

# **Community Access, Inc. and Subsidiaries**

## **Consolidated Financial Statements** Year Ended June 30, 2010

The report accompanying these financial statements was issued by BDO USA, LLP, a New York limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

**Community Access, Inc.  
and Subsidiaries**

**Consolidated Financial Statements**  
Year Ended June 30, 2010

# Community Access, Inc. and Subsidiaries

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## Independent Auditors' Report

To the Board of Directors  
Community Access, Inc. and Subsidiaries

We have audited the accompanying consolidated statement of financial position of Community Access, Inc. and Subsidiaries (the "Organization") as of June 30, 2010, and the related consolidated 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. Information for the year ended June 30, 2009 is presented for comparative purposes only and was extracted from the consolidated financial statements of the Organization for that year. The consolidated financial statements of the Organization as of June 30, 2009 were audited by other auditors whose report, dated November 9, 2009, 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 Organization'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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization 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.

BDO USA, LLP

December 21, 2010

# Community Access, Inc. and Subsidiaries

## Consolidated Statement of Financial Position (with comparative totals for 2009)

<i>June 30,</i>	2010	2009
<b>Assets</b>		
<b>Current:</b>		
Cash and cash equivalents	\$ 1,695,598	\$ 446,628
Restricted cash (Note 7)	243,905	513,046
Investments at fair value (Notes 1 and 2)	1,263,530	6,656
Due from government funding sources (Notes 1 and 3)	1,437,878	1,085,161
Client fee receivables, net of allowance for uncollectible accounts of \$31,780 in 2010 and \$22,005 in 2009	97,212	74,508
Pledges receivable (Notes 1 and 6)	759,200	494,305
Due from related parties, net (Notes 1 and 4)	567,846	350,655
Prepaid expenses and other current assets	345,972	358,310
<b>Total current assets</b>	<b>6,411,141</b>	<b>3,329,269</b>
<b>Property and equipment, net (Notes 1 and 5)</b>	<b>7,590,548</b>	<b>7,107,205</b>
<b>Security deposits and other assets</b>	<b>560,144</b>	<b>475,637</b>
<b>Deferred loan costs, net of accumulated amortization of \$13,976 in 2009</b>	<b>-</b>	<b>5,989</b>
	<b>\$14,561,833</b>	<b>\$10,918,100</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Promissory note payable, current portion (Note 9)	\$ 25,000	\$ 25,000
Mortgages payable, current portion (Note 8)	18,791	17,137
Accounts payable	1,049,028	578,059
Accrued expenses and taxes	621,275	467,781
Accrued compensated absences	505,748	451,507
Due to government funding sources	226,481	150,117
Other current liabilities	908	466
<b>Total current liabilities</b>	<b>2,447,231</b>	<b>1,690,067</b>
<b>Accrued lease obligation (Note 12)</b>	<b>430,731</b>	<b>-</b>
<b>Mortgage payable (Note 8)</b>	<b>857,178</b>	<b>875,969</b>
<b>Promissory note payable (Note 9)</b>	<b>50,000</b>	<b>50,000</b>
<b>Loan payable - OMH (Note 10)</b>	<b>2,386,970</b>	<b>2,238,218</b>
<b>Total liabilities</b>	<b>6,172,110</b>	<b>4,854,254</b>
<b>Commitments and contingencies (Notes 12 and 13)</b>		
<b>Net assets (Notes 1 and 11):</b>		
Unrestricted	6,845,162	3,943,538
Temporarily restricted	1,544,561	2,120,308
	<b>8,389,723</b>	<b>6,063,846</b>
	<b>\$14,561,833</b>	<b>\$10,918,100</b>

*See accompanying notes to consolidated financial statements.*

# Community Access, Inc. and Subsidiaries

## Consolidated Statement of Activities (with comparative totals for 2009)

*Year ended June 30,*

	Unrestricted	Temporarily restricted	----- Total 2010	----- 2009
<b>Revenues:</b>				
Contributions, grants and clients' fees:				
Government sources	\$13,089,165	\$ -	<b>\$13,089,165</b>	\$11,665,148
Foundations and corporations	637,500	50,000	<b>687,500</b>	866,865
Individuals	276,980	-	<b>276,980</b>	308,433
Capital campaign	261,712	-	<b>261,712</b>	642,350
Clients' fees (net of client allowance of \$193,615 in 2010 and \$121,826 in 2009)	1,333,900	-	<b>1,333,900</b>	1,075,599
Special events	400,151	-	<b>400,151</b>	349,481
Net assets released from restrictions	625,747	(625,747)	-	-
<b>Total contributions, grants and         clients' fees</b>	<b>16,625,155</b>	<b>(575,747)</b>	<b>16,049,408</b>	<b>14,907,876</b>
Other:				
Property management and developer's fees	837,676	-	<b>837,676</b>	823,946
Rental income	226,524	-	<b>226,524</b>	244,740
Interest income and other	116,743	-	<b>116,743</b>	156,354
Gain on sale of property and equipment	3,941,409	-	<b>3,941,409</b>	3,359,315
<b>Total other revenues</b>	<b>5,122,352</b>	<b>-</b>	<b>5,122,352</b>	<b>4,584,355</b>
<b>Total revenues</b>	<b>21,747,507</b>	<b>(575,747)</b>	<b>21,171,760</b>	<b>19,492,231</b>
<b>Expenses:</b>				
Program services:				
Housing programs	13,041,411	-	<b>13,041,411</b>	11,439,043
Education and training programs	2,012,499	-	<b>2,012,499</b>	1,757,975
Other programs	167,310	-	<b>167,310</b>	113,390
<b>Total program services</b>	<b>15,221,220</b>	<b>-</b>	<b>15,221,220</b>	<b>13,310,408</b>
Supporting services:				
Management and general	2,767,007	-	<b>2,767,007</b>	2,267,457
Fundraising	857,656	-	<b>857,656</b>	766,233
<b>Total supporting services</b>	<b>3,624,663</b>	<b>-</b>	<b>3,624,663</b>	<b>3,033,690</b>
<b>Total expenses</b>	<b>18,845,883</b>	<b>-</b>	<b>18,845,883</b>	<b>16,344,098</b>
Change in net assets	2,901,624	(575,747)	<b>2,325,877</b>	3,148,133
Net assets, beginning of year	3,943,538	2,120,308	<b>6,063,846</b>	2,915,713
Net assets, end of year	<b>\$ 6,845,162</b>	<b>\$1,544,561</b>	<b>\$ 8,389,723</b>	<b>\$ 6,063,846</b>

*See accompanying notes to consolidated financial statements.*

**Community Access, Inc.  
and Subsidiaries**

**Consolidated Statement of Functional Expenses  
(with comparative totals for 2009)**

Year ended June 30, 2010

	Program services				Supporting services			Total	
	Housing	Training and education	Other programs	Total program services	Management and general	Fundraising	Total supporting services	2010	2009
<b>Salaries and related expenses:</b>									
Salaries	\$ 5,573,623	\$ 918,705	\$118,248	\$ 6,610,576	\$ 1,982,609	\$439,618	\$ 2,422,227	\$ 9,032,803	\$ 7,942,405
Fringe benefits	1,463,950	240,253	31,007	1,735,210	499,672	114,847	614,519	2,349,729	2,101,096
<b>Total salaries and related expenses</b>	<b>7,037,573</b>	<b>1,158,958</b>	<b>149,255</b>	<b>8,345,786</b>	<b>2,482,281</b>	<b>554,465</b>	<b>3,036,746</b>	<b>11,382,532</b>	<b>10,043,501</b>
<b>Other expenses:</b>									
Professional fees	178,024	34,269	250	212,543	236,095	181,986	418,081	630,624	706,682
Occupancy	318,979	376,554	-	695,533	554,613	-	554,613	1,250,146	505,737
Telephone	131,475	19,952	40	151,467	88,193	797	88,990	240,457	204,394
Equipment, repairs and maintenance	507,898	40,727	-	548,625	173,241	20,279	193,520	742,145	492,576
Supplies, printing, postage and shipping	112,072	28,635	1,552	142,259	94,651	12,620	107,271	249,530	229,586
Insurance	76,957	1,700	-	78,657	36,929	-	36,929	115,586	100,880
Recruitment, training, conferences and related costs	81,573	18,937	1,953	102,463	66,900	18,036	84,936	187,399	179,824
Events and other fundraising costs	-	-	-	-	-	66,158	66,158	66,158	84,724
Bank charges, fees and other	38,445	754	3,874	43,073	14,645	565	15,210	58,283	46,922
Bad debt	881	-	-	881	18,300	2,750	21,050	21,931	74,213
Client housing and related costs	2,127,871	-	-	2,127,871	-	-	-	2,127,871	2,050,404
Client food and other program supplies	978,158	182,967	10,386	1,171,511	-	-	-	1,171,511	899,867
Interest expense	81,898	-	-	81,898	-	-	-	81,898	419,250
Depreciation and amortization	120,865	-	-	120,865	398,947	-	398,947	519,812	305,538
<b>Total expenses before administrative expense allocations</b>	<b>11,792,669</b>	<b>1,863,453</b>	<b>167,310</b>	<b>13,823,432</b>	<b>4,164,795</b>	<b>857,656</b>	<b>5,022,451</b>	<b>18,845,883</b>	<b>16,344,098</b>
<b>Administrative expense allocations</b>	<b>1,248,742</b>	<b>149,046</b>	<b>-</b>	<b>1,397,788</b>	<b>(1,397,788)</b>	<b>-</b>	<b>(1,397,788)</b>	<b>-</b>	<b>-</b>
<b>Total expenses</b>	<b>\$13,041,411</b>	<b>\$2,012,499</b>	<b>\$167,310</b>	<b>\$15,221,220</b>	<b>\$ 2,767,007</b>	<b>\$857,656</b>	<b>\$ 3,624,663</b>	<b>\$18,845,883</b>	<b>\$16,344,098</b>

*See accompanying notes to consolidated financial statements.*

# Community Access, Inc. and Subsidiaries

## Consolidated Statement of Cash Flows (with comparative totals for 2009)

<i>Year ended June 30,</i>	<b>2010</b>	2009
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 2,325,877	\$ 3,148,133
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	519,812	419,250
Bad debts	21,931	74,213
Gain on the sale of property and equipment	(4,054,665)	(3,359,315)
Non-cash debt release	(17,137)	(44,364)
(Increase) decrease in:		
Due from government funding sources	(352,717)	(6,599)
Client fees receivable	(41,885)	(110,792)
Pledges receivable	(267,645)	(170,735)
Due from/to related parties	(217,191)	6,262
Prepaid expenses and other current assets	12,338	390,116
Increase (decrease) in:		
Accounts payable	470,969	(78,163)
Accrued expenses and taxes	207,735	56,381
Due to government funding sources	76,364	138,386
Accrued lease obligation	430,731	-
<b>Net cash provided by (used in) operating activities</b>	<b>(885,483)</b>	<b>462,773</b>
<b>Cash flows from investing activities:</b>		
Decrease (increase) in restricted cash	269,141	(300,843)
Purchase of property and equipment	(1,548,490)	(3,168,969)
Sale of property and equipment	4,600,000	3,927,467
Increase in security deposits and other assets	(84,507)	(334,526)
Purchases of investments	(2,250,678)	(6,656)
Proceeds from the sale of investments	1,017,372	-
<b>Net cash provided by investing activities</b>	<b>2,002,838</b>	<b>116,473</b>
<b>Cash flows from financing activities:</b>		
Payment on line of credit	-	(800,000)
Proceeds from loan and notes payable	148,752	2,263,218
Payments on loan and notes payable	-	(30,777)
Payments on mortgages payable	(17,137)	(1,742,302)
<b>Net cash provided by (used in) financing activities</b>	<b>131,615</b>	<b>(309,861)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,248,970</b>	<b>269,385</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>446,628</b>	<b>177,243</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,695,598</b>	<b>\$ 446,628</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash payments for interest	\$ 81,898	\$ 305,538

*See accompanying notes to consolidated financial statements.*

# Community Access, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 1. Organization and Summary of Significant Accounting Policies

#### *Organization*

Community Access, Inc. (“CAI”) is a not-for-profit organization founded in 1974 for the purpose of developing housing and providing support and training to clients with psychiatric disabilities attempting to achieve a transition to community life in the New York City metropolitan area.

#### *(a) Principles of Consolidation*

The consolidated financial statements include the accounts of CAI and its subsidiaries (the “Organization”). All material intercompany transactions and balances have been eliminated. The following entities are included in the consolidated financial statements:

- CAI’s wholly-owned subsidiaries, Broadway Access Holding Corporation (“BAHC”) and Broadway Access Management Corporation (“BAMC”), collectively owned and managed two condominium units, which primarily housed CAI’s administrative offices. One of the units was sold during fiscal year 2009, and the second was sold in 2010. The sale was recognized under the accrual method of accounting.
- Access House, Inc. (“Access House”) which owns and operates a 15-unit community residence under Section 202 of the National Housing Act.
- 347 East 4th Street Housing Development Fund Company, Inc., commonly known as Libby House, which owns and operates a 12-unit transitional housing project for adults with psychiatric disabilities.
- 202 West 108th Street HDFC which owns and operates a 5-unit supported housing project that is also for adults with psychiatric disabilities.

# Community Access, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

CAI has a controlling interest in nine (9) additional entities which, by themselves or through partnerships, acquire, develop, rehabilitate, manage and construct land and buildings to be used by clients of CAI and other low income individuals and families. The accounts of the entities controlled through stock ownership are not material and are not included in the consolidated financial statements. These entities and a description of their operations are as follows:

- 107-109, Inc. is the general partner of 107-109 Limited Partnership which owns and operates a 46-unit housing facility located at 107-109 Avenue D, New York, NY for low income adults and adults with psychiatric disabilities.
- 258 East 4<sup>th</sup> Street, Inc. is the general partner of 258 East 4<sup>th</sup> Street Limited Partnership, which owns and operates a 51-unit housing facility located at 258 East 4th Street, New York, NY for low income families and adults with psychiatric disabilities.
- Gouverneur Court, Inc. is the general partner of Gouverneur Court Limited Partnership, which owns and operates a 123-unit housing facility located at 621 Water Street, New York, NY for low income adults and adults with psychiatric disabilities.
- 910 DeKalb Avenue, Inc. is the general partner of 910 DeKalb Avenue Limited Partnership, which owns and operates a 64-unit housing facility located at 910 DeKalb Avenue, Brooklyn, NY for low income families and adults with psychiatric disabilities.
- 1363 Franklin Avenue, Inc. is the general partner of 1363 Franklin Avenue Limited Partnership, which owns and operates a 66-unit housing facility located at 1363 Franklin Avenue, Bronx, NY for low income families and adults with psychiatric disabilities.

# Community Access, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

- CHICA, Inc. is the general partner of CHICA Limited Partnership, which owns and operates a 68-unit housing facility located at 1022 Reverend James A. Polite Avenue, Bronx, NY for low income adults and adults with psychiatric disabilities.
- 772 East 168<sup>th</sup> Street Corporation is the general partner of 772 East 168<sup>th</sup> Street Limited Liability Corporation which owns and operates a 59-unit housing facility located at 772 East 168<sup>th</sup> Street, Bronx, NY for low income adults and adults with psychiatric disabilities.
- 29 East 2<sup>nd</sup> Street Corporation is the general partner of 29 East 2<sup>nd</sup> Street Limited Partnership which owns and operates a 53-unit housing facility located at 29 East 2<sup>nd</sup> Street, New York, NY for low income adults and adults with psychiatric disabilities.
- 1750 Davidson Avenue GP, Inc. is the general partner of 1750 Davidson Avenue Limited Partnership, which owns a 73-unit housing facility located at 1750 Davidson Avenue, Bronx, NY for low income adults and adults with psychiatric disabilities.

(b) *Basis of Presentation*

The consolidated financial statements have been prepared on the accrual basis. In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

# Community Access, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

In June 2009, the Financial Accounting Standards Board (the “FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 168, “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles” (“Codification” or “ASC”) to become the source of authoritative U.S. generally accepted accounting principles (“U.S. GAAP”) recognized by the FASB to be applied by nongovernmental entities. All other accounting literature not included in the Codification will be considered nonauthoritative. The Codification does not change current U.S. GAAP. References to authoritative U.S. GAAP literature in the financial statements and the notes thereto have been updated to reflect new Codification references.

(c) *Financial Statement Presentation*

The classification of a not-for-profit organization’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of 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 classes are defined as follows:

- (i) **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. As of June 2010 and 2009, there were no permanently restricted assets.

# Community Access, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

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

(d) *Revenue Recognition*

The Organization receives funding from Medicaid, the New York State Office of Mental Health (“OMH”), New York City Department of Mental Health (“DMH”), New York City Department of Homeless Services (“DHS”), HIV/AIDS Services Administration (“HASA”), U.S. Department of Housing and Urban Development (“HUD”), New York State Office of Vocational and Educational Services for Individuals with Disabilities (“VESID”), and donations from individuals, grants from foundations and corporations. OMH, DMH, DHS, HUD, VESID and HASA revenues are recognized when reimbursable expenses are incurred; Medicaid revenues are recognized when the services have been performed; unconditional promises to give in the form of contributions and grants are recognized in the period received. Client fees are recognized when earned. Rental receipts are recognized as income when earned.

Reimbursements are subject to audit and retroactive adjustment by respective third-party fiscal intermediaries. Revenue from retroactive adjustments is recognized in the year the adjustments are made.

# Community Access, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

(e) *Donor Restricted Contributions*

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Support received with donor-imposed restrictions that are met in the same year in which the contributions are received is classified as unrestricted contributions.

Contributions of long-lived assets are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. An appropriate amount is reclassified to unrestricted net assets, over the useful life of the long-lived assets as calculated by the Organization's depreciation policy. In the absence of donors' stipulations, contribution of long-lived assets is recorded as unrestricted support.

Capital campaign contributions for the renovations of a new program site are treated as temporarily restricted donations until the funds are spent, at which time, the donations will be reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(f) *Promises to Give*

Unconditional promises to give (pledges) that are expected to be collected within one year are recorded at estimated net realizable value, while those that are expected to be collected beyond one year are recorded at the present value of estimated future cash flows. Discount rates are applied using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. As of June 30, 2010 and 2009, there were no discounted pledges recorded.

# Community Access, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Conditional promises to give are not included as support until the conditions are substantially met.

(g) *Use of Estimates*

In preparing the financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the reported period. Actual results could differ from those estimates.

(h) *Cash and Cash Equivalents*

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash and cash equivalents.

Cash and cash equivalents are maintained at a level to meet anticipated operating cash needs, and are maintained in Federal Depository Insurance Corporation (“FDIC”) insured accounts at credit qualified financial institutions. At times, such amounts may exceed the FDIC insurance limits.

(i) *Property and Equipment*

Property and equipment are stated at cost or at the present value of minimum lease payments for equipment under capital leases. Donations of property and equipment are stated at the estimated fair value at the date of the donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Amortization expense on assets acquired under capital leases is included in depreciation and amortization expense on the statement of activities. The estimated useful lives of the Organization’s fixed assets are as follows:

Building and building improvements	39 years
Leasehold improvements	5-10 years
Furniture and equipment	3-10 years

# Community Access, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

(j) *Compensated Absences*

The Organization's policy is to accrue all vested vacation benefits as earned by employees.

(k) *Income Taxes*

The Organization was incorporated in the State of New York and is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and therefore have made no provision for income taxes in the accompanying financial statements. The Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for 2010.

In addition, the Organization has not taken an uncertain tax position that would require provision of a liability under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, "Accounting for Uncertainty in Income Taxes".

(l) *Asset Impairment*

The Organization evaluates long-lived assets for impairment whenever events or changes in circumstances would indicate that the carrying value of an asset may not be recoverable. Long-lived assets would be deemed to be impaired if the carrying value of the asset is in excess of its fair value. There were no impairment charges recognized as of June 30, 2010 and 2009.

(m) *Comparative Financial Information*

The financial statements include certain prior year summarized comparative information. With respect to the statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the

# Community Access, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Organization's financial statements for the year ended June 30, 2009 from which the summarized information was derived.

(n) *Reclassifications*

Certain amounts in the 2009 consolidated financial statements have been reclassified to conform to the 2010 presentation. The reclassifications have no effect on the net assets or the operating results of the prior year.

(o) *Concentration of Credit Risk*

The financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalent accounts in financial institutions which, from time to time, exceed the FDIC limit.

(p) *Fair Value Measurements*

ASC 820, "Fair Value Measurements and Disclosures", formerly FASB Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements", defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. The adoption did not impact the amounts reported in the consolidated financial statements. ASC 820 defines fair value 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 in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. ASC 820 established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors

# Community Access, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Organization classifies fair value balances based on the fair value hierarchy defined by ASC 820 as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 instruments.

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

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

*(q) Accounting for Uncertainty in Income Taxes*

The Organization adopted the provisions of ASC 740, "Income Taxes" (relevant portions of which were previously addressed in FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes"), and Accounting Standards Update ("ASU") 2009-06, "Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities", on July 1, 2009. Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained upon examination by a taxing authority. The Organization does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. No interest or penalties were accrued as of July 1, 2009 as a result of adopting ASC 740. For the year ended June 30, 2010, there

# Community Access, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

were no interest or penalties recorded or included in the statement of activities.

**2. Investments and Fair Value Measurements**

Cost and respective fair values of investments at June 30, 2010 and 2009 are as follows:

<i>June 30,</i>	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit	\$1,232,628	\$1,256,047	\$ -	\$ -
Mutual funds	6,909	7,483	6,909	6,656
	\$1,239,537	\$1,263,530	\$6,909	\$6,656

The Organization's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 1 for a discussion of the Organization's policies regarding this hierarchy. A description of the valuation techniques applied to the Organization's major categories of assets and liabilities measured at fair value are as follows:

*Certificates of Deposit*

The Organization has investments in certificates of deposit with original maturities of greater than 3 months from the date of purchase, which the Organization considers to be short-term investments. The certificates of deposit represent interest-bearing cash deposits and are categorized as Level 1 of the fair value hierarchy.

# Community Access, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### *Mutual Funds*

For the Organization's investments in mutual funds, the Organization has ownership interest in the mutual fund but not in the individual securities held by the fund. The assets of each mutual fund consist primarily of shares of the underlying holdings. These mutual funds are invested primarily in fixed income and equity securities. Mutual funds are valued at the net asset value ("NAV") of each share which is actively traded on national securities exchanges and are classified as Level 1.

The following tables show, by level within the fair value hierarchy, the Organization's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2010 and 2009. The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels.

#### *June 30, 2010*

<i>Asset Category</i>	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Certificates of deposit	\$1,256,047	\$-	\$-	\$1,256,047
Mutual funds	7,483	-	-	7,483
	<b>\$1,263,530</b>	<b>\$-</b>	<b>\$-</b>	<b>\$1,263,530</b>

#### *June 30, 2009*

<i>Asset Category</i>	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Mutual funds	\$6,656	\$-	\$-	\$6,656

# Community Access, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

3. **Amounts due from Government Funding Sources** At June 30, 2010 and 2009, the Organization had amounts reimbursable under the terms of agreements signed with various governmental agencies totaling \$1,437,878 and \$1,085,161, respectively, comprising of the following:

<i>June 30,</i>	<b>2010</b>	2009
New York City Department of Homeless Services	\$ <b>46,576</b>	\$ 116,967
New York City Department of Health and Mental Hygiene	<b>517,636</b>	105,643
New York City Department of Human Resources Administration	<b>75,650</b>	139,699
U.S. Department of Housing and Urban Development	<b>106,649</b>	44,409
New York State Department of Health -Medicaid Reimbursement	<b>670,168</b>	592,853
New York State Office of Vocational and Educational Services for Individuals with Disabilities	<b>11,914</b>	29,063
Other	<b>9,285</b>	56,527
	<b>\$1,437,878</b>	<b>\$1,085,161</b>

# Community Access, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

#### 4. Related Party Transactions

The Organization makes certain payments on behalf of the following partnerships, and rents apartments for clients from these partnerships. The Organization also rents office space from these partnerships. Rental payments to unconsolidated affiliated partnerships for the years ended June 30, 2010 and 2009 were as follows:

<i>Year ended June 30,</i>	<b>2010</b>	2009
Gouverneur Court Limited Partnership	<b>\$222,880</b>	\$238,836
258 East 4th Street Limited Partnership	<b>108,085</b>	101,637
910 DeKalb Avenue, Limited Partnership	<b>170,114</b>	168,353
1363 Franklin Avenue, Limited Partnership	<b>196,446</b>	193,479
CHICA, Limited Partnership	<b>14,000</b>	13,999
1750 Davidson Avenue, Limited Partnership	<b>222,187</b>	194,806
	<b>\$933,712</b>	\$911,110

A summary of current amounts due (to) from unconsolidated related parties, which are non-interest bearing, are as follows:

<i>June 30,</i>	<b>2010</b>	2009
Gouverneur Court Limited Partnership	<b>\$ 31,169</b>	\$ 81,432
107-109 Limited Partnership	<b>127,336</b>	110,967
910 DeKalb Avenue, Limited Partnership	<b>180,809</b>	128,004
1363 Franklin Avenue Limited Partnership	<b>76,451</b>	(20,988)
1750 Davidson Avenue Limited Partnership	<b>72,929</b>	16,639
CHICA Limited Partnership	<b>29,894</b>	21,859
Others	<b>49,258</b>	12,742
	<b>\$567,846</b>	\$350,655

# Community Access, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

5. **Property and Equipment, Net** Major classes of property and equipment, net consist of the following:

<i>June 30,</i>	<b>2010</b>	2009
Land	<b>\$1,905,354</b>	\$ 1,905,354
Building and improvements	<b>3,972,412</b>	4,735,728
Leasehold improvements	<b>2,691,547</b>	1,579,126
Office furniture and equipment	<b>1,612,217</b>	1,344,085
Apartment furniture and equipment	<b>586,687</b>	574,186
Construction-in-progress - OMH	<b>689,881</b>	540,323
	<b>11,458,098</b>	10,678,802
Less: Accumulated depreciation and amortization	<b>3,867,550</b>	3,571,597
	<b>\$7,590,548</b>	\$ 7,107,205

Depreciation and amortization expense for the years ended June 30, 2010 and 2009 was \$519,812 and \$419,809, respectively. Approximately \$224,000 of accumulated depreciation was written off during 2010 and 2009, respectively, as a result of sale of property and equipment. The estimated cost to complete construction-in-progress at June 30, 2010 is \$8,562,812.

6. **Pledges Receivable** Pledges receivable are unconditional promises to give and consist of the following:

<i>June 30,</i>	<b>2010</b>	2009
Amounts due in less than one year	<b>\$743,300</b>	\$469,205
Due in one to three years	<b>15,900</b>	25,100
	<b>\$759,200</b>	\$494,305

# Community Access, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

**7. Restricted Cash** Under regulatory agreements, Access House and Libby House are required to set aside amounts for the replacement of property and other project expenditures such as major repairs, approved by HUD and NYC Department of Housing Preservation and Development (“HPD”). HUD and HPD restricted cash, which approximates \$152,000 at June 30, 2010 and \$142,000 at June 30, 2009, is held in separate accounts and is generally not available for operating purposes. In addition, 202 West 108<sup>th</sup> Street HDFC has a reserve account for replacement of property, which approximates \$91,000 and \$86,000 at June 30, 2010 and 2009, respectively. During 2009, the Organization established a separate account for the capital campaign contributions and expenditures for the renovations of a new program site. As of June 30, 2010 and 2009, the restricted amount approximates \$1,000 and \$286,000, respectively, is not available for operating purposes.

**8. Mortgage Payable** Mortgage payable consists of the following:

<i>June 30,</i>	<b>2010</b>	2009
Access House has a mortgage with HUD under Section 202 of the National Housing Act. The HUD mortgage requires a monthly payment of \$8,253, including interest at the rate of 9.25% per annum, through December 1, 2028. The mortgage is secured by the land and building of Access House.	<b>\$875,969</b>	\$893,106
Total	<b>875,969</b>	893,106
Less: Current portion	<b>18,791</b>	17,137
	<b>\$857,178</b>	\$875,969

# Community Access, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Principal maturities on the mortgage obligation are as follows:

<i>Year ending June 30,</i>	
2011	\$ 18,791
2012	20,605
2013	22,594
2014	24,775
2015	27,166
Thereafter	762,038
	\$875,969

**9. Promissory Note Payable**

Promissory note payable consists of the following:

<i>June 30,</i>	<b>2010</b>	2009
On January 11, 2008, a foundation approved a program-related investment in the form of a multi-year interest-free loan in the total amount of \$75,000 to CAI. This loan was divided into three disbursements of \$25,000 for three years, of which two installments were received during 2008 and one installment during 2009. The loan is repayable in \$25,000 annual increments beginning December 17, 2010.	<b>\$75,000</b>	\$75,000
Total	<b>75,000</b>	75,000
Less: Current portion	<b>25,000</b>	25,000
Long-term debt	<b>\$50,000</b>	\$50,000

# Community Access, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Principal maturities on the promissory note obligation are as follows:

<i>Year ending June 30,</i>	
2011	\$25,000
2012	25,000
2013	25,000
	<hr/>
	\$75,000

**10. Loan Payable -  
OMH**

In April 2008, the Organization entered into an agreement with OMH to fund the acquisition of property, and the designing, construction, and rehabilitation of a community mental health program facility. OMH agreed to pay for the approved costs incurred by the Organization in the conduct of this project for a contract period of five years for an amount of up to \$10,348,271, which shall be repaid directly out of proceeds of a Dormitory Authority of the State of New York (“DASNY”) mortgage loan. OMH may, in its sole discretion, discontinue the project and terminate the agreement at any time. Amounts spent in accordance with this agreement as of June 30, 2010 and 2009 amounted to \$2,386,970 and \$2,238,218, respectively, and include both land and construction-in-progress.

**11. Temporarily  
Restricted Net  
Assets**

In August 2005, a subsidiary of the Organization (202 West 108<sup>th</sup> Street HDFC) received a donation in the form of a newly constructed 5-unit building located at 202 West 108<sup>th</sup> Street, New York, NY. The property, valued at the total cost of construction of \$1,729,727, has a 40 year restriction on its use. It is to be owned and operated as low-income housing pursuant to the inclusionary Housing Program of the NYC Department of Housing, Preservation and Development. Consequently, the Organization is applying a time restriction on the donation over the 40 year period.

# Community Access, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Temporarily restricted net assets at June 30, 2010 and 2009 were identified for the following purposes:

<i>June 30,</i>	<b>2010</b>	2009
Land and building	<b>\$1,494,561</b>	\$1,538,488
Capital campaign	-	539,320
Operations	<b>50,000</b>	42,500
	<b>\$1,544,561</b>	\$2,120,308

### 12. Commitments and Contingencies

#### *Operating Leases*

The Organization leases office space under various leases expiring at various dates through May 2024.

Future minimum annual lease payments at June 30, 2010 are as follows:

<i>Year ending June 30,</i>	
2011	\$ 912,521
2012	929,076
2013	948,532
2014	978,909
2015	1,030,938
Thereafter	9,577,942
Total	\$14,377,918

For financial statement purposes, base rent is expensed on the straight-line basis over the term of the lease. Rent expense was approximately \$1,085,000 and \$534,000 for the years ended June 30, 2010 and 2009, respectively.

In addition to rents paid to related parties (Note 4), the Organization rents apartments for clients and office space under arrangements accounted for as operating leases.

# Community Access, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

The rental commitment presented above does not include operating leases with terms of one year or less. Rent expense under all operating leases for the years ended June 30, 2010 and 2009, which includes leases with month-to-month terms and related party transactions amounted to approximately \$2,300,000 and \$2,200,000, respectively.

### *Federal, State and City Funding*

The Organization participates in various State and City programs for the benefit of clients with psychiatric disabilities. These programs have strict requirements for participation and, accordingly, the Organization is subject to government program reviews covering compliance with laws and regulations.

The expenses of programs which have been reimbursed pursuant to State and City government contracts and grants are subject to audit by the respective granting agencies.

### **13. Employee Benefit Plan**

In January 2004, the Organization established a 403(b) retirement plan (the "Plan") covering all eligible employees. Employees are eligible to participate if they have completed one year of service. Participating employees may contribute a percentage of their pay to the Plan up to the maximum amount allowed by the Internal Revenue Service. The Plan provides for a discretionary basic contribution that can vary year to year. The Board of Directors resolved that participating employees would receive a contribution equal to one percent of total compensation for 2010 and 2009. For the years ended June 30, 2010 and 2009, contributions to the Plan totaled \$83,438 and \$62,225, respectively.

### **14. Subsequent Events**

The Organization has evaluated subsequent events through December 31, 2010, which is the date these financial statements were available to be issued. No events arose during the period which would require additional disclosures.