

**East Side House, Inc.**

Financial Statements

August 31, 2010



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

## Independent Auditors' Report

### Board of Managers East Side House, Inc.

We have audited the accompanying statement of financial position of East Side House, Inc. (the "Organization") as of August 31, 2010 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements which were audited by other auditors whose report dated February 11, 2010 expressed an unqualified opinion on those financial statements, before restatement.

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 financial statements referred to above present fairly, in all material respects, the financial position of East Side House, Inc. as of August 31, 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.

We also audited the adjustment described in Note 10 that was applied to restate the 2009 financial statements. In our opinion, such an adjustment is appropriate and has been properly applied.

*O'Connor Davies Munns & Dobbins, LLP*

New York, New York  
January 28, 2011

**East Side House, Inc.**  
Statement of Financial Position  
August 31, 2010  
(with comparative amounts at August 31, 2009)

	<u>2010</u>	<u>2009</u> (Restated)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,639,331	\$ 2,247,302
Investments	10,965,817	10,787,669
Due from government agencies	848,435	1,018,094
Contributions receivable	165,153	100,000
Prepaid expenses and other assets	284,161	18,043
Restricted investments	5,767,978	5,567,978
Property, plant and equipment, net	<u>368,257</u>	<u>419,183</u>
	<u>\$ 21,039,132</u>	<u>\$ 20,158,269</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 405,799	\$ 903,635
Due to government agencies	<u>1,497,621</u>	<u>476,923</u>
Total Liabilities	<u>1,903,420</u>	<u>1,380,558</u>
Net Assets		
Unrestricted	12,494,474	11,568,750
Temporarily restricted	873,260	1,640,983
Permanently restricted	<u>5,767,978</u>	<u>5,567,978</u>
Total Net Assets	<u>19,135,712</u>	<u>18,777,711</u>
	<u>\$ 21,039,132</u>	<u>\$ 20,158,269</u>

See notes to financial statements

**East Side House, Inc.**

Statement of Activities

Year Ended August 31, 2010

(with comparative amounts at August 31, 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>2009 Total (Restated)</u>
<b>OPERATING INCOME</b>					
Contributions - foundations and charities	\$ 128,147	\$ 615,481	\$ -	\$ 743,628	\$ 699,300
Contributions - corporations and individuals	132,561	-	200,000	332,561	387,043
Government support	6,340,336	-	-	6,340,336	6,635,044
Donated services	572,809	-	-	572,809	616,178
United Way of New York City	702	-	-	702	1,171
Special events, net of direct costs of \$2,663,780 and \$2,324,935	1,501,237	-	-	1,501,237	1,837,676
Program fees	166,306	-	-	166,306	80,530
Interest and dividends, net of expenses of \$62,789 and \$52,289	457,386	-	-	457,386	522,642
Miscellaneous	49,372	-	-	49,372	712,930
Net assets released from restrictions	<u>1,383,204</u>	<u>(1,383,204)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Income	<u>10,732,060</u>	<u>(767,723)</u>	<u>200,000</u>	<u>10,164,337</u>	<u>11,492,514</u>
<b>OPERATING EXPENSES</b>					
Program services					
Early childhood	3,139,058	-	-	3,139,058	3,236,973
Community centers	512,698	-	-	512,698	676,540
Education	4,087,890	-	-	4,087,890	4,584,610
Senior citizens	<u>584,831</u>	<u>-</u>	<u>-</u>	<u>584,831</u>	<u>613,697</u>
Total Program Services	8,324,477	-	-	8,324,477	9,111,820
Supporting services					
Management and general	1,126,405	-	-	1,126,405	1,173,048
Fundraising	<u>777,953</u>	<u>-</u>	<u>-</u>	<u>777,953</u>	<u>905,221</u>
Total Supporting Services	1,904,358	-	-	1,904,358	2,078,269
Total Expenses	<u>10,228,835</u>	<u>-</u>	<u>-</u>	<u>10,228,835</u>	<u>11,190,089</u>
Excess (Deficiency) of Operating Income over Operating Expenses	503,225	(767,723)	200,000	(64,498)	302,425
<b>NON OPERATING ACTIVITY</b>					
Actuarial change of pension cost	(32,112)	-	-	(32,112)	(129,371)
Net realized and unrealized gain (loss) on investments	<u>454,611</u>	<u>-</u>	<u>-</u>	<u>454,611</u>	<u>(1,682,888)</u>
Change in Net Assets	925,724	(767,723)	200,000	358,001	(1,509,834)
<b>NET ASSETS</b>					
Beginning of year	<u>11,568,750</u>	<u>1,640,983</u>	<u>5,567,978</u>	<u>18,777,711</u>	<u>20,287,545</u>
End of year	<u>\$ 12,494,474</u>	<u>\$ 873,260</u>	<u>\$ 5,767,978</u>	<u>\$ 19,135,712</u>	<u>\$ 18,777,711</u>

See notes to financial statements

**East Side House, Inc.**  
Statement of Functional Expenses  
Year Ended August 31, 2010  
(with summarized totals for the year ended August 31, 2009)

	Program Services					Supporting Services			2010 Total	2009 Total (Restated)
	Early Childhood	Community Centers	Education	Senior Citizens	Total Program Services	Management and General	Fund Raising	Direct Costs of Special Events		
Salaries	\$ 2,573,587	\$ 399,139	\$ 2,553,005	\$ 302,295	\$ 5,828,026	\$ 478,093	\$ 85,950	\$ -	\$ 6,392,069	\$ 6,496,343
Pension plan expense	-	3,186	9,720	-	12,906	24,639	2,483	-	40,028	91,870
Employee benefits	74,887	25,250	88,648	-	188,785	7,237	4,714	-	200,736	134,312
Payroll taxes	182,914	28,840	271,411	31,837	515,002	120,738	8,613	-	644,353	624,246
Professional fees and contract service payments	45,269	-	67,984	13,039	126,292	143,030	263,947	-	533,269	832,520
Advertising	-	-	-	-	-	2,681	247,859	41,827	292,367	320,753
Supplies	57,474	21,200	117,333	41,042	237,049	53,849	-	-	290,898	314,307
Telephone	20,596	4,860	7,658	11,283	44,397	42,102	68	-	86,567	79,119
Postage and shipping	1,061	32	1,333	9,339	11,765	12,889	10,427	-	35,081	22,783
Occupancy	71,635	-	-	-	71,635	36,964	-	1,625,680	1,734,279	1,574,295
Equipment rental and maintenance	73,704	23,983	13,961	7,820	119,468	63,335	27	75,427	258,257	339,739
Printing and publications	1,114	-	1,452	98	2,664	16,953	44,187	274,642	338,446	312,610
Relief and trips	6,720	-	-	-	6,720	-	-	-	6,720	6,517
Public relations	-	-	-	-	-	-	84,776	65,472	150,248	82,119
Events, conferences and travel	4,099	203	45,314	22,778	72,394	9,770	-	414,988	497,152	512,299
Investment fees	-	-	-	-	-	62,789	-	-	62,789	52,289
Depreciation	-	-	140,320	-	140,320	-	-	-	140,320	132,320
Insurance	-	1,174	50,762	-	51,936	50,494	-	8,500	110,930	130,317
Dues and subscriptions	-	-	150	1,306	1,456	15,972	2,100	-	19,528	11,482
Food	-	1,274	348,855	138,010	488,139	9,868	-	122,656	620,663	778,479
Provider stipends	-	-	137,732	-	137,732	-	-	-	137,732	108,703
Scholarships	-	-	49,845	-	49,845	5,000	-	-	54,845	49,397
Miscellaneous	25,998	3,557	182,407	5,984	217,946	32,791	22,802	34,588	308,127	560,494
<b>Total expenses</b>	<b>3,139,058</b>	<b>512,698</b>	<b>4,087,890</b>	<b>584,831</b>	<b>8,324,477</b>	<b>1,189,194</b>	<b>777,953</b>	<b>2,663,780</b>	<b>12,955,404</b>	<b>13,567,313</b>
Less expenses deducted directly from revenues on the statement of activities										
Investment fees	-	-	-	-	-	(62,789)	-	-	(62,789)	(52,289)
Direct cost of special events	-	-	-	-	-	-	-	(2,663,780)	(2,663,780)	(2,324,935)
<b>Total expenses reported by function</b>	<b>\$ 3,139,058</b>	<b>\$ 512,698</b>	<b>\$ 4,087,890</b>	<b>\$ 584,831</b>	<b>\$ 8,324,477</b>	<b>\$ 1,126,405</b>	<b>\$ 777,953</b>	<b>\$ -</b>	<b>\$ 10,228,835</b>	<b>\$ 11,190,089</b>

**East Side House, Inc.**  
Statement of Cash Flows  
Year Ended August 31, 2010  
(with comparative amounts at August 31, 2009)

	2010	2009 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 358,001	\$ (1,509,834)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized (gain) loss on investments	(454,611)	1,682,888
Depreciation	140,320	132,320
Permanently restricted gift	(200,000)	-
Changes in operating assets and liabilities		
Due from government agencies	169,659	(73,862)
Contributions receivable	(65,153)	160,000
Prepaid expenses and other assets	(266,118)	102,670
Accounts payable and accrued expenses	(497,836)	292,841
Due to government agencies	1,020,698	(811,608)
Net Cash from Operating Activities	204,960	(24,585)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(89,394)	(108,717)
Purchase of investments	(4,959,028)	(5,779,178)
Proceeds from sale of investments	5,235,491	5,689,385
Net Cash from Investing Activities	187,069	(198,510)
Net Change in Cash and Cash Equivalents	392,029	(223,095)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	2,247,302	2,470,397
End of year	\$ 2,639,331	\$ 2,247,302

See notes to financial statements

# East Side House, Inc.

## Notes to Financial Statements

### 1. Organization and Tax Status

East Side House, Inc. (d/b/a East Side House, Inc Settlement) (the “Organization”) is a not-for-profit organization serving the Mott Haven section of South Bronx which focuses on providing residents with the education and technology skills they need to create economic and civic opportunities for themselves, their families and the community.

The Organization was incorporated in the State of New York and is exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code. In addition, 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 Internal Revenue Code. The Organization is exempt from New York State income taxes.

### 2. Summary of Significant Accounting Policies

#### *Basis of Presentation*

Net assets are classified based on the existence or absence of donor-imposed restrictions. Unrestricted amounts are those currently available at the discretion of the board for use in the Organization’s operations and those resources invested in property, plant and equipment. Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes or programs or restricted by time. As the stipulations are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying statement of activities as net assets released from restrictions. Permanently restricted amounts are those which are established by donor restricted gifts and bequests to provide a permanent endowment.

#### *Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### *Cash and Cash Equivalents*

Cash and cash equivalents include highly liquid fixed income investments purchased with an original maturity of three months or less at time of purchase.

## East Side House, Inc.

### Notes to Financial Statements

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

##### *Fair Value of Financial Instruments*

The Organization follows Financial Accounting Standards Board (FASB) guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest level of reliance and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

##### *Investments*

Investments, excluding certificate of deposit, are reported at fair value. Interest, dividends and changes in the fair value of investments are reported in the statement of activities. Certificates of deposit are carried at cost plus accrued interest.

##### *Donated Services*

Donated services are reported in the financial statements at fair value, if those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and that would typically be purchased if not provided by donation.

##### *Contributions*

All contributions, including unconditional promises to give, are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

## East Side House, Inc.

### Notes to Financial Statements

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

##### *Property, Plant and Equipment*

Property, plant and equipment are stated at cost or, if donated, at fair market value on the date of the gift, and depreciated using the straight line method over the useful lives of such assets. Purchases are capitalized based on the economic useful life of the assets and in accordance with guidelines issued by various governmental agencies for reimbursement purposes. When the grantor retains title or when it is probable that the title will revert to the grantor upon certain contingent events, the assets are expensed in the year the funds are received and spent. The estimated lives by asset class are as follows:

Building and improvements	5-30 years
Furniture and equipment	5-10 years

##### *Third-Party Reimbursement and Revenue Recognition*

The Organization receives substantially all its revenue for services provided to approved clients from third-party reimbursement agencies, primarily New York City Administration for Children's Services ("ACS"). These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. The Organization records an estimated liability to governmental agencies for excess reimbursement over allowable costs.

Contract revenue is recognized as expenses for these programs are incurred to the maximum of the contract award.

##### *Functional Allocation of Expenses*

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

##### *Summarized Financial Information*

The statements of activities and functional expenses include prior year summarized comparative information in total which does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended August 31, 2009 from which the summarized information was derived.

## East Side House, Inc.

### Notes to Financial Statements

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

##### *Accounting for Uncertainty in Income Taxes*

The Organization recognizes the effect of income tax positions only of those positions are more likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition. The Organization is no longer subject to audits by the applicable taxing jurisdictions for tax periods prior to 2006.

##### *Subsequent Events Evaluation by Management*

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is January 28, 2011.

#### 3. Investments

The following are major categories of investments as of August 31, 2010 and 2009:

Description	2010		
	Level 1	Level 2	Total
Money market funds	\$ 7,717	\$ -	\$ 7,717
Cash and cash equivalents	81,637	-	81,637
Mutual funds	10,042,247	-	10,042,247
Equity securities	5,411,516	-	5,411,516
Corporate bonds	-	33,325	33,325
Total investments at fair value	<u>\$ 15,543,117</u>	<u>\$ 33,325</u>	15,576,442
Certificate of deposit			<u>1,157,353</u>
Total investments			<u>\$ 16,733,795</u>

  

Description	2009		
	Level 1	Level 2	Total
Money market funds	\$ 2,950	\$ -	\$ 2,950
Cash and cash equivalents	62,485	-	62,485
Mutual funds	9,693,972	-	9,693,972
Equity securities	5,446,453	-	5,446,453
Total investments at fair value	<u>\$ 15,205,860</u>	<u>\$ -</u>	15,205,860
Certificate of deposit			<u>1,149,787</u>
Total investments			<u>\$ 16,355,647</u>

**East Side House, Inc.**

**Notes to Financial Statements**

**3. Investments (continued)**

The composition of investment return as reported in the statement of activities for the year ended August 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 520,174	\$ 574,931
Realized and unrealized gain (loss) on investments	454,611	(1,682,888)
Investment fees	<u>(62,788)</u>	<u>(52,289)</u>
	<u>\$ 911,997</u>	<u>\$ (1,160,246)</u>

**4. Property, Plant and Equipment**

Property, plant and equipment consist of the following as of August 31:

	<u>2010</u>	<u>2009</u>
Land	\$ 6,190	\$ 6,190
Buildings and improvements	914,136	914,136
Furniture and equipment	<u>1,017,375</u>	<u>927,981</u>
	1,937,701	1,848,307
Accumulated depreciation and amortization	<u>(1,569,444)</u>	<u>(1,429,124)</u>
	<u>\$ 368,257</u>	<u>\$ 419,183</u>

The net book value of furniture and equipment purchased for the Head Start program as of August 31, 2010 and 2009 amounted to \$6,824 and \$39,182.

**5. Temporarily Restricted Net Assets**

Changes in the temporarily restricted net assets consist of the following:

<u>Purpose / Restriction</u>	<u>Balance at September 1, 2009</u>	<u>Additions</u>	<u>Assets Released</u>	<u>Balance at August 31, 2010</u>
Community centers	\$ 352,562	\$ 10,000	\$ (352,562)	\$ 10,000
Education programs	<u>1,288,421</u>	<u>605,481</u>	<u>(1,030,642)</u>	<u>863,260</u>
	<u>\$ 1,640,983</u>	<u>\$ 615,481</u>	<u>\$ (1,383,204)</u>	<u>\$ 873,260</u>

## East Side House, Inc.

### Notes to Financial Statements

#### 6. Permanently Restricted Net Assets

Permanently restricted net assets represent donor restricted contributions to be held in perpetuity, the income from which is expended to support the programs and operations of the Organization.

#### 7. Endowment Funds

##### *Interpretation of Law*

The Organization maintains various donor-restricted funds whose purpose is to provide long term support for its charitable programs. In classifying such funds for financial statement purposes as either permanently restricted, temporarily restricted or unrestricted net assets, the Board of Directors looks to the explicit directions of the donor where applicable and the provisions of the laws of the State of New York.

The Board has determined that, absent donor stipulations to the contrary, the provisions of New York State law do not impose either a permanent or temporary restriction on the income or capital appreciation derived from the original gift.

##### *Return Objectives, Strategies Employed and Spending Policy*

The Organization utilizes a total return investment approach with its asset allocation diversified over multiple asset classes and sub classes. The long-term objective of the invested funds is to produce stable and increasing principal appreciation in excess of the rate of inflation to enhance purchasing power with a low to moderate level of risk. To achieve this objective, invested funds are maintained in money market funds, equity funds, mutual funds and government securities. The total return objective includes the funding of both the current year spending rate amount and the amount required to be retained pursuant to the Board's interpretation of State law.

The following is a reconciliation of the donor restricted endowment fund for the year ended August 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	\$ 969,290	\$ -	\$ 5,567,978	\$ 6,537,268
Contributions	-	-	200,000	200,000
Investment income, net	191,001	-	-	191,001
Capital depreciation	188,702	-	-	188,702
Appropriated for expenditure	<u>(279,503)</u>	<u>-</u>	<u>-</u>	<u>(279,503)</u>
Balance, end of year	<u>\$ 1,069,490</u>	<u>\$ -</u>	<u>\$ 5,767,978</u>	<u>\$ 6,837,468</u>

**East Side House, Inc.**

**Notes to Financial Statements**

**7. Endowment Funds (continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Comprised of the following:				
Centennial endowment	\$ 1,171,309	\$ -	\$ 975,280	\$ 2,146,589
Jean and Robert Stern endowment	10,966	-	200,000	210,966
William and Ann Zell endowment	(15,268)	-	543,934	528,666
Louis W Bowen endowment	<u>(97,517)</u>	<u>-</u>	<u>4,048,764</u>	<u>3,951,247</u>
	<u>\$ 1,069,490</u>	<u>\$ -</u>	<u>\$ 5,767,978</u>	<u>\$ 6,837,468</u>

**8. Pension Plan**

The Organization has a noncontributory defined benefit pension plan for its employees. The plan was frozen November 15, 2005. The Organization's funding policy is to make contributions to the Plan equivalent to the amount necessary to meet the minimum funding requirement of the Employee's Retirement Income Security Act ("ERISA"). The following table sets forth the plan's funded status and amounts recognized in the balance sheet as of August 31, 2010, the date of the latest actuarial valuation:

	<u>2010</u>	<u>2009</u>
Projected and accumulated benefit obligation	\$ 935,333	\$ 910,106
Fair value of plan assets	<u>(940,840)</u>	<u>(886,437)</u>
Funded Status	<u>\$ (5,507)</u>	<u>\$ 23,669</u>
Net pension (benefit) cost recognized in the statement of activities	\$ (16,287)	\$ (26,034)
Prepaid (accrued) pension cost recognized in the statement of financial position	5,507	(23,669)
Employer contribution to the plan during the year	45,000	47,000
Benefits paid	(37,665)	(37,665)

The Organization expects to contribute \$35,000 to its pension plan in 2011.

Unrecognized actuarial losses recognized as changes in unrestricted net assets arising from the Plan at August 31, 2010 and 2009 that have not yet been recognized in periodic pension cost were \$97,381 and \$65,270.

**East Side House, Inc.**

**Notes to Financial Statements**

**8. Pension Plan (continued)**

The Organization's expected long-term return on plan assets assumptions is based on a periodic review and modeling of the Plans' asset allocation and liability structure over a long-term horizon. Expectations of returns for each asset class are the most important of the assumptions used in the review and modeling and are based on comprehensive reviews of historical data are economical/financial market theory. The expected long-term rate of return on assets was selected from within the reasonable range of rates determined by (a) historical rates of returns, net of inflation, for the asset classes covered by the investment policy, and (b) projections of inflation over the long-term period during which benefits are payable to plan participants.

The following are weighted-average assumptions used to determine benefit obligations and net periodic benefit cost as of and for the years ended August 31:

	Benefit Obligations		Periodic Benefit Cost	
	2010	2009	2010	2009
Discount rate	6%	6%	6%	6%
Expected long-term return on plan assets			8%	8%

The following benefit payments, which reflect expected future service, are expected to be paid as follows:

2011	\$	48,443
2012		50,591
2013		82,516
2014		83,630
2015		82,512
2016-2021		418,890
	\$	766,582

The investment policy is a conservative policy with respect to investment of assets, with the primary objective being preservation of capital and the achievement of the maximum possible investment return. The funds should be invested to equal 60% equity and 40% fixed income. When the percentage varies by more than 5%, a reallocation is done.

## East Side House, Inc.

### Notes to Financial Statements

#### 8. Pension Plan *(continued)*

The fair value of the Organization's pension plan assets at August 31, 2010 by asset category are as follows:

	<u>Level 1</u>
Cash and cash equivalents	\$ 2,292
U.S. equity securities	
Strategic Value	168,256
Strategic Growth	170,360
Mutual funds	
Equity based	216,210
Fixed income based	<u>383,722</u>
	<u>\$ 940,840</u>

The Organization also has a defined contribution pension plan. All employees working over 1,000 hours per year are qualified to participate after completing one year of service. Employees may contribute to the plan based on the plan document. The Organization at the discretion of the Board of Managers may make a matching contribution based on the plan document. The participant is fully and immediately vested when the contribution is made. Defined contribution plan pension expense was \$56,316 and \$65,835 for the years ended August 31, 2010 and 2009.

#### 9. Concentration of Credit Risk

Financial instruments which potentially subject the Organization to a concentration of credit risk consist primarily of cash and cash equivalents in excess of FDIC insurance limits. Management believes that credit risk related to these accounts is minimal.

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment, or group of investments, represent a significant concentration of market risk.

The Organization provides program services that are covered under various third party agreements. Receivables from such arrangements totaled \$859,182 and \$1,018,094 as of August 31, 2010 and 2009.

## East Side House, Inc.

### Notes to Financial Statements

#### 10. Prior Period Adjustment

After management review, the 2009 financial statements have been restated to reflect a correction to unrestricted net assets, cash and cash equivalent, and due to government agencies in the prior year. The following is the effect of the above mentioned restatement on the financial statements:

	<u>Cash and Cash Equivalents</u>	<u>Due to Government Agencies</u>	<u>Unrestricted Net Assets</u>
Balance at August 31, 2009, as reported	\$ 2,499,557	\$ 1,284,502	\$ 11,013,426
Cash and cash equivalents	(252,255)	-	(252,255)
Due to government agencies	<u>-</u>	<u>(807,579)</u>	<u>807,579</u>
Balance at August 31, 2009, as restated	<u>\$ 2,247,302</u>	<u>\$ 476,923</u>	<u>\$ 11,568,750</u>