

**Stanley M. Isaacs Neighborhood  
Center, Inc.**

Financial Statements

June 30, 2008



O'Connor Davies Munns & Dobbins, llp  
ACCOUNTANTS AND CONSULTANTS

## Independent Auditors' Report

**The Board of Directors  
Stanley M. Isaacs Neighborhood  
Center, Inc.**

We have audited the accompanying statements of financial position of Stanley M. Isaacs Neighborhood Center, Inc. (the "Center") as of June 30, 2008 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Center's 2007 financial statements and, in our report dated February 22, 2008 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 the Center's 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 financial statements referred to above present fairly, in all material respects, the financial position of Stanley M. Isaacs Neighborhood Center, Inc. as of June 30, 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*O'Connor Davies Munns & Dobbins, LLP*

New York, New York  
January 23, 2009

**Stanley M. Isaacs Neighborhood Center, Inc.**

Statement of Financial Position

June 30, 2008

(With comparative amounts at June 30, 2007)

	2008	2007
<b>ASSETS</b>		
Cash	\$ 320,298	\$ 941,642
Contributions receivable	137,199	135,507
Due from government agencies, net of an allowance for doubtful accounts of \$100,000	1,087,141	671,829
Other receivables	14,438	44,197
Investments	2,591,341	2,745,083
Prepaid expenses and deposits	20,741	26,722
Beneficial interest in perpetual trust	589,472	630,348
Property, plant and equipment, net	1,761,160	1,889,510
	<b>\$ 6,521,790</b>	<b>\$ 7,084,838</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 129,551	\$ 201,540
Accrued salaries and related liabilities	271,348	239,566
Due to subcontractor	79,382	110,577
Refundable advances	3,567	3,379
Total Liabilities	483,848	555,062
Net Assets		
Unrestricted		
General fund	2,955,581	3,282,310
Plant fund	1,761,160	1,889,510
Total Unrestricted	4,716,741	5,171,820
Temporarily restricted	684,496	680,375
Permanently restricted	636,705	677,581
Total Net Assets	6,037,942	6,529,776
	<b>\$ 6,521,790</b>	<b>\$ 7,084,838</b>

**Stanley M. Isaacs Neighborhood Center, Inc.**

Statement of Activities

Year Ended June 30, 2008

(With summarized totals for the year ended June 30, 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total	2007 Total
<b>PUBLIC SUPPORT AND REVENUE</b>					
Contracts revenue	\$ 3,523,646	\$ -	\$ -	\$ 3,523,646	\$ 2,983,151
Contributions	1,130,996	1,145,056	-	2,276,052	2,012,913
In-kind contributions	120,000	-	-	120,000	120,000
Legacies	-	184,873	-	184,873	795,853
Special events, net of direct expenses of \$64,455 and \$60,098	192,121	-	-	192,121	156,207
Thrift shop	-	-	-	-	2,732
Program service fees and other	91,764	-	-	91,764	87,417
Interest and dividends	88,881	-	-	88,881	55,444
Rental fees and miscellaneous	100,383	-	-	100,383	141,278
Net assets released from restrictions	1,325,808	(1,325,808)	-	-	-
Total Public Support and Revenue	<u>6,573,599</u>	<u>4,121</u>	<u>-</u>	<u>6,577,720</u>	<u>6,354,995</u>
<b>EXPENSES</b>					
Program Expenses					
Senior services	1,330,743	-	-	1,330,743	1,189,240
Meals on Wheels	1,645,362	-	-	1,645,362	1,352,862
Youth and family services	2,614,927	-	-	2,614,927	2,351,119
Supporting services					
Management and general	483,765	-	-	483,765	518,960
Fundraising	618,307	-	-	618,307	616,880
Total Expenses	<u>6,693,104</u>	<u>-</u>	<u>-</u>	<u>6,693,104</u>	<u>6,029,061</u>
Excess (Deficiency) of Public Support and Revenue Over Expenses	<u>(119,505)</u>	<u>4,121</u>	<u>-</u>	<u>(115,384)</u>	<u>325,934</u>
<b>NON OPERATING ACTIVITIES</b>					
Realized and unrealized (loss) gain on investments	(335,574)	-	-	(335,574)	326,074
Change in beneficial interest in perpetual trust	-	-	(40,876)	(40,876)	56,573
Change in Net Assets	<u>(455,079)</u>	<u>4,121</u>	<u>(40,876)</u>	<u>(491,834)</u>	<u>708,581</u>
<b>NET ASSETS</b>					
Beginning of year	<u>5,171,820</u>	<u>680,375</u>	<u>677,581</u>	<u>6,529,776</u>	<u>5,821,195</u>
End of year	<u>\$ 4,716,741</u>	<u>\$ 684,496</u>	<u>\$ 636,705</u>	<u>\$ 6,037,942</u>	<u>\$ 6,529,776</u>

Stanley M. Isaacs Neighborhood Center, Inc.

Statement of Functional Expenses

Year Ended June 30, 2008  
(with summarized totals for the year ended June 30, 2007)

	Program Services				Supporting Services			Total
	Senior Services	Meals on Wheels	Youth and Family Services	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 649,926	\$ 877,769	\$ 1,609,133	\$ 3,136,828	\$ 250,542	\$ 117,752	\$ 368,294	\$ 3,505,122
Payroll taxes	57,158	80,737	153,800	291,695	48,974	9,008	57,982	349,677
Employee benefits	21,533	11,763	181,983	215,279	64,911	11,026	75,937	274,450
Total Salaries and Related Expenses	728,617	970,269	1,944,916	3,643,802	364,427	137,786	502,213	4,146,015
Awards and grants	192	-	38,732	38,924	-	-	-	38,924
Occupancy	74,386	7,069	30,499	111,954	5,963	2,083	8,046	120,000
Consultants	109,630	36,190	65,353	211,173	16,207	225,770	241,977	453,150
Computer service	23,582	27,926	35,610	87,118	9,970	1,039	11,009	98,127
Subcontractors	16	-	36,605	36,621	-	-	-	36,621
Printing and publishing	14,361	11,018	33,879	59,258	24,525	141,093	165,618	224,876
Postage and mailing	2,981	145	4,047	7,173	9,278	97,330	106,608	113,781
Office expense	32,414	9,594	23,980	65,988	6,869	2,064	8,933	74,921
Telephone	23,892	30,962	33,024	87,878	1,393	1,393	2,786	90,664
Food and beverage	134,016	412,814	26,543	573,373	5,578	-	5,578	578,951
Program supplies	17,322	8,600	35,365	61,287	1,726	-	1,726	63,013
Program activities	10,404	135	19,077	29,616	-	403	403	30,019
Insurance	10,114	32,424	22,967	65,505	1,644	749	2,393	67,898
Dues and subscriptions	3,285	1,165	7,793	12,243	14,455	-	14,455	26,698
Conference and seminars	825	2,229	4,720	7,774	585	681	1,266	9,040
Travel and auto	14,400	32,764	22,482	69,646	503	268	771	70,417
Stipend payments	8,122	2,875	60,191	71,188	1,060	220	1,280	72,468
Repairs and maintenance	35,019	21,970	2,984	59,973	1,887	35	1,922	61,895
Bank fees	44	-	95	139	4,928	7,393	12,321	12,460
Computers and equipment	7,726	1,610	29,470	38,806	817	-	817	39,623
Depreciation and amortization	40,614	30,613	69,681	140,908	11,950	-	11,950	152,858
Bad debt	-	-	-	-	-	-	-	-
Indirect cost	38,781	4,990	66,914	110,685	-	-	-	110,685
Total Expenses	\$ 1,330,743	\$ 1,645,362	\$ 2,614,927	\$ 5,591,032	\$ 483,765	\$ 618,307	\$ 1,102,072	\$ 6,693,104
								\$ 6,029,061

**Stanley M. Isaacs Neighborhood Center, Inc.**

Statement of Cash Flows

Year Ended June 30, 2008

(With comparative amounts for the year ended June 30, 2007)

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (491,834)	\$ 708,581
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized and unrealized (gain) loss on investments	335,574	(326,074)
Bad debt expense	-	137,661
Change in beneficial interest in perpetual trust	40,876	(56,573)
Donated stock	-	(776)
Depreciation and amortization	152,858	154,147
Changes in operating assets and liabilities		
Contributions receivable	(1,692)	140,486
Due from government agencies	(415,312)	646,258
Other receivables	29,759	(22,039)
Prepaid expenses and deposits	5,981	11,791
Accounts payable and accrued expenses	(71,989)	(122,545)
Accrued salaries and related liabilities	31,782	(6,147)
Due to subcontractor	(31,195)	(198,675)
Refundable advances	188	(102,051)
	(415,004)	964,044
Net Cash From Operating Activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(24,508)	(30,322)
Purchase of investments	(98,556)	(294,187)
Proceeds from sale of investments	34,832	252,621
Net change in investment cash	(118,108)	(441,526)
Net Cash From Investing Activities	(206,340)	(513,414)
Net Change in Cash and Cash Equivalents	(621,344)	450,630
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	941,642	491,012
End of year	\$ 320,298	\$ 941,642

See notes to financial statements

**Stanley M. Isaacs Neighborhood  
Center, Inc.**

Notes to Financial Statements

**1. Organization and Tax Status**

Stanley M. Isaacs Neighborhood Center, Inc. (the "Center"), founded in 1964, provides community services that include senior, adult, youth and family services to people of all ages and backgrounds in the Yorkville and East Harlem sections of Manhattan.

The Center is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code.

**2. Summary of Significant Accounting Policies**

*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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Basis of Presentation*

Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. Temporarily restricted net assets are those whose use is limited by donors to a specific time period or purpose. Permanently restricted net assets are limited by donors for investment in perpetuity.

*Cash and Cash Equivalents*

The Center considers all unrestricted highly liquid debt instruments purchased with an original maturity of three months or less at time of purchase to be cash equivalents.

*Allowance for Doubtful Accounts*

An allowance for doubtful accounts is established for amounts where there exists doubt as to whether an amount will be fully collected. The determination of this allowance is an estimate based on the Center's historical experience, review of account balances and expectations relative to collections.

*Investments*

Investments are stated at fair value, based upon quoted market prices. Changes in the fair value of investments are reported in the statement of activities as unrealized and realized gains and losses.

**Stanley M. Isaacs Neighborhood  
Center, Inc.**

Notes to Financial Statements

**2. Summary of Significant Accounting Policies (*continued*)**

***Perpetual Trust***

The Center is the beneficiary of a 5% interest in a perpetual trust held by another entity as trustee. The Center's beneficial interest in this trust is recorded at the fair market value of the assets underlying the trust as of the balance sheet date.

***Property, Plant and Equipment***

Fixed assets are stated at cost. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets, which range from three to approximately 32 years.

***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 purpose or time restriction is met, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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.

***In-kind Contributions***

During 2008, the Center occupied premises in New York City Housing Authority-owned buildings without charge. The estimated fair value of premises rental is reported as revenue and expense of \$120,000. The value of donated services is recorded at fair value in the period received. Individuals volunteer their time and perform a variety of tasks that assist the Center with various program functions. These volunteer services have not been recognized in the financial statements because they do not meet the criteria for recognition.

***Revenue Recognition***

A significant portion of the Center's operations are conducted under contract or other regulations with various government agencies. Revenue arising from government agency contracts is subject to audit by such agencies. The Center does not reflect any adjustment for potential disallowances of expense since management believes that all expenses incurred for such programs should be treated as allowable costs.

**Stanley M. Isaacs Neighborhood  
Center, Inc.**

Notes to Financial Statements

**2. Summary of Significant Accounting Policies (continued)**

***Functional Expenses***

The costs of providing the Center's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

***Summarized Financial 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 generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

**3. Concentrations**

Financial instruments which potentially subject the Center to a concentration of credit risk include cash accounts with a major New York financial institution in excess of FDIC insurance limits. This financial institution has a strong credit rating and the Board and management believe that credit risk related to these accounts is minimal. The investment portfolio is diversified by type of investments and industry concentrations so that individual investment or group of investments represent a significant concentration of credit risk. Receivables are expected to be collected in the normal course of business.

**4. Investments**

Investments consist of the following at June 30:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 561,818	\$ 561,818	\$ 443,710	\$ 443,710
U.S. Government obligations	47,810	47,591	47,810	44,416
Common Stocks	1,035	1,035	777	777
Mutual funds	<u>1,946,846</u>	<u>1,980,897</u>	<u>1,883,380</u>	<u>2,256,180</u>
	<u>\$ 2,557,509</u>	<u>\$ 2,591,341</u>	<u>\$ 2,375,677</u>	<u>\$ 2,745,083</u>

**Stanley M. Isaacs Neighborhood  
Center, Inc.**

Notes to Financial Statements

**5. Property, Plant and Equipment**

Property, plant and equipment consist of the following at June 30:

	<u>2008</u>	<u>2007</u>	<u>Useful Lives</u>
Leasehold improvements	\$ 3,740,054	\$ 3,740,054	31.5 years
Furniture and equipment	754,873	730,365	3-7 years
Automobiles	<u>13,500</u>	<u>13,500</u>	3 years
	4,508,427	4,483,919	
Accumulated depreciation and amortization	<u>(2,747,267)</u>	<u>(2,594,409)</u>	
	<u>\$ 1,761,160</u>	<u>\$ 1,889,510</u>	

**6. Pension Plan**

The Center's noncontributory profit-sharing plan covers substantially all employees after one year of service. Contributions to the plan, if any, are determined each year by the Center's board of directors. No contribution was made to the plan in 2008.

**7. Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available at June 30, 2008 for the following programs or purposes:

Senior services	\$ 8,722
Meals on wheels	313,274
Youth and family service programs	212,500
Timing	<u>150,000</u>
	<u>\$ 684,496</u>

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

Senior services	\$ 50,905
Meals on wheels	566,391
Youth and family service programs	620,100
Timing	<u>88,412</u>
	<u>\$ 1,325,808</u>

**Stanley M. Isaacs Neighborhood  
Center, Inc.**

Notes to Financial Statements

**7. Temporarily and Permanently Restricted Net Assets (continued)**

Permanently restricted net assets at June 30, 2008 are restricted to the following purposes:

Investments in perpetuity, the income from which is expendable to support education scholarships	\$ 47,233
Benefecial interest in perpetual trust	<u>589,472</u>
	<u>\$ 636,705</u>

**8. Line of Credit**

The Center has an available line of credit of \$500,000 from Citibank which bears interest at prime plus one half percent secured by the Center's assets. At June 30, 2008, there were no outstanding borrowings under this line and no interest was incurred for the year ended June 30, 2008.