

HIGHBRIDGE COMMUNITY LIFE CENTER, INC.

FINANCIAL STATEMENTS

JUNE 30, 2010

HIGHBRIDGE COMMUNITY LIFE CENTER, INC.

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INDEPENDENT AUDITORS' REPORT

An Independent Member of Baker Tilly International

To the Board of Directors
Highbridge Community Life Center, Inc.

We have audited the accompanying statement of financial position of Highbridge Community Life Center, Inc. (a not-for-profit organization) as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Highbridge Community Life Center, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Highbridge Community Life Center, Inc. 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.

MBAF-ERE CPAs, LLC
New York, NY
March 30, 2011

HIGHBRIDGE COMMUNITY LIFE CENTER, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2010

Assets:

Cash and cash equivalents	\$ 142,797
Grants and contributions receivable	1,041,792
Prepaid expenses and other assets	22,819
Investments	16,979
Property and equipment, net	1,868,728
Security deposits	51,447

Total Assets

\$ 3,144,562

Liabilities and Net Assets:

Liabilities:

Accounts payable and accrued expenses	\$ 258,237
Loan payable	13,000
Credit line payable	593,674
Grantee payable	51,920
Deferred rent	64,018
Other payables	256

Total Liabilities

981,105

Net Assets:

Unrestricted	2,078,457
Temporarily restricted	85,000

Total Net Assets

2,163,457

Total Liabilities and Net Assets

\$ 3,144,562

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

HIGHBRIDGE COMMUNITY LIFE CENTER, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Private grants and contributions	\$ 4,349,863	\$ 85,000	\$ 4,434,863
Government contracts and grants	2,604,712	-	2,604,712
Rental and service fees	204,801	-	204,801
In-kind revenue	127,109	-	127,109
Investment income	285	-	285
Released from restrictions	89,119	(89,119)	-
Total Support and Revenue	7,375,889	(4,119)	7,371,770
Expenses:			
Program services	5,489,055	-	5,489,055
Management and general	647,802	-	647,802
Fundraising	186,482	-	186,482
Total Expenses	6,323,339	-	6,323,339
Change in net assets	1,052,550	(4,119)	1,048,431
Net assets - beginning of year, as previously reported	1,108,391	89,119	1,197,510
Prior period adjustments	(82,484)	-	(82,484)
Net assets - beginning of year, as restated	1,025,907	89,119	1,115,026
Net assets - end of year	\$ 2,078,457	\$ 85,000	\$ 2,163,457

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

HIGHBRIDGE COMMUNITY LIFE CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2010

	Program Services	Management and General	Fund Raising	Total
Salaries	\$ 2,927,443	\$ 379,885	\$ 93,281	\$ 3,400,609
Fringe benefits	565,261	91,364	18,987	675,612
Grants to partners	454,810	-	-	454,810
Consultants/stipends	199,871	9,331	2,730	211,932
Rent	341,561	10,901	10,901	363,363
Telephone	44,679	8,445	8,445	61,569
Insurance	104,125	3,596	3,595	111,316
Utilities	69,358	9,977	9,977	89,312
Equipment rental	61,212	2,329	2,328	65,869
Repairs and maintenance	45,713	3,037	3,037	51,787
Program supplies	290,626	39,631	12,396	342,653
Uniforms	23,170	-	-	23,170
Travel	25,026	12,509	-	37,535
Minor furniture and equipment	11,786	5,368	-	17,154
Food/events	15,448	3,952	8,055	27,455
Incentives	11,839	-	-	11,839
Finance charges	25,173	1,851	-	27,024
Staff development	4,535	-	-	4,535
Exam fees	36,968	-	-	36,968
Indirect costs	2,681	-	-	2,681
Professional fees	10,019	35,521	-	45,540
Printing	1,162	-	-	1,162
Depreciation and amortization	172,015	11,728	11,728	195,471
Payroll and bank charges	15,943	773	524	17,240
Use of Goshen	3,000	-	-	3,000
Postage and delivery	2,359	1,140	-	3,499
Computer	6,017	13,734	498	20,249
Advertising	2,183	169	-	2,352
Miscellaneous	15,072	2,561	-	17,633
Total Expenses	\$ 5,489,055	\$ 647,802	\$ 186,482	\$ 6,323,339

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

HIGHBRIDGE COMMUNITY LIFE CENTER, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2010

Cash flows from operating activities:	
Changes in net assets	\$ 1,048,431
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	195,471
Unrealized gain on investments	(250)
Changes in operating assets and liabilities:	
(Increase) decrease in operating assets:	
Restricted cash	124,699
Grants and contributions receivable	(11,315)
Prepaid expenses and other assets	(5,286)
Security deposits	(27,400)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	24,653
Grantee payable	28,076
Deferred rent	28,216
Deferred revenue	(8,000)
Other payables	256
Net cash provided by operating activities	1,397,551
Cash flows from investing activities:	
Purchase of property and equipment	(1,521,467)
Net cash used in investing activities	(1,521,467)
Cash flows from financing activities:	
Proceeds from line of credit	320,000
Payments on the line of credit	(60,000)
Net cash provided by financing activities	260,000
Net increase in cash and cash equivalents	136,084
Cash and cash equivalents - beginning of year	6,713
Cash and cash equivalents - end of year	\$ 142,797

Supplemental Disclosures of Cash Flow Information:

Cash paid during the year for :	
Interest	\$ 21,120
Income taxes	\$ -

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

HIGHBRIDGE COMMUNITY LIFE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2010

1. NATURE OF ORGANIZATION:

The Highbridge Community Life Center, Inc. (the "Organization") provides a community based and directed social service center in the Highbridge section of the Bronx, NY. The Organization supplies information, referral, advocacy and problem solving assistance to people of the Bronx to improve community and to increase their individual well being. The Organization also offers the following programs:

Family services – To provide individual and group counseling, child abuse prevention, community outreach and education, and professional training. To facilitate improved mental health, strengthen family functioning, promote healthy young individuals, and increase support networks.

Job training/Health careers – To prepare students to be strong competitors and hold successful careers in the healthcare industry. To provide comprehensive and intensive training that prepares truly qualified and skilled graduates.

Adult education – To provide instruction in academic basics and individual support that allow our students to live their most successful lives and for individuals to fulfill their potential in the classroom with reading, writing and mathematics instruction, and in their personal lives with social services and career counseling.

Youth development – To provide the youth of the community with a safe environment to socialize and interact amongst each other. The Organization offers access to a dance studio, computer room, basketball courts, volleyball courts, and numerous meeting rooms.

Recreation center/Retreat – The Organization operates a building owned by New York City Parks Department to provide educational and recreation programs for youth, seniors, families and community members. They also offer a retreat center with 150-acres that community individuals can experience through day and overnight educational and social workshops.

2. SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

The classification of an organization's net assets and its support, revenues and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the 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.

These three classes are defined as follows:

Permanently Restricted – Net assets resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.

HIGHBRIDGE COMMUNITY LIFE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2010

Temporarily Restricted – Net assets resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization 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 and changes in net assets.

Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments purchased with original maturities of three months or less from the date of acquisition as cash and cash equivalents.

Fair Value-Definition and Hierarchy

The Organization adopted the provisions of the fair value measurements standard. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The adoption of the pronouncement did not have an impact on the Organization's financial statements.

The accounting standard establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable units be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about inputs used by market participants at the measurement date. The fair value hierarchy is categorized into three levels based on inputs as follows -

Level 1 - Valuation based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Valuation based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in the standard. The three valuation techniques are as follows:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and

HIGHBRIDGE COMMUNITY LIFE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2010

- Income approach - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The Organization carries investments in mutual fund equities with readily determinable fair values at their fair values in the Statement of Financial Position. The Organization uses the Level 2 fair value hierarchy in the valuation of mutual funds.

Management performed a review of securities for declines in value that are other than temporary. At June 30, 2010, any such declines did not materially affect these financial statements.

Effective November 15, 2009, the Organization adopted the provisions of the fair value measurements standard for certain non-financial assets and liabilities. Under this standard, the entity reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the entity recognizes an impairment loss. No impairment losses were recognized for the year ended June 30, 2010.

Grants and Contributions Receivable

Grants and contributions receivable represent unconditional promises to give by donors. Grants and contributions receivable that are expected to be collected within one year and recorded at net realizable value are \$1,041,792 for the fiscal year ended June 30, 2010. The Organization has determined that no allowance for uncollectible accounts for grants receivable is necessary as of June 30, 2010. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.

The carrying value of the grants and contributions receivable approximates fair value. Management reviews those receivables due in more than one year for impairment and none was determined as of June 30, 2010.

Special Events

The Organization conducts special events in which a portion of gross proceeds paid by the participants represents payment for the direct cost of the benefits received by the participants at the event. All proceeds received in excess of the direct costs are recorded as part of private grants and contributions in the accompanying statement of activities. For the year ended June 30, 2010, the Organization reported fundraising income of \$36,632. The direct costs of special events, which totaled \$9,733, include expenses for the benefit of the donors and are included in fundraising costs in the accompanying statement of activities.

Property and Equipment

Property, equipment and improvements with a cost of more than \$5,000 and a useful life of more than two years are recorded as property and equipment at cost, as are renewals and betterments. Maintenance and repairs are expensed as incurred. Property and equipment acquired under grants are expensed in the year acquired. Depreciation of property and equipment is being provided on the straight-line method over the

HIGHBRIDGE COMMUNITY LIFE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2010

estimated useful lives of the assets, ranging from five to twenty years. Leasehold improvements are being depreciated over the life of lease or the useful life, whichever is shorter.

Grants received from various funding sources may be used to acquire equipment and leasehold improvements. These additions are depreciated and amortized using the above methods. The depreciation and amortization is not reimburseable through the funding agencies. No capitalized items are required to be returned to the funding agencies at the end of the grant period.

Planned Maintenance

Costs related to planned major maintenance are expensed as incurred.

Revenue Recognition

Grants and contributions are recognized as revenue when they are received or unconditionally pledged.

Grants and contributions received without donor-imposed restrictions are recorded as unrestricted.

Grants and contributions received with donor-imposed restrictions which stipulate the period of use or the purpose of the gift are recorded as temporarily restricted. Temporarily restricted contributions which meet donor-imposed restrictions within the same fiscal year are treated as unrestricted gifts.

When stipulations related to the passage of time or purpose of the grants and contributions are satisfied, temporarily restricted net assets are classified as unrestricted and reported in the statement of activities as having satisfied restrictions.

Pledges or grants subject to conditions which have not been met at year-end are not recorded.

Income from grants structured as reimbursement contracts is recorded when the Organization incurs the appropriate expense.

In-Kind Contributions

In-kind contributions consist of materials, facilities and services donated by corporations and individuals. Donations are recognized as contributions if donated items would otherwise be purchased by the Organization. The value placed by the corporations and individuals are used for valuing the contribution received. If no value is provided by donor, an estimated value is determined by the Organization. For the year ended June 30, 2010, the Organization recorded an in-kind income totaling \$127,109.

Functional Allocation of Expenses

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

HIGHBRIDGE COMMUNITY LIFE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2010

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs totaled \$2,352 for the year ended June 30, 2010, and are included in the accompanying Statement of Functional Expenses.

Deferred Rent

In accordance with generally accepted principles in United States of America, the Organization records monthly rent expense equal to the total of the payments due over the lease term divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent which is reflected as a separate line item in the accompanying Statement of Financial Position. The amount credited to deferred rent for the year ended June 30, 2010 was \$28,216.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Implementation of New Accounting Pronouncements

Effective December 15, 2009, the Organization adopted the standard which prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The cumulative effect of this change in accounting principle was immaterial.

In assessing the realizability of tax benefits, management considers whether it is more likely than not that some portion or all of any tax position will not be realized. The ultimate realization of such tax positions is dependent upon the generation of future income. Management considers projected future income, and tax planning strategies in making this assessment. Based upon the level of historical income and projections for future income, management believes it is more likely than not that the Organization will realize all tax benefits.

The Organization is subject to audit by tax authorities. The Organization believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts filed. Management believes that its nonprofit status would be sustained upon examination.

With few exceptions, the Organization is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for fiscal years before 2006.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through the auditors' report date and date of issuance. The financial

HIGHBRIDGE COMMUNITY LIFE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2010

statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require an additional disclosure.

3. FAIR VALUE MEASUREMENTS:

The following methods and assumptions were used by the Organization in estimating fair values as disclosed herein:

Mutual funds: The fair values of these financial instruments are determined using brokerage statements.

The Organization's investments consist of mutual funds. The Organization uses the Level 2 fair value hierarchy in the valuation of these investments. The investments are all classified as unrestricted net assets.

	Other Significant Observable Inputs (Level II)
Mutual funds	\$ 16,979
Total assets accounted for at fair value on a recurring basis	\$ 16,979

The components of total investment activity as of June 30, 2010 were as follow:

Investments in marketable securities	
-beginning of year	\$ 16,729
Net change in unrealized gain on investments reported at fair value	250
Investments in marketable securities	
-end of year	\$ 16,979

Financial instruments subject to fair value measurements at June 30, 2010 are as follows:

	Cost			Fair Market Value		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Mutual Funds	\$ -	\$ 31,540	\$ -	\$ -	\$ 16,979	\$ -

The Organization has investments that are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Statement of Financial Position.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

HIGHBRIDGE COMMUNITY LIFE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2010

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Organization to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. During the year ended June 30, 2010, there is no other-than-temporary impairment. Fair value of all securities is greater than cost.

4. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following as of June 30, 2010:

		Estimated Useful Lives
Leasehold improvements	\$ 2,395,906	Life of lease
Furniture and fixtures	171,137	5 years
Vehicles	14,300	5 years
	<u>2,581,343</u>	
Less: accumulated depreciation and amortization	<u>712,615</u>	
	<u>\$ 1,868,728</u>	

Depreciation and amortization expense was \$195,471 for the year ended June 30, 2010.

5. LOAN PAYABLE:

The Organization secured an interest free loan under a demand loan agreement from LaSalle Provinciate, Inc. The purpose of the loan is to fund reimbursable expenses under government contracts. The balance of the loan was \$13,000 as of June 30, 2010.

6. LINE OF CREDIT:

The Organization has a line of credit with the State Bank of Long Island (the "Bank") in the amount of \$650,000, the purpose of which is to provide working capital. The Bank has secured the line with the Organization's receivables. This line bears the bank's base rate plus 0.5% (4.00%), as of June 30, 2010. The amount due on this line was \$593,674 at June 30, 2010. Interest expense on the line of credit was \$21,120 for the year ended June 30, 2010. The line of credit is set to mature on March 31, 2011.

7. RETIREMENT PLAN:

The Christian Brothers Employee Retirement Plan (the "Plan") is sponsored by the Christian Brothers Major Superiors. The Plan is a church plan within the meaning of Section 414(e) of the Internal Revenue Code. In addition, the Plan has elected its option of not complying with the provisions of ERISA.

Full-time employees are entitled to take part in the pension plan upon completion of one year of service at the Organization. Participants are entitled to annual pension benefits beginning at normal retirement age (65) based upon a formula which takes into account the years of service and compensation. The Plan permits early retirement at ages 55-64. If participants terminate employment before completing four years and nine months of service, they forfeit the right to receive a portion of their accumulated plan benefits attributable to employer contributions. Retiring participants will receive benefits as a life annuity or joint and survivor annuity payable monthly upon retirement. Participants terminating employment for reasons other than retirement may elect to receive benefits either in a life annuity or joint and survivor annuity payable

HIGHBRIDGE COMMUNITY LIFE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2010

monthly upon normal retirement age, or in a lump sum, which depends on the theoretical value of the respective benefits. As of June 30, 2010 there were 54 participants in the plan. Pension expense for the year ended June 30, 2010 was \$67,901, which is included in fringe benefits in the accompanying statement of functional expenses.

The accumulated plan benefits information as of the end of the plan year is as follows:

<u>Year ending June 30, 2010</u>	
Actuarial present value of accumulated plan benefits:	
Vested benefits	\$ 400,352,231
Other vested benefits:	
Active and disabled	501,599,972
Terminated vested	97,916,498
<u>Total vested benefits</u>	<u>999,868,701</u>
Non-vested benefits – active participants	41,227,511
<u>Total actuarial present value of accumulated plan benefits</u>	<u>\$ 1,041,096,212</u>

As of June 30, 2010, the net assets available for benefits is less than the total actuarial present value of accumulated Plan benefits as determined based on the actuarial assumptions used by the Plan. Regarding the underfunded status of the Plan, it is currently not management's intent to record a withdrawal liability due to the fact that such information needed for an accrual has not been provided by the Plan administrator. Furthermore, there are currently no plans in place to obtain legal opinion as to the dollar value of such a contingency.

Additional information can be obtained by contacting the Christian Brothers Retirement Planning Services located at 1205 Windham Parkway, Romeoville, IL 60446-1679.

8. COMMITMENTS AND CONTINGENCIES:

The Organization leases facilities and equipment under operating leases that expire at various dates through July 2018. Minimum future rental payments under the leases are summarized as follows:

<u>Year ended June 30,</u>	
2011	\$ 319,836
2012	324,288
2013	303,663
2014	267,691
2015	251,205
Thereafter	810,112
	<u>\$ 2,276,795</u>

Included in rent expense of \$363,363 for the year ended June 30, 2010, is donated rent of \$24,000, which is charged to in-kind rent expense.

HIGHBRIDGE COMMUNITY LIFE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2010

**9. RISK
MANAGEMENT:**

The Organization is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Organization maintains commercial insurance to protect itself from such risks.

Pursuant to the Organization's contractual relationships with several governmental funding sources, the governmental agencies have the right to examine the books and records of the Organization involving transactions relating to the federal funds awarded, and may request return of funds as a result of noncompliance by the Organization, as well as loss of funding for future periods. There is no provision contained within these financial statements for any possible contingent liability which may result should the governmental agencies audit any period(s) through June 30, 2010. Although such possible disallowances could be substantial in amount, in the opinion of management, any actual disallowances would be immaterial.

10. CONCENTRATIONS: The Organization received approximately 45% of its total revenue from government funding. For the year ended June 30, 2010, governmental funding accounted for approximately 65% of total grants and contributions receivable.

For the year ended June 30, 2010, two vendors accounted for approximately 42% and 28% of total accounts payable, respectively.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 through 2013.

11. LITIGATION:

The Organization has been named in lawsuits claiming discrimination based on disability and gender discrimination sustained at offices of the Organization. Management believes that insurance coverage will be sufficient to cover all claims which may arise.

HIGHBRIDGE COMMUNITY LIFE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2010

12. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are purpose and time restricted.

Summary of Activity	Total	Time Restrictions	Purpose Restrictions
Temporarily restricted net assets, beginning of year	\$89,119	\$ -	\$89,119
Contributions and grants received:			
Restricted for use in future periods	85,000	85,000	-
Restricted for specific purposes	-	-	-
Total contributions and grants received	85,000	85,000	-
Less satisfaction of restrictions:			
Restricted for use in future periods	-	-	-
Restricted for specific purposes:	89,119	-	89,119
Total satisfaction of restrictions	89,119	-	89,119
Temporarily restricted net assets, end of year	\$85,000	\$85,000	\$ -

Temporarily restricted net assets at June 30, 2010 are time restricted and consist of the following :

Barker Welfare Foundation	\$ 12,500
Pascal Sykes Foundation	35,000
Wildlife Conservation Society	37,500
Total	\$ 85,000

13. PRIOR PERIOD ADJUSTMENTS:

Certain errors resulting in an overstatement of net assets were discovered during the current year. The errors were as follows:

- a. Revenues earned by the Organization during the prior year were erroneously recorded as agency receipts and included in accounts payable;
- b. Revenue from grants received during the prior year was incorrectly recorded as deferred revenue;
- c. Amortization of leasehold improvements was based on the useful life of the leasehold improvements even though the lease term was for a shorter period resulting in a cumulative under-amortization of leasehold improvements in the amount of \$205,537; and
- d. Rent expense was recorded based on the actual amount of rent paid each year rather than evenly over the length of the lease, even though the lease had specific and stated increases in annual rent. As a result, the Organization did not record any deferred rent and under-reported rent expense in the amount of \$35,802.

The effect of all the errors referenced above resulted in a decrease of net assets at the beginning of the year in the amount of \$82,484.