC and SMSTNC adopted Statement of Financial Standards No. 157, Fair Value Measurements (SFAS 157) which requires classification of assets and liabilities based on valuation methods using three levels. Fair value is defined under SFAS 157 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under SFAS 157 must maximize the use of observable inputs and minimize the use of unobservable inputs.

The standard describes how to measure fair value based on a three-level hierarchy of inputs, of which the first two are considered observable and the last unobservable.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liability.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents GRCC's and SMSTNC's valuation levels of investments as of June 30, 2009:

Level 1 Quoted prices	\$ 11,542,307
Level 2 Other significant observable inputs	-
Level 3 Unobservable inputs	-
Total	<u>\$ 11,542,307</u>

The adoption of this statement does not have a material impact on GRCC's and SMSTNC's statement of activities or financial position.

FASB interpretation No. 48 (FIN 48) – Accounting for uncertainty in income taxes – an interpretation of FASB statement No. 109. Management has considered possible areas of uncertain tax positions and possible areas of risk to its tax-exempt status. Management has concluded that GRCC and SMSTNC have no uncertain tax positions and that a tax examination would sustain GRCC and SMSTNC's tax exempt status.

GODDARD RIVERSIDE COMMUNITY CENTER AND RELATED ENTITY**Notes to Consolidated Financial Statements**

June 30, 2010

Note 2 Summary of significant accounting policies - (continued)

Subsequent events. GRCC and SMSTNC evaluated their June 30, 2010 financial statements for subsequent events through November 16, 2010, the date the financial statements were available to be issued. GRCC and SMSTNC are not aware of any subsequent events which would require recognition or disclosure in the financial statements except for the merger on Note 18 herein.

Note 3 Fixed assets

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ 3,878,620	\$ 3,487,099
Equipment	631,786	626,806
Transportation equipment	249,184	189,040
Computer systems	<u>305,451</u>	<u>284,486</u>
Total fixed assets	5,065,041	4,587,431
Less - accumulated depreciation and amortization	<u>(3,456,675)</u>	<u>(2,947,582)</u>
Net fixed assets	<u>\$ 1,608,366</u>	<u>\$ 1,639,849</u>

Note 4 Investments and investment income

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 3,847,420	\$ 4,618,058
Equity securities and funds	4,519,026	3,594,467
Fixed income	<u>3,175,861</u>	<u>2,988,758</u>
Total investments	<u>\$ 11,542,307</u>	<u>\$ 11,201,283</u>
Dividends and interest	\$ 282,649	\$ 305,999
Net realized (loss)/gain	<u>(18,670)</u>	56,795
Net unrealized (loss)/gain	663,353	<u>(1,750,650)</u>
Fees	<u>(12,378)</u>	<u>(12,641)</u>
Net investment income	914,954	<u>(1,400,497)</u>
Other interest	<u>501</u>	<u>384</u>
Total investment income	<u>\$ 915,455</u>	<u>(\$ 1,400,113)</u>

GODDARD RIVERSIDE COMMUNITY CENTER AND RELATED ENTITY**Notes to Consolidated Financial Statements**

June 30, 2010

Note 4 Investments and investment income – (continued)

Allocation of investment income for 2010 and 2009 are as follows:

2010	Unrestricted Board designated	Temporarily restricted	Permanently restricted	2010 Total
Dividends and interest	\$ 201,163	\$ 11,638	\$ 69,848	\$ 282,649
Net realized gain	(13,442)	(560)	(4,668)	(18,670)
Net unrealized (loss)/gain	663,353	-	-	663,353
Fees	(12,378)	-	-	(12,378)
Total investment return	838,696	11,078	65,180	914,954
Transfers	76,258	(11,078)	(65,180)	-
Total allocation	\$ 914,954	\$ -	\$ -	\$ 914,954

2009	Unrestricted Board designated	Temporarily restricted	Permanently restricted	2009 Total
Dividends and interest	\$ 229,499	\$ 6,120	\$ 70,380	\$ 305,999
Net realized gain	42,596	1,136	13,063	56,795
Net unrealized (loss)/gain	(1,750,650)	-	-	(1,750,650)
Fees	(12,641)	-	-	(12,641)
Total investment return	(1,491,196)	7,256	83,443	(1,400,497)
Transfers	90,699	(7,256)	(83,443)	-
Total allocation	(\$ 1,400,497)	\$ -	\$ -	(\$ 1,400,497)

Note 5 Pension plan

GRCC and SMSTNC maintain pension plans for their eligible staff. GRCC's pension plan is a defined contribution plan where the annual contribution is at the discretion of the Board of directors. SMSTNC maintains a TDA plan with a limited employer match. The total pension expense for fiscal years 2010 and 2009 was \$465,315 and \$258,076 respectively.

Note 6 Contingencies

Certain contracts may be subject to audit by the funding sources. Disallowances and adjustments which are considered to be immaterial to the financial statements, if any, resulting from such audit will be reflected in the financial statements in the year of settlement.

GODDARD RIVERSIDE COMMUNITY CENTER AND RELATED ENTITY

Notes to Consolidated Financial Statements

June 30, 2010

Note 7 Contributions receivable

Contributions receivable is comprised of unconditional promises to give shown below. Unconditional promises to give are recorded at the present value of their estimated future cash flows. In determining the present value of the expected future cash flows, a discount rate of 0.87% to 1.11% was applied to long term receivable at June 30, 2009. There was no discount applied at June 30, 2010.

	<u>2010</u>	<u>2009</u>
Amounts due in		
Less than one year	\$ 846,333	\$ 815,933
One to two years	-	238,000
Less: discount	-	(7,201)
	<u>\$ 846,333</u>	<u>\$ 1,046,732</u>

As of June 30, 2010, \$846,333 of contributions receivable is temporarily restricted. Management expects all pledges to be fully collected and, accordingly, no allowance for doubtful pledges has been provided.

Note 8 Due to related parties

As of June 30, the balances due from/(to) unconsolidated related parties consisted of:

	<u>2010</u>	<u>2009</u>
Capitol Hall Preservation HDFC	(\$ 144,292)	(\$ 203,453)
Corner House Associates, L.P.	73,916	29,466
Phelps House Associates, L.P.	72,092	156,223
New Senate Associates, L.P.	(219,179)	(261,105)
140 W 140 th St. HDFC	<u>20,434</u>	<u>16,611</u>
Total	<u>(\$ 197,029)</u>	<u>(\$ 262,258)</u>

GRCC does not meet the criteria of control and economic interest in the above related parties contained in FSP SOP 94-3-1 and AAG HCO-1; therefore the financial position and activities of these parties are not included in its consolidated financial statements.

Note 9 Loan

GRCC and SMSTNC secured lines of credit for a total of \$1,150,000. The interest rate is .75% over the prime rate. All business assets, inventory, equipment, accounts, general intangibles, chattel papers, documents, instruments and letter of credit rights of the GRCC and SMSTNC are pledged as collateral. As of June 30, 2010, a total of \$710,000 was outstanding.

GODDARD RIVERSIDE COMMUNITY CENTER AND RELATED ENTITY

Notes to Consolidated Financial Statements

June 30, 2010

Note 10 In-kind services

SFAS No. 116 requires not-for-profit organizations to record the contributed value of facilities, benefits and services received. The following in-kind facilities, benefits and services have been recorded related to the Head Start Programs for fiscal year ended June 30,

	<u>2010</u>	<u>2009</u>
Occupancy	\$ 413,743	\$ 623,533
Supplies	1,660	
Program volunteers (teacher aides)	22,558	25,357
Fringe benefits	<u>166,000</u>	<u>152,737</u>
Total	<u>\$ 603,961</u>	<u>\$ 801,627</u>

Note 11 Commitments

GRCC and SMSTNC lease various facilities under operating leases expiring between the years 2010 and 2018. As of June 30, the minimum future commitment is as follows:

Year ending June 30,	<u>2010</u>	<u>2009</u>
2010		\$ 411,425
2011	\$ 308,120	308,120
2012	153,812	153,812
2013	81,757	81,757
2014	30,668	
Thereafter	<u>135,442</u>	<u>166,110</u>
Total	<u>\$ 709,799</u>	<u>\$ 1,121,224</u>

Total rent expense paid (excluding in-kind) in 2010 was \$719,233 of which \$369,561 is on a month to month basis.

Note 12 Developer's fee

GRCC is a party to an agreement with Phelps House Associates L.P. whereby GRCC oversaw the development and renovations of a 169-unit building for the elderly located at 595 Columbus Avenue, New York, NY. The construction was completed on December 31, 2005. For these services, Phelps House Associates, L.P. agreed to pay GRCC a net developer's fee of \$2,483,463 of which \$1,121,442 is the current portion and \$1,362,021 is payable only to the extent cash flow is available from the property. Income is recognized only when cash is received. As of June 30, 2010, a total of \$1,348,034 was collected in prior years.

GODDARD RIVERSIDE COMMUNITY CENTER AND RELATED ENTITY**Notes to Consolidated Financial Statements**

June 30, 2010

Note 13 Board designated endowment and permanently restricted net assets

The Board of Directors established a Board designated endowment fund to generate income to support the operations of GRCC. The endowment was funded initially by the unrestricted proceeds from the sales of certain real properties and other funds. Annually, GRCC receives contributions from donors which are restricted or designated by the Board of Directors. GRCC may fund operations from the endowment fund (restricted and unrestricted) with up to 4.5% of the average total value of the endowment fund. This amount is estimated and set by the Board during the approval of the annual operating budget. For fiscal year ended June 30, 2010 the Board approved \$493,058 to be used for operations. This amount was transferred from the board designated endowment fund to the operating fund.

At June 30, permanently restricted net assets consist of the following:

	<u>2009</u>	<u>Additions</u>	<u>Released</u>	<u>2010</u>
Lester Martin scholarship fund	\$ 106,000			\$ 106,000
Options endowment	605,000			605,000
Bernie Wohl endowment	<u>2,088,656</u>			<u>2,088,656</u>
Total	<u>\$ 2,799,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,799,656</u>

Note 14 Temporarily restricted net assets

As of June 30, temporarily restricted net assets consist of:

	<u>2009</u>	<u>Additions</u>	<u>Releases</u>	<u>2010</u>
Time restricted	\$ 699,940	\$ 125,060	(\$ 580,000)	\$ 245,000
Program restricted				
Youth	398,002	953,741	(723,779)	627,964
Housing and homeless	499,527	499,360	(482,081)	516,806
Senior citizens and adults	270,000	21,125	(91,125)	200,000
SMSTNC programs	461,478	149,100	(286,300)	324,278
Bernie Wohl center renovation	<u>330,201</u>	<u>98,567</u>	<u>(274,431)</u>	<u>154,337</u>
Total	<u>\$ 2,659,148</u>	<u>\$ 1,846,953</u>	<u>(\$ 2,437,716)</u>	<u>\$ 2,068,385</u>

GODDARD RIVERSIDE COMMUNITY CENTER AND RELATED ENTITY

Notes to Consolidated Financial Statements

June 30, 2010

Note 15 Mortgage receivable

In December 2004, Goddard Riverside Housing Development Fund Company, Inc. (“GRHDFC”), an unconsolidated affiliate of GRCC, sold real estate it owned at 595 Columbus Avenue, New York, NY to Phelps House Associates, L.P. (the “Partnership”). Part of the consideration received by GRCC is a mortgage receivable in the amount of \$2,981,845 dated December 17, 2004.

The mortgage bears an annual interest rate of 4.68% with principal and interest payments due annually over 30 years. These payments will be made only to the extent of available cash flow from the property as defined in the Partnership agreement. Because the amount of cash flow is uncertain, the interest income will be recognized only as and when payments are received by GRCC. No interest payments were received in fiscal year ended June 30, 2010 and no interest income was recognized.

Note 16 Client representative payee accounts

GRCC is acting as “rep-payee” for over 110 clients who receive services from several of the GRCC programs. Funds, received on behalf of each client, are deposited in individual client accounts. Funds are disbursed from these accounts to pay each client’s expenses and provide cash to individual clients from each client’s fund, based on need. The activity in these accounts, which is not reflected in the accompanying financial statements, is summarized below:

	<u>2010</u>	<u>2009</u>
Balance at beginning of year	\$ 305,339	\$ 292,580
Deposits during the year	662,863	766,853
Disbursements during the year	(<u>660,225</u>)	(<u>754,094</u>)
Balance at end of year	<u>\$ 307,977</u>	<u>\$ 305,339</u>

Note 17 Manhattan outreach contract

GRCC was awarded a three-year contract with the New York City Department of Homeless Services (DHS) and is the lead agency on the Manhattan Outreach Consortium. The consortium is the single point of accountability in the borough responsible for all outreach and housing placement services. The Manhattan Outreach Consortium includes six other neighborhood based centers, namely, Common Ground Community, Center for Urban Community Services, John Heuss House, Lenox Hill Neighborhood House, Urban Pathways, and The Bridge, Inc.

GODDARD RIVERSIDE COMMUNITY CENTER AND RELATED ENTITY

Notes to Consolidated Financial Statements

June 30, 2010

Note 17 Manhattan outreach contract – (continued)

Total contract amount in 2010 and 2009 was \$5,216,435 and \$4,567,689 respectively. GRCC's portion of the contract for both its service delivery and administrative roles was \$1,728,360 and \$1,149,107 respectively, with the remaining shared by the consortium partners as follows:

	<u>2010</u>	<u>2009</u>
Common Ground Community	\$ 571,430	\$ 656,215
Center for Urban Community Services	878,910	904,233
John Heuss House	-	399,893
Lenox Hill Neighborhood House	287,705	326,200
Urban Pathways	523,351	956,989
The Bridge, Inc.	220,235	244,545
Neighborhood Coalition for Shelter	<u>69,834</u>	<u>-</u>
Total	<u>\$ 2,551,465</u>	<u>\$ 3,488,075</u>

Note 18 Merger

The Boards of both entities are planning to complete a merger with St. Matthew's and St. Timothy's Neighborhood Center, Inc. by January 1, 2011 and is anticipating the approval of the Attorney General by December 2010.

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November 16, 2010

To the Board of Directors
Goddard Riverside Community Center
New York, New York

The financial statements of Goddard Riverside Community Center and Related Entity, namely the statement of financial position as of June 30, 2010 and the related statements of activities and change in net assets and cash flows for the year then ended and our Independent Auditor's Report thereon, are included in the preceding section of this report.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses 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 a whole.

N. Cheng & Co., P.C.

New York, New York

GODDARD RIVERSIDE COMMUNITY CENTER AND RELATED ENTITY
Consolidated Schedule of Functional Expenses

For the year ended June 30, 2010
(with comparative totals for 2009)

	Program services				Supporting services			Total program and supporting services
	Youth	Senior citizens and adults	Housing and homeless	Preschool	Total	Management and general	Fund raising	Total
Salaries	\$ 1,579,971	\$ 1,192,643	\$ 5,898,802	\$ 1,842,380	\$ 10,513,796	\$ 1,110,999	\$ 383,744	\$ 1,494,743
Employee benefits – in-kind of \$166,000	447,514	340,629	1,654,481	536,641	2,979,265	311,811	107,631	419,442
Total personnel	2,027,485	1,533,272	7,553,283	2,379,021	13,493,061	1,422,810	491,375	1,914,185
Professional fees – in-kind of \$22,558	39,533	26,616	202,817	133,292	402,258	218,147	222,829	440,976
Supplies – in-kind of \$1,660	181,606	12,473	206,872	93,619	494,570	39,534	5,011	44,545
Telephone	6,442	10,750	90,089	22,469	129,750	57,864	277	58,141
Postage	3,516	4,140	8,282	938	16,876	12,014	6,197	18,211
Occupancy costs – in-kind of \$413,743	38,011	43,200	1,586,126	614,201	2,281,538	19,474		19,474
Transportation and travel	51,376	16,447	101,849	11,950	181,622	10,538	1,681	12,219
Printing and publications	22,521	16,935	51,219	18,808	109,483	9,917	22,342	32,259
Insurance	40,198	7,335	65,306	25,217	138,056	97,162		97,162
Equipment rental and maintenance	4,423	11,395	113,194	62,248	191,260	3,692		3,692
Food	57,574	367,104	90,126	212,432	727,236	6,281	207	6,488
Membership dues	3,240	1,530	9,480	2,083	16,333	22,090	1,555	23,645
Program expense	7,654	29,819		25,692	63,165			63,165
Other	23,599	14,765	75,197	4,255	117,816	51,202	39,219	90,421
MOC subcontractors - Note 17			2,551,465		2,551,465			2,551,465
Depreciation and amortization	52,361	17,658	54,881	324,352	449,252	52,361	7,479	59,840
Total other than personnel	532,054	580,167	5,206,903	1,551,556	7,870,680	600,276	306,797	907,073
Total expenses	\$ 2,559,539	\$ 2,113,439	\$ 12,760,186	\$ 3,930,577	\$ 21,363,741	\$ 2,023,086	\$ 798,172	\$ 2,821,258
								\$ 24,184,999
								\$ 24,533,209