

**EAST HARLEM CHURCHES**  
**AND COMMUNITY URBAN CENTER, INC.**  
**AUGUST 31, 2007**

OWEN J. FLANAGAN & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS  
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MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

Independent Auditors' Report

The Directors of East Harlem Churches and Community Urban Center, Inc  
New York, New York

We have audited the accompanying statement of financial position of EAST HARLEM CHURCHES AND COMMUNITY URBAN CENTER, INC. as of August 31, 2007, and the related statements of activities, functional expenses and cash flows for the year 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 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 EAST HARLEM CHURCHES AND COMMUNITY URBAN CENTER, INC. as of August 31, 2007 and its changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Owen J. Flanagan & Co.*

March 26, 2008

EAST HARLEM CHURCHES AND COMMUNITY CENTER, INC.  
STATEMENT OF FINANCIAL POSITION  
AUGUST 31, 2007

Assets

Cash	\$ 9,738
Prepaid expenses	4,000
Property and equipment (net of accumulated depreciation of \$160,921) (Note 3)	<u>789,543</u>
<u>Total Assets</u>	<u>803,281</u>

Liabilities

Accounts payable	\$ 15,378
Construction loan (Note 4)	<u>91,258</u>
<u>Total Liabilities</u>	106,636

Net Assets

Unrestricted	<u>696,645</u>
<u>Total Liabilities and Net Assets</u>	<u>803,281</u>

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

EAST HARLEM CHURCHES AND COMMUNITY URBAN CENTER, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2007

Revenues

Contributions	\$533,175
Program fees	1,265
Interest income	<u>162</u>
<u>Total Revenues</u>	<u>534,602</u>

Expenses

Program	284,156
Management and general	117,213
Fund-raising	<u>64,284</u>
<u>Total Expenses</u>	<u>465,653</u>

<u>Change in Net Assets for Year</u>	68,949
Net Assets, beginning of year (Note 5)	<u>627,696</u>
Net Assets, end of year	<u><u>696,645</u></u>

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

EAST HARLEM CHURCHES AND COMMUNITY URBAN CENTER, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED AUGUST 31, 2007

	<u>After-school</u>	<u>Y-Lead</u>	<u>College Preparation</u>	<u>Adult Training</u>	<u>Summer School</u>	<u>Total Program</u>	<u>Management</u>	<u>Fund-raising</u>	<u>Total Expenses</u>
Salaries and benefits	\$52,611	\$23,996	\$12,950	\$34,320	\$19,839	\$143,716	\$ 60,782	\$51,326	\$255,824
Payroll taxes	6,536	2,799	1,691	4,481	2,591	18,098	8,605	6,702	33,405
Education supplies	3,541	1,031	911	976	1,046	7,505	-	-	7,505
Food	3,238	522	215	376	2,057	6,408	287	-	6,695
Printing and postage	1,821	1,821	1,821	1,568	961	7,992	1,114	-	9,106
Telephone	1,768	1,768	1,061	1,061	354	6,012	1,062	-	7,074
Utilities	3,870	3,870	2,902	2,902	2,902	16,446	1,451	1,451	19,348
Security system	1,400	1,400	1,400	1,400	350	5,950	1,050	-	7,000
Repairs and maintenance	2,162	2,162	1,622	2,162	1,622	9,730	1,970	-	11,700
Equipment rental	1,350	1,350	888	888	444	4,920	2,185	-	7,105
Insurance	1,355	1,355	1,355	1,355	1,355	6,775	1,388	-	8,163
Office	2,249	2,249	2,249	2,249	562	9,558	2,254	-	11,812
Bank and credit card fees									
Transportation	1,418	923	1,821	720	4,995	6,816	-	498	2,922
Other costs			632		280	3,973	6,999		6,816
Accounting and auditing							12,300		12,300
Computer costs	1,113	1,113	1,113	2,226	1,113	6,678	2,226	2,226	11,130
Interest							8,537		8,537
Depreciation	5,548	5,548	4,161	4,161	4,161	23,579	2,081	2,081	27,741
<b>Total Expenses</b>	<u>89,980</u>	<u>51,907</u>	<u>36,792</u>	<u>60,845</u>	<u>44,632</u>	<u>284,156</u>	<u>117,213</u>	<u>64,284</u>	<u>465,653</u>

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

EAST HARLEM CHURCHES AND COMMUNITY URBAN CENTER, INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED AUGUST 31, 2007

CASH FLOWS PROVIDED (USED)

FROM OPERATING ACTIVITIES:

Change in Net Assets (Exhibit B)	\$68,949
Depreciation	27,741
Increase in prepaid expenses	(4,000)
Decrease in accounts payable	(12,960)
Decrease in payroll taxes payable	<u>(56,982)</u>
<u>Net Cash Flows Provided by Operating Activities</u>	<u>22,748</u>

FROM FINANCING ACTIVITIES:

Principal payments on loan	<u>(27,652)</u>
<u>Net Cash Flows Provided (Used) by Financing Activities</u>	<u>(27,652)</u>
Net Increase (Decrease) in cash for year	(4,904)
Cash, beginning of year	<u>14,642</u>
Cash, end of year	<u><u>9,738</u></u>

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

EAST HARLEM CHURCHES AND COMMUNITY URBAN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2007

Note 1      Organization and Tax Status

East Harlem Churches and Community Urban Center, Inc. (the Organization) was incorporated in 1969 under the laws of the State of New York to operate exclusively for charitable, educational and religious purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has further determined that the Organization is a public charity.

The Organization operates as the Booker T. Washington Learning Center which serves the population of the East Harlem Community of New York City, and provides after school and summer school programs for local children, as well as counseling services to individuals of all ages. In addition the Organization also provides adult education to assist in pursuing a GED, obtaining remedial education or computer training.

Note 2      Summary of Significant Accounting Policies

a) Financial Statement Presentation

Not-for-Profit Organizations report information regarding financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

All of the Net Assets of the Organization are unrestricted.

b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

c) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers checking and savings accounts to be cash or equivalents.

d) Fixed Assets

Fixed assets are stated at cost. Building improvements are depreciated based on a 39 year useful life for buildings and 5 and 7 year useful lives for equipment.

e) Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

EAST HARLEM CHURCHES AND COMMUNITY URBAN CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2007

Note 3      Fixed Assets

As of August 31, 2007, fixed assets were comprised of the following:

Building improvements	\$884,135
Equipment	59,245
Furniture	<u>7,084</u>
Subtotal	950,464
Less: Accumulated depreciation	<u>(160,921)</u>
	<u>789,543</u>

Note 4      Construction Loan

The building at 220 E. 105<sup>th</sup> Street in New York City used by the Organization is in the name of King of Kings for Every Nation Church, Inc., "King of Kings," an inactive not-for-profit corporation.

The Organization has a loan agreement with the Union Settlement Bank. The loan proceeds were used in connection with the renovation of the building located at 220 E 105<sup>th</sup> Street, New York, NY. The loan was in the name of King of Kings as the owner of the building. The terms of the loan are 76 monthly installments of \$2,750.00 commencing on June 1, 2004 and ending September 1, 2010 at an interest rate of 7.0%.

At August 31, 2007 a balance of \$91,258 was outstanding.

During the year a court proceeding was initiated to convey title in the building to East Harlem Churches. Although management believes that the court will grant the necessary leave for King of Kings to transfer the deed of ownership, the process was not yet complete as of the date of this report.

Note 5      Net Assets

The net assets at August 31, 2006 shown on the previous financial statements were reported as \$499,876. The net assets at that date have been increased by \$127,820, as follows:

Loans for which the Organization is not the obligor	\$130,792
Increase in accrued expenses	<u>(2,972)</u>
	<u>127,820</u>