



***EAST HARLEM COUNCIL FOR
COMMUNITY IMPROVEMENT, INC.
AND RELATED ENTITIES***

***CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
(WITH SUPPLEMENTARY INFORMATION)***

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017



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**EAST HARLEM COUNCIL FOR
COMMUNITY IMPROVEMENT, INC.
AND RELATED ENTITIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
(WITH SUPPLEMENTARY INFORMATION)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
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Independent Auditors' Report

To the Board of Directors
East Harlem Council for Community Improvement, Inc. and Related Entities
1776 Clay Ave
Bronx, New York 10457

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of East Harlem Council for Community Improvement, Inc. and Related Entities (collectively, "the Organization," a not-for-profit corporation), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of revenue and expenses and functional expenses for the years ended December 31, 2018 and 2017 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Cerini & Associates LLP

Bohemia, New York

July 26, 2019

**EAST HARLEM COUNCIL FOR
COMMUNITY IMPROVEMENT, INC.
AND RELATED ENTITIES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,

2018

2017

ASSETS

Current Assets:

Cash and cash equivalents (Note 3).....	\$ 2,141,423	\$ 2,670,224
Accounts receivable (Note 2).....	562,268	458,710
Other receivables (Note 2).....	159,456	210,802
Rent receivable, net of allowance (Note 2).....	110,263	103,211
Due from related parties (Note 2).....	120,209	70,735
Prepaid expenses and other current assets.....	6,126	11,325

TOTAL CURRENT ASSETS	3,099,745	3,525,007
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Property and equipment, net of accumulated depreciation (Notes 4 and 7).....	1,374,067	1,390,626
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TOTAL ASSETS	<u>\$ 4,473,812</u>	<u>\$ 4,915,633</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Current portion of loans payable (Note 7).....	\$ 86,410	\$ 82,068
Advances from funding sources.....	22,587	156,654
Current portion of due to funding source (Note 6).....	212,355	262,073
Accounts payable and accrued expenses (Notes 5, 8, and 11).....	1,064,206	933,745
Deferred revenue.....	12,611	49,445
Other current liabilities (Note 13).....	179,957	179,957

TOTAL CURRENT LIABILITIES	1,578,126	1,663,942
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Loans payable, net of current portion (Note 7).....	949,009	1,035,705
Due to funding source, net of current portion (Note 6).....	-	161,636
Other long term liabilities (Note 9).....	417,017	799,024

TOTAL LIABILITIES	2,944,152	3,660,307
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Commitments and contingencies (Notes 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, and 13)

Net assets without donor restrictions.....	1,529,660	1,255,326
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,473,812</u>	<u>\$ 4,915,633</u>
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***EAST HARLEM COUNCIL FOR
COMMUNITY IMPROVEMENT, INC.
AND RELATED ENTITIES***

***CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,***

	<i>2018</i>	<i>2017</i>
SUPPORT AND REVENUE (Note 3):		
Government grants (Note 13).....	\$ 147,362	\$ 312,020
Fee for service income.....	3,562,404	3,750,156
Rental income (Note 9).....	894,178	901,627
Other income.....	312,397	233,382
	<hr/>	<hr/>
TOTAL SUPPORT AND REVENUE	4,916,341	5,197,185
 EXPENSES:		
Program services.....	3,386,545	3,072,658
Supporting services.....	1,255,462	1,434,605
	<hr/>	<hr/>
TOTAL EXPENSES	4,642,007	4,507,263
	<hr/>	<hr/>
CHANGE IN NET ASSETS	274,334	689,922
Net assets, beginning of year.....	1,255,326	565,404
	<hr/>	<hr/>
Net assets, end of year.....	\$ 1,529,660	\$ 1,255,326
	<hr/> <hr/>	<hr/> <hr/>

**EAST HARLEM COUNCIL FOR
COMMUNITY IMPROVEMENT, INC.
AND RELATED ENTITIES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services				
	OPWDD				
	IRA	Medicaid Service Coordination	Other Programs	Total Program Services	
Salaries and wages.....	\$ 1,448,713	\$ 170,127	\$ -	\$ -	1,618,840
Employee benefits (Note 11).....	255,906	69,395	-	-	325,301
Total personnel costs	1,704,619	239,522	-	-	1,944,141
Rent and utilities (Note 10).....	109,470	-	-	-	109,470
Food.....	50,659	110	-	-	50,769
Supplies.....	39,200	55	-	-	39,255
Equipment, repairs, and maintenance.....	113,727	3,941	-	-	117,668
Consultancy and professional fees.....	496,365	54,986	196,953	-	748,304
Vehicle operation costs.....	13,735	-	-	-	13,735
Telephone.....	5,401	337	-	-	5,738
Insurance and bonding.....	87,532	24,132	-	-	111,664
Depreciation (Note 4).....	58,164	-	-	-	58,164
Client activities and travel.....	82,662	15,958	-	-	98,620
Interest and bank charges.....	55,869	-	-	-	55,869
Training and conferences.....	3,977	-	-	-	3,977
Postage, printing, and duplication.....	1,375	1,550	-	-	2,925
Miscellaneous.....	26,245	-	1	-	26,246
Total Expenses (Note 5)	\$ 2,849,000	\$ 340,591	\$ 196,954	\$ -	3,386,545

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

**EAST HARLEM COUNCIL FOR
COMMUNITY IMPROVEMENT, INC.
AND RELATED ENTITIES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (continued)
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Supporting Services				
	Hellgate Management Corporation	Hellgate Houses	East Harlem Multi Service Center	Management and General	Total Supporting Services
Salaries and wages.....	\$ 57,389	\$ -	\$ 250,641	\$ 1,130	\$ 309,160
Employee benefits (Note 11).....	18,391	-	58,111	-	76,502
					\$ 1,928,000
					401,803
Total personnel costs	75,780	-	308,752	1,130	385,662
Rent and utilities (Note 10).....	2,629	48,192	127,538	3,320	181,679
Food.....	-	-	-	3,225	3,225
Supplies.....	-	5,878	9,727	36,536	52,141
Equipment, repairs, and maintenance.....	-	31,650	39,856	2,928	74,434
Consultancy and professional fees.....	10,045	18,846	158,515	232,614	420,020
Vehicle operation costs.....	-	-	200	13,869	14,069
Telephone.....	69	-	18,880	23,246	42,195
Insurance and bonding.....	500	-	20,218	1,196	21,914
Depreciation (Note 4).....	-	7,664	-	-	7,664
Client activities and travel.....	141	-	31	343	515
Interest and bank charges.....	1,653	-	-	467	2,120
Training and conferences.....	141	-	-	7,596	7,737
Postage, printing, and duplication.....	474	-	150	4,802	5,426
Miscellaneous.....	374	7,439	2,388	26,460	36,661
					\$ 1,255,462
Total Expenses (Note 5)	\$ 91,806	\$ 119,669	\$ 686,255	\$ 357,732	\$ 4,642,007

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

**EAST HARLEM COUNCIL FOR
COMMUNITY IMPROVEMENT, INC.
AND RELATED ENTITIES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services				
	OPWDD				Total Program Services
	IRA	Medicaid Service Coordination	Other Programs		
Salaries and wages	\$ 1,277,288	\$ 150,357	\$ -	\$ -	\$ 1,427,645
Employee benefits (Note 11).....	357,628	27,145	-	-	384,773
Total personnel costs	1,634,916	177,502	-	-	1,812,418
Rent and utilities (Note 10).....	121,367	-	-	-	121,367
Food.....	1,420	-	-	-	1,420
Supplies.....	32,403	-	159	-	32,562
Equipment, repairs, and maintenance.....	54,486	1,623	-	-	56,109
Consultancy and professional fees.....	483,059	61,573	188,355	-	732,987
Vehicle operation costs.....	18,297	-	-	-	18,297
Telephone.....	5,638	290	-	-	5,928
Insurance and bonding.....	79,209	10,184	-	-	89,393
Depreciation (Note 4).....	78,155	-	-	-	78,155
Client activities and travel.....	45,394	-	-	-	45,394
Interest and bank charges.....	58,059	-	-	-	58,059
Training and conferences.....	1,225	-	-	-	1,225
Postage, printing, and duplication.....	1,338	1,328	-	-	2,666
Miscellaneous.....	16,503	175	-	-	16,678
Total Expenses (Note 5)	\$ 2,631,469	\$ 252,675	\$ 188,514	\$ -	\$ 3,072,658

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

**EAST HARLEM COUNCIL FOR
COMMUNITY IMPROVEMENT, INC.
AND RELATED ENTITIES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Supporting Services					
	Hellgate Management Corporation	Hellgate Houses	East Harlem Multi Service Center	Management and General	Total Supporting Services	Total Program and Supporting Services
Salaries and wages.....	\$ 52,932	\$ -	\$ 296,075	\$ 41,267	\$ 390,274	\$ 1,817,919
Employee benefits (Note 11).....	19,658	-	121,180	159,236	300,074	684,847
Total personnel costs	72,590	-	417,255	200,503	690,348	2,502,766
Rent and utilities (Note 10).....	868	69,619	62,671	4,273	137,431	258,798
Food.....	-	0	-	4,310	4,310	5,730
Supplies.....	169	26,110	25,229	40,071	91,579	124,141
Equipment, repairs, and maintenance.....	-	53,855	25,824	4,928	84,607	140,716
Consultancy and professional fees.....	2,982	25,232	158,237	126,418	312,869	1,045,856
Vehicle operation costs.....	-	-	110	-	110	18,407
Telephone.....	58	-	20,706	28,564	49,328	55,256
Insurance and bonding.....	-	-	19,237	7,892	27,129	116,522
Depreciation (Note 4).....	-	13,279	235	-	13,514	91,669
Client activities and travel.....	-	-	-	6,098	6,098	51,492
Interest and bank charges.....	2,017	-	-	-	2,017	60,076
Training and conferences.....	-	-	-	413	413	1,638
Postage, printing, and duplication.....	880	-	138	4,537	5,555	8,221
Miscellaneous.....	855	6,077	1,522	843	9,297	25,975
Total Expenses (Note 5)	\$ 80,419	\$ 194,172	\$ 731,164	\$ 428,850	\$ 1,434,605	\$ 4,507,263

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

**EAST HARLEM COUNCIL FOR
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**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets.....	\$ 274,334	\$ 689,922
<u>Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities:</u>		
Depreciation	65,828	91,669
Funding source advance adjustment.....	(133,440)	-
<u>Changes in operating assets and liabilities:</u>		
Accounts receivable.....	(103,558)	112,856
Other receivables.....	51,346	(73,383)
Rent receivable.....	(7,052)	101,338
Due from related parties.....	(49,474)	(690)
Prepaid expenses and other current assets.....	5,199	12,203
Advances from funding sources.....	(627)	(22,234)
Due to funding source.....	(211,354)	(258,302)
Accounts payable and accrued expenses.....	130,461	29,915
Deferred revenue.....	(36,834)	49,445
Other long term liabilities.....	(382,007)	(155,918)
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	(397,178)	576,821
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Acquisition of property and equipment.....	(49,269)	(71,531)
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Repayment of loans payable.....	(82,354)	(84,705)
Net change in cash and cash equivalents.....	(528,801)	420,585
Cash and cash equivalents, beginning of year.....	2,670,224	2,249,639
Cash and cash equivalents, end of year.....	<u>\$ 2,141,423</u>	<u>\$ 2,670,224</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest.....	<u>\$ 57,914</u>	<u>\$ 60,553</u>

**EAST HARLEM COUNCIL FOR
COMMUNITY IMPROVEMENT, INC.
AND RELATED ENTITIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies for East Harlem Council for Community Improvement, Inc. and Related Entities (hereinafter referred to as “the Organization”) is presented to assist in understanding the Organization’s consolidated financial statements. The consolidated financial statements and notes are representations of the Organization’s management, which is responsible for the integrity and objectivity of the consolidated financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”) and have been consistently applied in the preparation of the consolidated financial statements.

Organization: East Harlem Council for Community Improvement, Inc. (“EHCCI”) is a Section 501(c)(3) not-for-profit corporation, which was founded in 1979, and whose purpose is to provide supervised and supported housing services, and vocational services for individuals within the East Harlem community. EHCCI also provides services for children and adolescents in after-school and vocational preparation programs. Services are provided by EHCCI from its offices located in Harlem and the Bronx, New York.

These consolidated financial statements also include the accounts of Hellgate Management Corporation (“Hellgate”) and East Harlem Multi-Service Center, Inc. (“EHMSC”) (collectively, the “Related Entities”). Consolidated financial statements are presented because of the common control of EHCCI, Hellgate, and EHMSC.

Hellgate is a Section 501(c)(3) not-for-profit corporation, which was founded for the purpose of rebuilding the community by providing assistance in such areas as eviction prevention, tenant advocacy, landlord assistance, and homeowner education.

EHMSC is a Section 501(c)(3) not-for-profit corporation, which was founded with the purpose of operating and maintaining a facility in East Harlem known as the Multi Service Center (the “MSC”), which is owned by the New York City Human Resources Administration (“HRA”). Effective September 2, 1998, EHMSC entered into an agreement with HRA whereby HRA designated EHMSC as the sole operator of the facility. Pursuant to the terms of the agreement, EHMSC oversees all administrative functions and provides plant management of the MSC by leasing space to tenants who provide direct service programs to the community including health, recreational, rehabilitative, social, and other services to meet the needs of the community. During 2015, the agreement was renewed through March 31, 2019. In January 2019, it was renewed for another year through March 31, 2020. Tenants are signed to twelve-month leases which are renewable at the discretion of both EHMSC and HRA.

During 2003, in order to centralize administrative functions and allow EHCCI to focus its efforts on the program services it provides to the community, EHCCI became an affiliate of the Acacia Network (“Acacia,” formerly Promesa Systems, Inc. and Basics, Inc.), a network of not-for-profit community service organizations. As a result of this transaction, Acacia became the sole member of EHCCI.

**EAST HARLEM COUNCIL FOR
COMMUNITY IMPROVEMENT, INC.
AND RELATED ENTITIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting: The accompanying consolidated financial statements of the Organization are presented on the accrual basis of accounting, pursuant to which, revenue is recorded when earned and expenses are recognized when incurred.

Principles of Consolidation: The accompanying consolidated financial statements include the accounts and transactions of EHCCI, Hellgate, and EHMSC. Accordingly, all significant intercompany accounts and transactions have been eliminated.

Recent Accounting Pronouncement: During the year ended December 31, 2018, the Organization adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Consolidated Financial Statement Presentation: The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities. The Organization did not have any net assets with donor restrictions as of December 31, 2018 and 2017.

Estimates: The preparation of consolidated financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on available information that affect the reported amounts of assets and liabilities and the disclosure of the contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**EAST HARLEM COUNCIL FOR
COMMUNITY IMPROVEMENT, INC.
AND RELATED ENTITIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents: For purposes of the consolidated financial statements, the Organization considers all unrestricted, highly-liquid investments with an initial maturity of three months or less to be cash equivalents. Pursuant to contracts with the New York State Office of People With Developmental Disabilities ("OPWDD"); the New York State Office of Children and Family Services ("OCFS")/New York City Administration for Children Services ("ACS"); HRA; and the New York City Department of Youth and Community Development ("DYCD"), the Organization is required to maintain cash in separate bank accounts for several of the programs it operates.

Contributions: Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Property and Equipment: Property and equipment are stated at original cost or estimated fair market value if donated. Maintenance and repairs are charged to expense and betterments are capitalized. The Organization capitalizes all assets considered to have a useful life greater than five years. Depreciation is computed using the straight-line method over each asset's estimated useful life.

Estimated useful lives are as follows:

Building	39 years
Leasehold improvements	5 - 10 years
Vehicles	5 years
Furniture and fixtures	5 years

Receivables: Receivables, consisting primarily of unpaid program service fees and rents owed, are stated at the amount management expects to collect from outstanding balances. The Organization considers receivables past due or delinquent when payments have not been received in a timely manner, and receivables are charged to bad debt expense when management deems the possibility of collecting amounts due as unlikely. The Organization closely monitors outstanding balances for all receivables and adheres to a standard set of protocols for collection activities to be undertaken at certain times based upon delinquency status. See Note 2 for further information on receivables and the established allowance for doubtful receivables.

Revenue Recognition and Refundable Advances: The Organization recognizes revenue on government grants up to contracted levels when services are provided. Revenue received under government grants is restricted as to the use specified in the grant agreement. The Organization has certain grants in which reimbursement and related revenue recognition is based upon

**EAST HARLEM COUNCIL FOR
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

achievement of program milestones outlined in grant agreements. Grant contracts are generally expended within a one-year cycle. The Organization records grant awards accounted for as exchange transactions as refundable advances until related services are performed, at which time they are recognized as revenue. Supported housing revenue for apartments operated by Hellgate and rental income from the MSC is recorded based upon occupied units.

Functional Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs or supporting services benefited. Directly-identifiable expenses are charged to programs and supporting services. Those costs that cannot be directly assigned are allocated based upon reasonable allocation methodologies, the most significant of which are:

- Property related costs are allocated based upon the respective use of the facilities.
- Salaries are allocated based on an estimate of time spent on program-related functions and supporting functions.
- Payroll taxes and fringe benefits are allocated based upon the salary allocations.
- Professional fees are based on management's estimates of time and costs utilized within each of the functional categories.

Donated Services: The Organization benefits from volunteer services in program, fundraising, and administrative duties from Board members and other volunteers. Even though these donated services are valuable to the Organization, and help to advance the Organization's mission, no amounts have been reflected in the consolidated financial statements for contributed services because such services do not meet the criteria for recognition in the consolidated financial statements, nor do they create or enhance nonfinancial assets.

Union Employees: The Organization is in contract with District 6, International Union of Industrial, Service, Transport, and Health Employees (the "Union"), where the Organization recognizes the Union as the sole collective bargaining agent for all its employees employed at 333-48 East 105th street, New York, NY, The Prospect Avenue IRA at 1437 Prospect Avenue, Bronx, NY, and the Andrews Avenue IRA at 1812 Andrews Avenue, Bronx, NY, excluding employees employed as guards and supervisors.

Compensated Absences: Pursuant to the policies and procedures manual implemented by Organization, vacation and sick time is accumulated annually; however, employees are not paid for unused sick time at termination of employment. Accumulated vacation time is included within accounts payable and accrued expenses in the accompanying consolidated statements of financial position and totaled \$70,683 and \$69,808 at December 31, 2018 and 2017, respectively.

**EAST HARLEM COUNCIL FOR
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes: EHCCI, Hellgate, and EHMSC are exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and are publicly supported, as described in section 509(a). These entities are also exempt from state and local taxes. EHCCI, Hellgate, and EHMSC evaluated their operations for uncertain tax positions and have determined that there were no uncertain tax positions for 2018 and 2017.

EHCCI, Hellgate, and EHMSC each file a separate IRS Form 990 and respective state and local tax returns. These tax returns are subject to review and examination by federal, state, and local taxing authorities. The Organization has determined that it has registered in all states where it is required to be registered.

Reclassifications: Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements.

Events Occurring After Report Date: The Organization has evaluated events and transactions that occurred between January 1, 2019 and July 26, 2019, which is the date the consolidated financial statements were available to be issued, for possible disclosure and recognition in the consolidated financial statements.

NOTE 2 – RECEIVABLES

At December 31, 2018 and 2017, accounts receivable of \$562,268 and \$458,710, respectively, were due from OPWDD for residential and clinical mental health services. EHCCI actively pursues all accounts receivable that have not been paid within the parameters of reimbursement from the funding source. EHCCI believes it will collect on all of these accounts receivable and therefore no allowance was recorded as of December 31, 2018 and 2017.

Additionally, included in other receivables at December 31, 2018 and 2017, was \$110,672 and \$101,024, respectively, due from the New York City Department of Small Business Services for program development.

Included in due from related parties at both December 31, 2018 and 2017 was \$51,041 due from Promesa Housing. These receivables are for payments made by EHCCI on Promesa Housing's behalf that have yet to be reimbursed to EHCCI.

At December 31, 2018 and 2017, the Organization had rent receivables in the amounts of \$110,263 and \$103,211, respectively, for its various rental locations. Included in these receivables is an allowance for doubtful accounts established by the Organization in the amounts of \$245,299 and \$243,244 at December 31, 2018 and 2017, respectively.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - CONCENTRATIONS OF RISK

The Organization maintains cash in several bank accounts held by the same bank which are insured by the Federal Deposit Insurance Corporation ("FDIC"). From time to time, the Organization may have cash on deposits with the financial institution that is in excess of FDIC limits.

For the years ended December 31, 2018 and 2017, the Organization received 76% and 78%, respectively, of its total support and revenue from government-related agencies.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31,:

	2018	2017
Land.....	\$ 62,913	\$ 62,913
Buildings.....	760,900	760,900
Leashold improvements.....	1,541,493	1,494,314
Vehicles.....	169,229	169,229
Furniture and fixtures.....	315,252	312,152
Total.....	2,849,787	2,799,508
Less: accumulated depreciation.....	(1,475,720)	(1,408,882)
Property and equipment, net.....	<u>\$ 1,374,067</u>	<u>\$ 1,390,626</u>

Certain funding sources have the right to reclaim equipment purchased with grant funds for the community residence if the program in conjunction with which the property and equipment is used is terminated. As of December 31, 2018 and 2017, all vehicles, furniture and fixtures, and buildings held by the Organization were purchased subject to this right of reversion.

**NOTE 5 - AGREEMENT WITH PROMESA ADMINISTRATIVE SERVICES
ORGANIZATION**

During 2003, EHCCI entered into an agreement with Promesa Administrative Services Organization ("PASO"), an affiliate of Acacia Network (see Note 1), whereby PASO agreed to provide EHCCI with all infrastructure and administrative functions, as well as assistance with compliance and operational issues as they arose. EHCCI is obligated to pay PASO for such services on the basis of an agreed-upon allocation for personnel, space, equipment, administration, overhead, utilities, and other applicable costs as set forth in the agreement. The agreement may be terminated in accordance with any of the following provisions: a.) Upon thirty days written notice from one party to another if one of the parties has failed to remedy a material breach of this agreement within thirty days written notice from the first party specifying the breach to be remedied; b.) Upon 180 days written notice; c.) Immediately if

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**NOTE 5 - AGREEMENT WITH PROMESA ADMINISTRATIVE SERVICES
ORGANIZATION (continued)**

PASO ceases to possess a license required for it to continue to provide the services; d.) As otherwise agreed in writing by the parties.

During the years ended December 31, 2018 and 2017, EHCCI was charged \$1,208,686 and \$1,176,630, respectively, by PASO for direct expenses including; health care premiums, other insurance costs, and other direct services. EHCCI paid \$1,031,543 in 2018 and \$1,237,448 in 2017 of the total amounts due to PASO during each period, leaving an accrual of \$468,058 and \$290,916 at December 31, 2018 and 2017, respectively. These amounts are included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

NOTE 6 - DUE TO FUNDING SOURCE

During 2013, the Medicaid Fraud Control Unit ("MFCU") conducted a review of two of EHCCI's programs, Residential Habilitation and Medical Service Coordination. Both of these programs are administered by the NYS Office of People with Developmental Disabilities. Based on the findings made by MFCU, a settlement was agreed upon in the amount of \$783,224. This amount will be repaid through monthly recoupments at a rate of 7.5% of the Organization's Medicaid payments until the sum of the recoupment equals the restitution amount. As of December 31, 2018, MFCU recouped \$570,869. The unpaid balance was \$212,355 and \$423,709 at December 31, 2018 and 2017, respectively. The balance is expected to be paid during the year ending December 31, 2019.

NOTE 7 - NOTES PAYABLE

On July 16, 2011, EHCCI entered into an acquisition and construction loan mortgage note with Hudson Valley Bank, pursuant to which EHCCI could borrow up to \$1,419,875 for the purchase and conversion of a two-family house in the Bronx, New York into a ten bed, Individualized Residential Alternative ("IRA") whose tenants will be supported by OPWDD. Pursuant to the terms of the agreement, the construction loan was for a term not to exceed one year, during which EHCCI was responsible for making interest-only payments on the outstanding balance at the Wall Street Journal's Prime Rate plus 1.00% provided; however, that the lowest interest rate during this period will be 5.00%.

On March 1, 2013, the construction loan was converted to a permanent loan in the amount of \$1,368,159 that is set to mature on March 1, 2028. The interest rate on the loan was fixed through February 28, 2018 at 5.25%. The interest rate will reset on March 1, 2018 and March 1, 2023 and will be fixed at a greater of 5.25% or 250 basis points in excess of the Federal Home Loan Bank of New York. The interest rate at December 31, 2018 was 5.52%. The mortgage provides for monthly payments in the amount of \$11,055. The mortgage is secured by the property located in the Bronx, NY. As of December 31, 2018 and 2017, the outstanding balance

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NOTE 7 – NOTES PAYABLE (continued)

was \$968,068 and \$1,046,128, respectively. The net book value of the assets pledged as collateral was \$1,264,784 at December 31, 2018.

On June 30, 2014, EHCCI entered into a construction loan for up to \$126,019, which was convertible into a mortgage upon the completion of construction. Upon conversion, EHCCI was required to make monthly payments of principal and interest of \$302. During the year ended December 31, 2015, EHCCI borrowed \$34,891 to use towards completion of the construction site. Construction was completed during 2015, at which time the loan was converted into a mortgage. As of December 31, 2018 and 2017, the total outstanding balance on this loan was \$67,351 and \$71,645, respectively. The loan bears interest at 2% and matures 29 years from the date construction was completed.

Future obligations pursuant to the outstanding mortgage and construction loan are as follows for the years ending December 31,:

	Mortgage	Construction Loan	Total
2019.....	\$ 84,217	\$ 2,193	\$ 86,410
2020.....	88,746	2,237	90,983
2021.....	93,519	2,282	95,801
2022.....	98,549	2,328	100,877
2023.....	103,849	2,375	106,224
Thereafter.....	499,188	55,936	555,124
Total.....	<u>\$ 968,068</u>	<u>\$ 67,351</u>	<u>\$ 1,035,419</u>

NOTE 8 – MULTI SERVICE CENTER

As discussed in Note 1, EHMSC entered into an agreement with the HRA to operate and maintain the MSC. Total income from space leased in the MSC for the years ended December 31, 2018 and 2017 was \$713,184 and \$739,937, respectively, and has been included within rental income in the accompanying consolidated statements of activities. For the years ended December 31, 2018 and 2017, \$52,954 and \$53,636, respectively, of such income was eliminated upon consolidation. In addition to the rental income received from the space leased in the MSC, EHCCI, with permission from the HRA, receives an additional 12% per year from all tenants occupying the MSC space. Such income is to be utilized for future capital improvements and is recorded as a liability in the accompanying consolidated statements of financial position. During the years ended December 31, 2018 and 2017, EHCCI used \$478,986, \$75,000 of which was paid subsequent to December 31, 2018, and \$259,425, respectively, of this reserve for capital improvements. As of December 31, 2018 and 2017, the reserve for MSC capital improvements was \$417,017 and \$799,024, respectively.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 - LEASE COMMITMENTS

The Organization leases space for its various programs based on multiple lease agreements in place. Such leases expire between June 2019 and February 2021, and require monthly payments ranging from \$154 to \$4,240. For the years ended December 31, 2018 and 2017, rent expense relating to these leases was \$126,748 and \$134,585, respectively. For the years ended December 31, 2018 and 2017, \$52,954 and \$53,636, respectively, of such expense was eliminated upon consolidation.

Future minimum lease payments due under the above non-cancellable lease agreements, for property for which the Organization is directly liable, are as follows for the years ending December 31,:

2019.....	\$ 34,233
2020.....	1,930
2021.....	323
Total future minimum payments.....	<u>\$ 36,486</u>

NOTE 10 - PENSION PLAN

Effective March 1, 2011, the EHCCI 403(b) Plan was terminated and simultaneously the EHCCI 401(k) Plan was created. Once the eligible participants from the EHCCI 403(b) Plan rolled their funds into the EHCCI 401(k) Plan or otherwise took distributions from the EHCCI 403(b) Plan, the Board of Directors approved the termination of the EHCCI 403(b) Plan. Contributions to the 401(k) Plan totaled \$39,682 and \$48,090 for the years ended December 31, 2018 and 2017, respectively.

NOTE 11 - LITIGATION

In the normal course of business, claims against EHCCI may arise. In the opinion of management, the ultimate disposition of any matters is not deemed to have a material adverse impact on EHCCI's financial position.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Financial awards from federal, state, and local governmental entities in the form of grants are subject to audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. Although the Organization is not currently being audited by any governmental agencies, it has reserved \$179,957 as of both December 31, 2018 and 2017 within other current liabilities on the consolidated statements of financial position for compliance issues that could result in disallowances.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 – AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31,:

Financial assets:	<u>2018</u>	<u>2017</u>
Cash and cash equivalents.....	\$ 2,141,423	\$ 2,670,224
Accounts receivable	562,268	329,780
Other receivables.....	159,456	339,732
Rent receivables, net	110,263	103,211
Financial assets available to meet general expenditures over the next twelve months.....	<u>\$ 2,973,410</u>	<u>\$ 3,442,947</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1,100,000). As of December 31, 2018, the Organization has sufficient funds to meet over 90 days of operating expenses.

SUPPLEMENTARY INFORMATION

**EAST HARLEM COUNCIL FOR
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**CONSOLIDATING SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

SUPPORT AND REVENUE:	EHCCI	Hellgate Management	EHMSC	Eliminations	Total
Government grants	\$ -	\$ 97,450	\$ 49,912	\$ -	\$ 147,362
Fee for service income	3,562,404	-	-	-	3,562,404
Rental income	227,948	6,000	713,184	(52,954)	894,178
Other income.....	282,792	11,581	18,024	-	312,397
TOTAL SUPPORT AND REVENUE	4,073,144	115,031	781,120	(52,954)	4,916,341
EXPENSES:					
Program services.....	3,431,315	-	-	(44,770)	3,386,545
Supporting services.....	477,401	99,990	686,255	(8,184)	1,255,462
TOTAL EXPENSES	3,908,716	99,990	686,255	(52,954)	4,642,007
INCREASE IN NET ASSETS	\$ 164,428	\$ 15,041	\$ 94,865	\$ -	\$ 274,334

**EAST HARLEM COUNCIL FOR
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**CONSOLIDATING SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

SUPPORT AND REVENUE:	EHCCI	Hellgate Management	EHMSC	Eliminations	Total
Government grants	\$ 223,966	\$ 88,054	\$ -	\$ -	\$ 312,020
Fee for service income	3,750,156	-	-	-	3,750,156
Rental income	215,326	-	739,937	(53,636)	901,627
Other income.....	224,000	-	9,382	-	233,382
TOTAL SUPPORT AND REVENUE	4,413,448	88,054	749,319	(53,636)	5,197,185
EXPENSES:					
Program services.....	3,116,994	-	-	(44,336)	3,072,658
Supporting services.....	623,022	89,719	731,164	(9,300)	1,434,605
TOTAL EXPENSES	3,740,016	89,719	731,164	(53,636)	4,507,263
INCREASE/(DECREASE) IN NET ASSETS	\$ 673,432	\$ (1,665)	\$ 18,155	\$ -	\$ 689,922

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**CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services				
	OPWDD				
	IRA	Medicaid Service Coordination	Other Programs	Total Program Services	
Salaries and wages.....	\$ 1,448,713	\$ 170,127	\$ -	\$ -	\$ 1,618,840
Employee benefits.....	255,906	69,395	-	-	325,301
Total personnel costs	1,704,619	239,522	-	-	1,944,141
Rent and utilities.....	154,240	-	-	-	154,240
Food.....	50,659	110	-	-	50,769
Supplies.....	39,200	55	-	-	39,255
Equipment, repairs, and maintenance.....	113,727	3,941	-	-	117,668
Consultancy and professional fees.....	496,365	54,986	196,953	-	748,304
Vehicle operation costs.....	13,735	-	-	-	13,735
Telephone.....	5,401	337	-	-	5,738
Insurance and bonding.....	87,532	24,132	-	-	111,664
Depreciation.....	58,164	-	-	-	58,164
Client activities and travel.....	82,662	15,958	-	-	98,620
Interest and bank charges.....	55,869	-	-	-	55,869
Training and conferences.....	3,977	-	-	-	3,977
Postage, printing, and duplication.....	1,375	1,550	-	-	2,925
Miscellaneous.....	26,245	-	1	1	26,246
Total Expenses	\$ 2,893,770	\$ 340,591	\$ 196,954	\$ -	\$ 3,431,315

See Independent Auditors' Report on Consolidated Financial Statements and Supplementary Information.

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**CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES (continued)
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Supporting Services						Total
	Hellgate Management Corporation	Hellgate Houses	East Harlem Multi Service Center	Management and General	Total Supporting Services	Eliminations	Program and Supporting Services
Salaries and wages.....	\$ 57,389	\$ -	\$ 250,641	\$ 1,130	\$ 309,160	\$ -	\$ 1,928,000
Employee benefits.....	18,391	-	58,111	-	76,502	-	401,803
Total personnel costs	75,780	-	308,752	1,130	385,662	-	2,329,803
Rent and utilities.....	10,813	48,192	127,538	3,320	189,863	(52,954)	291,149
Food.....	-	-	-	3,225	3,225	-	53,994
Supplies.....	-	5,878	9,727	36,536	52,141	-	91,396
Equipment, repairs, and maintenance.....	-	31,650	39,856	2,928	74,434	-	192,102
Consultancy and professional fees.....	10,045	18,846	158,515	232,614	420,020	-	1,168,324
Vehicle operation costs.....	-	-	200	13,869	14,069	-	27,804
Telephone.....	69	-	18,880	23,246	42,195	-	47,933
Insurance and bonding.....	500	-	20,218	1,196	21,914	-	133,578
Depreciation.....	-	7,664	-	-	7,664	-	65,828
Client activities and travel.....	141	-	31	343	515	-	99,135
Interest and bank charges.....	1,653	-	-	467	2,120	-	57,989
Training and conferences.....	141	-	-	7,596	7,737	-	11,714
Postage, printing, and duplication.....	474	-	150	4,802	5,426	-	8,351
Miscellaneous.....	374	7,439	2,388	26,460	36,661	-	62,907
Total Expenses	\$ 99,990	\$ 119,669	\$ 686,255	\$ 357,732	\$ 1,263,646	\$ (52,954)	\$ 4,642,007

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**CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services				
	OPWDD				
	IRA	Medicaid Service Coordination	Other Programs	Total Program Services	
Salaries and wages.....	\$ 1,277,288	\$ 150,357	\$ -	\$ -	\$ 1,427,645
Employee benefits.....	357,628	27,145	-	-	384,773
Total personnel costs	1,634,916	177,502	-	-	1,812,418
Rent and utilities.....	165,703	-	-	-	165,703
Food.....	1,420	-	-	-	1,420
Supplies.....	32,403	-	159	-	32,562
Equipment, repairs, and maintenance.....	54,486	1,623	-	-	56,109
Consultancy and professional fees.....	483,059	61,573	188,355	-	732,987
Vehicle operation costs.....	18,297	-	-	-	18,297
Telephone.....	5,638	290	-	-	5,928
Insurance and bonding.....	79,209	10,184	-	-	89,393
Depreciation.....	78,155	-	-	-	78,155
Client activities and travel.....	45,394	-	-	-	45,394
Interest and bank charges.....	58,059	-	-	-	58,059
Training and conferences.....	1,225	-	-	-	1,225
Postage, printing, and duplication.....	1,338	1,328	-	-	2,666
Miscellaneous.....	16,503	175	-	-	16,678
Total Expenses	\$ 2,675,805	\$ 252,675	\$ 188,514	\$ -	\$ 3,116,994

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**CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES (continued)
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Supporting Services					Total	
	Hellgate Management Corporation	Hellgate Houses	East Harlem Multi Service Center	Management and General	Total Supporting Services	Eliminations	Program and Supporting Services
Salaries and wages.....	\$ 52,932	\$ -	\$ 296,075	\$ 41,267	\$ 390,274	\$ -	\$ 1,817,919
Employee benefits.....	19,658	-	121,180	159,236	300,074	-	684,847
Total personnel costs	72,590	-	417,255	200,503	690,348	-	2,502,766
Rent and utilities.....	10,168	69,619	62,671	4,273	146,731	(53,636)	258,798
Food.....	-	-	-	4,310	4,310	-	5,730
Supplies.....	169	26,110	25,229	40,071	91,579	-	124,141
Equipment, repairs, and maintenance.....	-	53,855	25,824	4,928	84,607	-	140,716
Consultancy and professional fees.....	2,982	25,232	158,237	126,418	312,869	-	1,045,856
Vehicle operation costs.....	-	-	110	-	110	-	18,407
Telephone.....	58	-	20,706	28,564	49,328	-	55,256
Insurance and bonding.....	-	-	19,237	7,892	27,129	-	116,522
Depreciation.....	-	13,279	235	-	13,514	-	91,669
Client activities and travel.....	-	-	-	6,098	6,098	-	51,492
Interest and bank charges.....	2,017	-	-	-	2,017	-	60,076
Training and conferences.....	-	-	-	413	413	-	1,638
Postage, printing, and duplication.....	880	-	138	4,537	5,555	-	8,221
Miscellaneous.....	855	6,077	1,522	843	9,297	-	25,975
Total Expenses	\$ 89,719	\$ 194,172	\$ 731,164	\$ 428,850	\$ 1,443,905	\$ (53,636)	\$ 4,507,263