



**WithumSmith+Brown**  
**A Professional Corporation**  
**Certified Public Accountants and Consultants**



**BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION**

**Financial Statements**

**June 30, 2013 and 2012**

**With Independent Auditors' Reports**

**Bronx Overall Economic Development Corporation**  
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**June 30, 2013 and 2012**

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## **Independent Auditors' Report**

To the Board of Directors,  
Bronx Overall Economic Development Corporation:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Bronx Overall Economic Development Corporation as of June 30, 2013 and 2012, which comprise the statements of financial position and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Bronx Overall Economic Development Corporation as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*William Smith + Brown, PC*

January 29, 2014

**Bronx Overall Economic Development Corporation**  
**Statements of Financial Position**  
**June 30, 2013 and 2012**

	2013	2012
<b>Assets</b>		
Cash and cash equivalents	\$ 460,164	\$ 559,566
Restricted cash	8,237,605	7,848,765
Investments - restricted	10,634,014	10,654,898
Grants receivable	306,020	114,424
Due from loan processors	152,144	157,993
Loans receivable, net of allowance for uncollectible accounts of \$2,949,230 in 2013 and \$6,333,100 in 2012	9,114,293	10,014,715
Accounts receivable, net of allowance for uncollectible accounts of \$34,800 in 2013 and \$56,000 in 2012	25,725	73,880
Accrued interest receivable, net of allowance for uncollectible accounts of \$11,055 in 2013 and \$275,818 in 2012	27,353	34,904
Prepaid expenses and other receivables	10,058	9,225
Due from BIC, net of allowance for uncollectible accounts of \$-0- in 2013 and \$73,562 in 2012	5,992	20,000
Property and equipment, net	115,477	9,028
Other assets	--	100,000
	<u>\$ 29,088,845</u>	<u>\$ 29,597,398</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 209,253	\$ 166,391
Accrued payroll and related liabilities	180,585	118,525
Refundable advances	421,386	374,983
Due to funder	140,726	104,486
Grants payable	3,111	5,309
Total liabilities	<u>955,061</u>	<u>769,694</u>
<b>Net assets</b>		
Unrestricted	3,713,251	4,148,818
Temporarily restricted	<u>24,420,533</u>	<u>24,678,886</u>
Total net assets	<u>28,133,784</u>	<u>28,827,704</u>
	<u>\$ 29,088,845</u>	<u>\$ 29,597,398</u>

The Notes to Financial Statements are an integral part of these statements.

**Bronx Overall Economic Development Corporation**  
**Statements of Activities**  
**Years Ended June 30, 2013 and 2012**

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and other support						
Government grants	\$ 863,392	\$ 75,000	\$ 938,392	\$ 932,300	\$ 196,271	\$ 1,128,571
Contributions	308,435	50,000	358,435	276,942	--	276,942
In-kind contribution	229,403	--	229,403	229,403	--	229,403
Loan fees	7,043		7,043	3,087	24,334	27,421
Interest income - loans	1,155	392,474	393,629	1,716	380,206	381,922
Investment income (loss)	1,634	(10,570)	(8,936)	1,251	670,310	671,561
Special events	320,935	--	320,935	340,582	--	340,582
Other income	15,730	--	15,730	--	--	--
Net assets released from restriction	765,257	(765,257)	--	2,165,917	(2,165,917)	--
	<u>2,512,984</u>	<u>(258,353)</u>	<u>2,254,631</u>	<u>3,951,198</u>	<u>(894,796)</u>	<u>3,056,402</u>
Expenses						
Program services						
Environmental	447,157	--	447,157	529,315	--	529,315
Empowerment Zone	735,613	--	735,613	2,027,020	--	2,027,020
Economic development	761,268	--	761,268	586,546	--	586,546
Technical assistance	--	--	--	48,060	--	48,060
Other programs	475,550	--	475,550	325,599	--	325,599
	<u>2,419,588</u>	<u>--</u>	<u>2,419,588</u>	<u>3,516,540</u>	<u>--</u>	<u>3,516,540</u>
Supporting services						
Management and general	273,059	--	273,059	340,944	--	340,944
Fundraising and special events	255,904	--	255,904	243,050	--	243,050
	<u>528,963</u>	<u>--</u>	<u>528,963</u>	<u>583,994</u>	<u>--</u>	<u>583,994</u>
	<u>2,948,551</u>	<u>--</u>	<u>2,948,551</u>	<u>4,100,534</u>	<u>--</u>	<u>4,100,534</u>
Change in net assets	(435,567)	(258,353)	(693,920)	(149,336)	(894,796)	(1,044,132)
Net assets, beginning of year	4,148,818	24,678,886	28,827,704	4,298,154	25,573,682	29,871,836
Net assets, end of year	<u>\$ 3,713,251</u>	<u>\$ 24,420,533</u>	<u>\$ 28,133,784</u>	<u>\$ 4,148,818</u>	<u>\$ 24,678,886</u>	<u>\$ 28,827,704</u>

The Notes to Financial Statements are an integral part of these statements.

**Bronx Overall Economic Development Corporation**  
**Statements of Cash Flows**  
**Years Ended June 30, 2013 and 2012**

	2013	2012
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ (693,920)	\$ (1,044,132)
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Net unrealized/realized loss (gain) on investments	237,636	(256,931)
Bad debt (recovery) expense	(124,465)	1,189,021
Loss on disposal of assets	55,500	--
Grant expense - donation of fixed assets	40,000	--
Depreciation	3,230	3,365
Decrease (increase) in assets		
Restricted cash	(388,840)	(1,805,432)
Grants receivable	(191,596)	222,365
Accounts receivable	45,155	(98,185)
Accrued interest receivable	7,551	(34,904)
Prepaid expenses and other receivables	(833)	(547)
Due from loan processor	5,849	(55,781)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	42,862	(54,732)
Accrued payroll and related liabilities	62,060	24,246
Refundable advance	46,403	(76,725)
Grants payable	(2,198)	(31,286)
Due to funder	36,240	5,991
Net cash used by operating activities	<u>(819,366)</u>	<u>(2,013,667)</u>
<b>Cash flows from investing activities</b>		
Loans issued	(1,049,500)	(3,440,963)
Principal repayments on loans receivable	1,896,825	1,385,884
Proceeds from disposal of assets	4,500	--
Purchase of fixed assets	(2,679)	(4,431)
Proceeds from sales of investments	--	4,298,093
Purchase of investments	(216,752)	(400,909)
Net cash provided by investing activities	<u>632,394</u>	<u>1,837,674</u>
<b>Cash flows from financing activities</b>		
Repayments on due from related party	103,097	105,800
Advances to related party	(15,527)	(29,229)
Net cash provided by financing activities	<u>87,570</u>	<u>76,571</u>
Net change in cash	(99,402)	(99,422)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>559,566</u>	<u>658,988</u>
End of year	<u>\$ 460,164</u>	<u>\$ 559,566</u>
<b>Supplemental disclosure of cash flow information</b>		
Non-cash transfer of land held as collateral on loan in default	<u>\$ 107,000</u>	<u>\$ --</u>
Non-cash conversion of loan receivable to grant expense	<u>\$ --</u>	<u>\$ 550,000</u>

There was no interest or income taxes paid during the years ended June 30, 2013 and 2012.

The Notes to Financial Statements are an integral part of these statements.

**Bronx Overall Economic Development Corporation**  
**Statements of Functional Expenses**  
**Year Ended June 30, 2013**

	Program Services						Supporting Services			Total
	Environmental	Empowerment Zone	Economic Development	Technical Assistance	Other Programs	Total	Management and General	Fundraising and Special Events	Total	
Grant expenses	\$ 164,860	\$ 228,000	\$ 100,000	\$ --	\$ 49,672	\$ 542,532	\$ --	\$ --	\$ --	\$ 542,532
Salaries	90,051	401,883	358,496	--	--	850,430	163,439	16,626	180,065	1,030,495
Payroll taxes and employee benefits	21,162	96,935	87,681	--	--	205,778	29,350	6,571	35,921	241,699
Professional services	1,550	--	19,895	--	42,687	64,132	106,387	13,193	119,580	183,712
In-kind rent	38,234	76,468	76,468	--	--	191,170	25,489	12,745	38,234	229,404
Telephone	2,595	13,065	7,033	--	--	22,693	8,340	--	8,340	31,033
Equipment purchases	--	843	427	--	--	1,270	--	--	--	1,270
Equipment rentals	3,766	16,945	13,636	--	450	34,797	3,309	--	3,309	38,106
Repairs and maintenance	3,978	20,811	12,266	--	--	37,055	3,826	--	3,826	40,881
Supplies	270	3,199	4,185	--	46,503	54,157	2,308	7,829	10,137	64,294
Postage and shipping	--	1,107	1,126	--	59	2,292	632	--	632	2,924
Advertising and marketing	358	--	665	--	24,670	25,693	144	1,715	1,859	27,552
Dues and subscriptions	4,750	1,032	111	--	--	5,893	2,854	--	2,854	8,747
Transportation and meetings	864	3,688	2,012	--	13,235	19,799	386	1,661	2,047	21,846
Staff training and development	--	--	--	--	1,000	1,000	--	--	--	1,000
Insurance expense	50	13,257	4,937	--	1,634	19,878	--	--	--	19,878
Filing fees	--	775	--	--	50	825	--	1,129	1,129	1,954
Loan servicing fees	--	39,380	--	--	--	39,380	--	--	--	39,380
Catering and entertainment	--	--	--	--	138,055	138,055	--	181,624	181,624	319,679
Holiday gift distribution	--	--	--	--	55,337	55,337	--	--	--	55,337
Special events	--	--	--	--	101,760	101,760	--	--	--	101,760
Trolley driver	--	--	--	--	--	--	--	9,811	9,811	9,811
Bank charges and fees	--	182	--	--	--	182	157	--	157	339
Bad debt expense (recovery)	58,604	(183,644)	71,137	--	--	(53,903)	(73,562)	3,000	(70,562)	(124,465)
Depreciation	565	1,305	922	--	438	3,230	--	--	--	3,230
Loss on disposal of equipment	55,500	--	--	--	--	55,500	--	--	--	55,500
Miscellaneous	--	382	271	--	--	653	--	--	--	653
	<u>\$ 447,157</u>	<u>\$ 735,613</u>	<u>\$ 761,268</u>	<u>\$ --</u>	<u>\$ 475,550</u>	<u>\$ 2,419,588</u>	<u>\$ 273,059</u>	<u>\$ 255,904</u>	<u>\$ 528,963</u>	<u>\$ 2,948,551</u>

The Notes to Financial Statements are an integral part of this statement.

**Bronx Overall Economic Development Corporation**  
**Statements of Functional Expenses**  
**Year Ended June 30, 2012**

	Program Services					Supporting Services				Total
	Environmental	Empowerment Zone	Economic Development	Technical Assistance	Other Programs	Total	Management and General	Fundraising and Special Events	Total	
Grant expenses	\$ 265,450	\$ 900,765	\$ --	\$ --	\$ 39,594	\$ 1,205,809	\$ --	\$ --	\$ --	\$ 1,205,809
Salaries	68,846	381,425	311,797	21,984	(16,909)	767,143	186,911	12,231	199,142	966,285
Payroll taxes and employee benefits	10,959	115,406	90,756	6,451	--	223,572	56,808	7,103	63,911	287,483
Professional services	9,645	34,827	24,208	850	39,951	109,481	60,457	9,456	69,913	179,394
In-kind rent	25,489	63,723	89,212	12,745	--	191,169	25,489	12,745	38,234	229,403
Telephone	221	5,344	5,525	1,574	--	12,664	5,153	--	5,153	17,817
Equipment purchases	--	--	665	--	--	665	664	--	664	1,329
Equipment rentals	2,566	31,390	5,847	3,147	--	42,950	291	--	291	43,241
Repairs and maintenance	2,892	25,572	12,302	--	--	40,766	1,159	--	1,159	41,925
Supplies	319	5,181	7,251	675	44,563	57,989	1,662	10,928	12,590	70,579
Postage and shipping	38	1,491	1,161	--	976	3,666	474	--	474	4,140
Advertising and marketing	110	--	1,419	--	30,367	31,896	--	3,238	3,238	35,134
Dues and subscriptions	4,500	2,171	155	--	--	6,826	--	--	--	6,826
Transportation and meetings	799	5,334	5,898	568	1,899	14,498	770	4,125	4,895	19,393
Staff training and development	--	--	--	--	2,000	2,000	--	--	--	2,000
Insurance expense	--	12,052	4,218	--	2,268	18,538	--	--	--	18,538
Filing fees	--	775	--	--	--	775	--	956	956	1,731
Loan servicing fees	--	30,612	--	--	--	30,612	--	--	--	30,612
Catering and entertainment	--	--	--	--	128,413	128,413	--	166,424	166,424	294,837
Holiday gift distribution	--	--	--	--	52,477	52,477	--	--	--	52,477
Trolley driver	--	--	--	--	--	--	--	11,409	11,409	11,409
Bank charges and fees	--	247	--	--	--	247	1,020	--	1,020	1,267
Bad debt expense	137,251	408,702	21,540	1	--	567,494	--	4,435	4,435	571,929
Depreciation	230	1,622	1,441	65	--	3,358	7	--	7	3,365
Miscellaneous	--	381	3,151	--	--	3,532	79	--	79	3,611
	<u>\$ 529,315</u>	<u>\$ 2,027,020</u>	<u>\$ 586,546</u>	<u>\$ 48,060</u>	<u>\$ 325,599</u>	<u>\$ 3,516,540</u>	<u>\$ 340,944</u>	<u>\$ 243,050</u>	<u>\$ 583,994</u>	<u>\$ 4,100,534</u>

The Notes to Financial Statements are an integral part of this statement.

**Bronx Overall Economic Development Corporation**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

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**1. Organization and Nature of Operations**

Bronx Overall Economic Development Corporation (the "Corporation") is a New York nonprofit organization, organized in 1981, which is exempt from federal tax under the Internal Revenue Code Section 501(c)(3). The Corporation was established to promote economic growth in the Bronx, New York by providing loans and grants to businesses located in the Bronx, consulting services to present and future companies and on-the-job training. The Corporation is funded primarily through governmental grants, contributions, investment income, and interest income on loans.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

External financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. The unrestricted net asset category represents net assets that are not subject to donor imposed restrictions, the temporarily restricted net asset category represents net assets that are subject to time or purpose donor imposed restrictions and the permanently restricted net asset category represents net assets that are subject to donor imposed restrictions that cannot be satisfied by either time or by actions of the Corporation. During the years ended June 30, 2013 and 2012 the Corporation had accounting transactions in the unrestricted and temporarily restricted net asset categories.

**Revenue and Support Recognition**

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The contributions are recorded as unrestricted or temporarily restricted support according to donor stipulations that limit the use of these assets due to time or purpose restrictions. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction.

Government grants that are not considered to be contributions are recognized when earned as exchange transactions in the statements of activities. Revenue from expense-based grants is recognized when the allowable expenses are incurred. Funds received in advance of their use are accounted for as refundable advances in the statements of financial position. Revenues from government sources received for the revolving loan programs have been included in temporarily restricted revenue in the statements of activities due to the contractual requirements to maintain the revolving loan fund and utilize repayments under the fund for new loans in the future. These revenues are recognized as temporarily restricted grant income, once the associated loan has been issued. A transfer is made from temporarily restricted net assets to unrestricted net assets when bad debts are recorded for loans made.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The allowance for doubtful accounts related to loans has been recorded based on management's review of the loan activity in the loan fund and experience with the loan holders. It is reasonably possible that the actual uncollectable loans will change in the near term.

**Cash and Cash Equivalents**

Cash and cash equivalents include funds held in money market accounts and other instruments with a maturity of three months or less at the time of acquisition.

**Restricted Cash and Investments**

Restricted cash and investments include funds restricted for use in the loan program and are not available for general operating purposes.

**Bronx Overall Economic Development Corporation**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

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**Investments**

Investments consist primarily of equity and debt securities, which are stated at fair value. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities as increases or decreases in unrestricted net assets unless the use was restricted by explicit donor stipulations or by law.

**Grants Receivable**

Grants receivable are recorded when services are provided in accordance with the terms of the contract.

**Accounts Receivable**

Accounts receivable are related to fundraising and program events. Revenue is recorded when earned at the time of the event.

**Loans Receivable**

Loans receivable are recorded at amortized cost which represents the original loan proceeds less repayments net of interest collected.

**Loan Interest**

Interest on loans is recorded monthly based on the terms of the loan and is calculated using the simple interest method. Accrued interest is recorded for all loans including those in default but excluding those that have been turned over for collection. Loans are considered delinquent 60 days after the payment due date. An allowance for uncollectible loan interest has been recorded based on management's review of the loans.

**Allowance for Doubtful Accounts**

Loans are considered delinquent sixty (60) days after the payment due date. Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and review of payments subsequent to year end.

**Equipment**

Property and equipment purchases are recorded at cost, except for donated items which are recorded at their fair value on the date of donation. Depreciation is recorded on the straight-line method over their estimated useful lives as follows:

<b>Description</b>	<b>Estimated Life (Years)</b>
Computer equipment and software	5
Motor vehicles	5

When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance, repairs and minor renewals are charged to operations as incurred.

**Refundable Advances**

Refundable advances represent unspent contract funds, under exchange transactions, that are received prior to their expenditure in accordance with the contract agreements.

**Due to Funder**

Due to funder represents funds held in a Microloan program that are included in loan receivables which are due back to the funder upon receipt of repayment on these loans.

**Grants Payable**

Grants payable represent undistributed grant monies that are to be disbursed to various organizations in the future period for various initiatives, such as, environmental and energy.

# Bronx Overall Economic Development Corporation

## Notes to Financial Statements

### June 30, 2013 and 2012

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#### **In-kind Contributions**

In-kind contributions consist of donated facilities recorded at fair value at date of donation.

#### **Functional Allocation of Expenses**

The cost of providing services has been summarized on a functional basis. Accordingly, certain costs have been allocated between program and supporting services. Program service components include the following:

##### Environmental

The environmental program includes activities related to a loan fund of \$6,750,000 that was established in 2003 for an energy/environmental initiative that provides loans to companies and organizations operating in the Bronx to implement energy efficient measures or new technology which improves the air quality in the borough. The program also operated a transportation program that provided shuttle service for employment opportunities to low income individuals into the industrial quarter of the Peninsula area of the Bronx, which was temporarily discontinued in 2011. The buses that were used for the transportation program were no longer in service effective June 2012 and in 2013 two were donated in the amount of \$40,000 and 3 were scrapped resulting in a loss of \$55,500.

##### Empowerment Zone

The Empowerment Zone program includes the operation of two loan programs for qualified Bronx Empowerment Zone companies. The Corporation is the administrator of the Bronx portion of the New York City Empowerment Zone. This program is a part of the President's Empowerment Zone and Enterprise Community Initiative. The goals of the program within the Bronx are economic development, sustainable community development, the development, of community-based partnerships and the development of a strategic vision of change. The Empowerment Zone programs offer loans at low interest rates and long repayment terms in exchange for the borrower's commitment to hire Bronx Empowerment Zone residents. The partners in this enterprise and the entities funding the program are the City of New York, the New York State Urban Development Corporation (doing business as the Empire State Development Corporation) ("ESDC") and the United States Department of Housing and Urban Development. Fundamental to achieving the program goal is to create permanent jobs by means of business development within the target zones. The legislation that supported the Empowerment Zones throughout the United States of America was extended to December 31, 2013. The funding received under this program will continue to be used to provide the same loan programs.

##### Economic Development

Under this program, the Corporation performs research and analysis regarding current economic developments, marketing and promotion of the Bronx through various media, provides real estate assistance to Bronx businesses that are expanding as well as to those businesses that are interested in moving into the Bronx; offers financial services information and assistance to Bronx businesses, provides technical commercial revitalization assistance to Bronx businesses as well as entrepreneurial assessment and technical assistance in developing a profitable business. The program is funded predominantly by the City of New York through the Office of the Borough President of the Bronx.

##### Technical Assistance Program

The Corporation assists in the formation of support and growth of new local economic development organizations that will be able to provide better services to businesses and residents in commercial districts that currently lack organized representation. This program ended June 30, 2012.

##### Other Programs

###### *Bronx Tourism Council*

Bronx Tourism Council was formed in 1992 to work with governmental and nongovernmental groups to promote tourism in the Bronx and create awareness of residents to the borough's attractions. The major events to promote awareness are Bronx Week; Tour de Bronx, the Trolley and various ethnic events throughout the year.

**Bronx Overall Economic Development Corporation**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

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**Income Taxes**

The Corporation is a not-for-profit organization exempt from Federal income taxes pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code and from New York State income taxes under applicable state law. Accordingly, no provision for Federal or state income taxes has been recorded in the statements of activities. Management has determined that there are no uncertain tax positions at the Corporation as of June 30, 2013 and 2012. There are no open tax years prior to June 2010. In addition, the Corporation has no income tax related penalties or interest for the periods reported in these financial statements.

**Advertising**

It is the policy of the Corporation to expense advertising costs as incurred, which amounted to \$27,552 and \$35,134 for the years ended June 30, 2013 and 2012, respectively.

**Valuation of Long-Lived Assets**

In accordance with the provisions of the accounting pronouncement on accounting for the impairment or disposal of long-lived assets, the Corporation reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that the shuttle buses required evaluation due to the buses being out of service effective June 2011. As a result of this assessment an impairment loss was recorded at June 30, 2012, and the buses were subsequently donated and scrapped during 2013, resulting in a loss on disposal of \$55,500.

**Fair Value of Financial Instruments**

The carrying amounts of financial instruments including grants receivable, due from loan processors, accounts receivable, prepaid expenses, accounts payable and accrued expenses, accrued payroll and related liabilities, refundable advances and grants payable approximate their fair values because of the relatively short maturity of these instruments.

**Reclassification**

Certain items at June 30, 2012 have been reclassified to conform to the presentation at June 30, 2013. There was no effect on the previously reported net asset amounts.

**3. Investments**

Investments at June 30, are as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Money market funds	\$ 1,072,900	\$ 1,072,900	\$ 538,325	\$ 538,325
Certificates of deposit	288,000	296,611	588,000	598,157
Mutual funds	9,212,886	9,264,503	9,221,019	9,518,416
	<u>\$ 10,573,786</u>	<u>\$ 10,634,014</u>	<u>\$ 10,347,344</u>	<u>\$ 10,654,898</u>

Investment income related to these investments at June 30, was comprised of the following:

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 228,700	\$ 414,630
Net unrealized (loss) gain on investments	(237,636)	256,931
	<u>\$ (8,936)</u>	<u>\$ 671,561</u>

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**4. Fair Value**

In accordance with the accounting pronouncement on fair value, the Corporation has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The following table summarizes the assets which have been accounted for at fair value on a recurring basis as of June 30, 2013 and 2012, along with the basis for the determination of fair value as follows:

	<b>2013</b>			
	<b>Total</b>	<b>Quoted Prices in Active Markets Level 1</b>	<b>Observable Measurement Criteria Level 2</b>	<b>Unobservable Measurement Criteria Level 3</b>
Money market funds	\$ 1,072,900	\$ 1,072,900	\$ --	\$ --
Certificates of deposit	296,611	--	296,611	--
Mutual funds				
U.S. Government Treasury Bond Fund	2,219,523	2,219,523	--	--
Short Duration Bond Fund	549,999	549,999	--	--
Intermediate U.S. Government Bond Fund	1,294,292	1,294,292	--	--
Intermediate U.S. Government Income Fund	3,679,884	3,679,884	--	--
Intermediate Term-Bond Fund	1,520,805	1,520,805	--	--
	<u>\$ 10,634,014</u>	<u>\$ 10,337,403</u>	<u>\$ 296,611</u>	<u>\$ --</u>

  

	<b>2012</b>			
	<b>Total</b>	<b>Quoted Prices in Active Markets Level 1</b>	<b>Observable Measurement Criteria Level 2</b>	<b>Unobservable Measurement Criteria Level 3</b>
Money market funds	\$ 538,325	\$ 538,325	\$ --	\$ --
Certificates of deposit	598,157	--	598,157	--
Mutual funds				
U.S. Government Treasury Bond Fund	2,232,303	2,232,303	--	--
Short Duration Bond Fund	549,236	549,236	--	--
Intermediate U.S. Government Bond Fund	1,535,069	1,535,069	--	--
Intermediate U.S. Government Income Fund	3,679,884	3,679,884	--	--
Intermediate Term-Bond Fund	1,521,924	1,521,924	--	--
	<u>\$ 10,654,898</u>	<u>\$ 10,056,741</u>	<u>\$ 598,157</u>	<u>\$ --</u>

The following table summarizes assets (liabilities) which have been accounted for at fair value on a non-recurring basis at June 30, 2012, along with the basis for the determination of fair value.

	<b>Total</b>	<b>Quoted Prices in Active Markets Level 1</b>	<b>Observable Measurement Criteria Level 2</b>	<b>Unobservable Measurement Criteria Level 3</b>	<b>Impairment Charge</b>
Other assets - See Note 5	<u>\$ 100,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 100,000</u>	<u>\$ 192,513</u>

For applicable assets (liabilities) subject to this pronouncement, the Corporation will value such assets (liabilities) using quoted market prices in active markets (Level 1) for identical assets to the extent possible. To the extent that such market prices are not available, the Corporation will next attempt to value such assets (liabilities) using observable measurement criteria, including quoted market prices of similar assets (liabilities) in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Corporation will develop measurement criteria based on the best information available (Level 3).

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**5. Property and Equipment**

Property and equipment at June 30, consists of the following:

	2013	2012
Land	\$ 107,000	\$ --
Computer equipment and software	56,896	57,814
Motor vehicles	19,393	19,393
	<u>183,289</u>	<u>77,207</u>
Less: Accumulated depreciation	<u>(67,812)</u>	<u>(68,179)</u>
	<u>\$ 115,477</u>	<u>\$ 9,028</u>

Depreciation expense amounted to \$3,230 and \$3,365 in 2013 and 2012, respectively.

During 2012, the Corporation determined that certain fixed assets with a net book value of \$294,113 were impaired as they were no longer in service or functioning and accordingly an impairment loss of \$194,113 was recorded in the statement of functional expenses at June 30, 2012, with a remaining net realizable value of \$100,000 of these assets being reflected as other assets in the statements of financial position at June 30, 2012. These buses were donated and scrapped during 2013.

**6. Loan Programs**

The Corporation's loans are provided in three categories based on the loan programs that are in operation as follows:

Empowerment Zone

The Memorandum of Understanding ("MOU") signed by the Corporation with the granting agencies for the original term of ten years expired on December 31, 2012, which was extended to December 31, 2013. However, there will be no new Federal, State or City funding for the program. The revolving loan program operated by the Corporation will continue as established subsequent to this date as per the original agreement which provided for post Empowerment Zone overall guidelines.

The loan guidelines require the Corporation to use the original grant funding and repayments of loan funds as well as interest and commitment fees earned on loans for Empowerment Zone initiatives and administrative expenses subject to limits and approval of the City of New York ("City") and ESDC. The Empowerment Zone initiatives were established for each area and include permanent job creation, expansion of businesses, leveraging of Federal, State and City Zone funding with private capital and new physical infrastructure development as part of the loan program. Interest rates on loans range between 1 percent and 8.25 percent. The loan receivables are collateralized by property and equipment and are due on various dates through December 2021. New loans of \$1,000,000 and \$3,415,963 were issued in 2013 and 2012, respectively. Loan proceeds that were not disbursed as of each of the years ended June 30, 2013 and 2012 amounted to \$19,565, and are included in refundable advances in the statements of financial position.

Environmental

As part of the environmental loan program operated in conjunction with New York Power Authority ("NYPA"), the Corporation has made interest-free loans to eligible businesses. No new loans were issued in 2013 and 2012.

Economic Development – Minority and Women Micro Enterprise Loan Fund

This loan fund was established to provide financial assistance to eligible minority and women owned businesses in the form of working capital loans not to exceed \$35,000. New loans of \$49,500 and \$25,000 were issued in 2013 and 2012, respectively. These loans are due from loan recipients and all principal payments are ultimately payable back to the New York State Urban Development Corporation. The interest rates on the loans range between 9.75 percent and 10.25 percent. The associated liability due to funder balance as of June 30, 2013 and 2012 was \$140,726 and \$104,486, respectively.

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Loan collateral

The Corporation approves collateral during the preparation and negotiation of the loan. The collateral can consist of land and improvements, machinery and equipment, or inventory and accounts receivable, which, in each case, provides a security interest to the Corporation in the subject collateral. The recipient has the right and the ability to pledge the collateral. There are covenants requiring the maintenance of the collateral in good repair. There are remedies available to the Corporation including, the Corporation's right to foreclose on and seek a sale of the collateral in the event of non-payment or other event of default under the Transaction Documents. Uniform Commercial Code financing statements (commonly referred to as "UCC-1s) are filed in the Office of the New York Secretary of State or the local County Register's Office where the collateral is located, or both, to perfect a security interest in collateral other than real property.

A summary of the loan balances as of June 30, 2013 and 2012 are as follows:

	<b>2013</b>	<b>2012</b>
Empowerment Zone loans		
Convertible loans	\$ 550,925	\$ 1,749,800
Programmatic loans	10,208,940	13,105,183
Total Empowerment Zone loans	<u>10,759,865</u>	<u>14,854,983</u>
Economic Development loans	140,729	104,487
Environmental loans	1,162,929	1,388,345
Total loans	<u>12,063,523</u>	<u>16,347,815</u>
Less: Allowance for loan losses	<u>(2,949,230)</u>	<u>(6,333,100)</u>
Net loans	<u>\$ 9,114,293</u>	<u>\$ 10,014,715</u>

An analysis of the allowance for loan losses as of June 30, 2013 is as follows:

	<b>Total</b>	<b>Empowerment Zone Loans</b>	<b>Economic Development Loans</b>	<b>Environmental Loans</b>
Balance at beginning of the year	\$ 6,333,100	\$ 6,030,738	\$ 65,111	\$ 237,251
Provision for loan losses	129,741	--	71,137	58,604
Loans charged off	<u>(3,513,611)</u>	<u>(3,513,611)</u>	<u>--</u>	<u>--</u>
Ending balance	<u>\$ 2,949,230</u>	<u>\$ 2,517,127</u>	<u>\$ 136,248</u>	<u>\$ 295,855</u>

An analysis of the allowance for loan losses as of June 30, 2012 is as follows:

	<b>Total</b>	<b>Empowerment Zone Loans</b>	<b>Economic Development Loans</b>	<b>Environmental Loans</b>
Balance at beginning of the year	\$ 5,866,800	\$ 5,648,085	\$ 40,339	\$ 178,376
Provision for loan losses	1,161,078	1,077,431	24,772	58,875
Loans charged off	<u>(694,778)</u>	<u>(694,778)</u>	<u>--</u>	<u>--</u>
Ending balance	<u>\$ 6,333,100</u>	<u>\$ 6,030,738</u>	<u>\$ 65,111</u>	<u>\$ 237,251</u>

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The following table provides details on the Corporation's delinquent and non-accrual loans as of June 30, 2013:

	<b>Total Loans</b>	<b>Current</b>	<b>30-89 Days Past Due</b>	<b>&gt; 90 Days Past Due</b>	<b>Total Non-accrual</b>	<b>90 Days Past Due and Accruing</b>
Empowerment Zone loans						
Convertible loans	\$ 550,925	\$ 550,925	\$ --	\$ --	\$ --	\$ --
Programmatic loans	<u>10,208,940</u>	<u>8,771,804</u>	<u>54,762</u>	<u>1,382,374</u>	<u>383,971</u>	<u>998,403</u>
Total Empowerment Zone	10,759,865	9,322,729	54,762	1,382,374	383,971	998,403
Economic Development loans	140,729	4,717	--	136,012	136,012	--
Environmental loans	<u>1,162,929</u>	<u>856,758</u>	<u>55,952</u>	<u>250,219</u>	<u>250,219</u>	<u>--</u>
Total loans	<u>\$ 12,063,523</u>	<u>\$ 10,184,204</u>	<u>\$ 110,714</u>	<u>\$ 1,768,605</u>	<u>\$ 770,202</u>	<u>\$ 998,403</u>

The following table provides details on the Corporation's delinquent and non-accrual loans as of June 30, 2012:

	<b>Total Loans</b>	<b>Current</b>	<b>30-89 Days Past Due</b>	<b>&gt; 90 Days Past Due</b>	<b>Total Non-accrual</b>	<b>90 Days Past Due and Accruing</b>
Empowerment Zone loans						
Convertible loans	\$ 1,749,800	\$ 1,749,800	\$ --	\$ --	\$ --	\$ --
Programmatic loans	<u>13,105,183</u>	<u>9,141,795</u>	<u>69,048</u>	<u>3,894,340</u>	<u>2,895,937</u>	<u>998,403</u>
Total Empowerment Zone	14,854,983	10,891,595	69,048	3,894,340	2,895,937	998,403
Economic Development loans	104,487	16,448	--	88,039	88,039	--
Environmental loans	<u>1,388,345</u>	<u>1,060,488</u>	<u>70,238</u>	<u>257,619</u>	<u>257,619</u>	<u>--</u>
Total loans	<u>\$ 16,347,815</u>	<u>\$ 11,968,531</u>	<u>\$ 139,286</u>	<u>\$ 4,239,998</u>	<u>\$ 3,241,595</u>	<u>\$ 998,403</u>

The following is a summary pertaining to impaired loans as of June 30, 2013:

	<b>Total</b>	<b>Empowerment Zone Loans</b>	<b>Economic Development Loans</b>	<b>Environmental Loans</b>
Impaired loans without a valuation allowance	\$ --	\$ --	\$ --	\$ --
Impaired loans with a valuation allowance	<u>1,768,606</u>	<u>1,382,374</u>	<u>136,012</u>	<u>250,219</u>
Total impaired loans	<u>\$ 1,768,606</u>	<u>\$ 1,382,374</u>	<u>\$ 136,012</u>	<u>\$ 250,219</u>
Valuation allowance related to impaired loans	<u>\$ 1,768,606</u>	<u>\$ 1,382,374</u>	<u>\$ 136,012</u>	<u>\$ 250,219</u>
Non-accrual loans	\$ 770,203	\$ 383,971	\$ 136,012	\$ 250,219
Accrual loans	<u>998,403</u>	<u>998,403</u>	<u>--</u>	<u>--</u>
Total impaired loans	<u>\$ 1,768,606</u>	<u>\$ 1,382,374</u>	<u>\$ 136,012</u>	<u>\$ 250,219</u>

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The following is a summary pertaining to impaired loans as of June 30, 2012:

	<b>Total</b>	<b>Empowerment Zone Loans</b>	<b>Economic Development Loans</b>	<b>Environmental Loans</b>
Impaired loans without a valuation allowance	\$ --	\$ --	\$ --	\$ --
Impaired loans with a valuation allowance	<u>4,134,076</u>	<u>3,894,340</u>	<u>63,069</u>	<u>176,667</u>
<b>Total impaired loans</b>	<b><u>\$ 4,134,076</u></b>	<b><u>\$ 3,894,340</u></b>	<b><u>\$ 63,069</u></b>	<b><u>\$ 176,667</u></b>
Valuation allowance related to impaired loans	<u>\$ 4,134,076</u>	<u>\$ 3,894,340</u>	<u>\$ 63,069</u>	<u>\$ 176,667</u>
Non-accrual loans	\$ 3,135,673	\$ 2,895,937	\$ 63,069	\$ 176,667
Accrual loans	<u>998,403</u>	<u>998,403</u>	<u>--</u>	<u>--</u>
<b>Total impaired loans</b>	<b><u>\$ 4,134,076</u></b>	<b><u>\$ 3,894,340</u></b>	<b><u>\$ 63,069</u></b>	<b><u>\$ 176,667</u></b>

No additional funds are committed to be advanced in connection with impaired loans.

The allowance for loan losses is maintained at a level considered to be adequate to cover probable credit losses inherent in the loan portfolio. The amount of the provision for loan losses charged to operating expenses is the amount necessary to maintain the allowance for loan losses at an adequate level. While the Corporation's periodic analysis of the allowance for loan losses may dictate portions of the allowance be allocated to specific impaired loans, the entire amount is available for any loan charge-offs that may occur. Loan losses are charged off against the allowance when the Corporation believes that the full collectability of the loan is unlikely. Recoveries of amounts previously charged off are credited to bad debt.

The allowance is comprised of a general allowance and a specific allowance for impaired loans. The general allowance is determined by applying estimated loss factors to the credit exposures from outstanding loans. For Empowerment Zone, Economic Development, and Environmental loans, loss factors are applied on a portfolio basis. Loss factors are based on the Corporation's historical loss experience and are reviewed for appropriateness, along with other factors affecting the collectability of the loan portfolio. These other factors include but are not limited to significant change in the level of impaired loans and past due loans, changes in the level or trends of charge-offs and recoveries, significant change in lending policies and practices, change in lending personnel, change in national and local economic conditions, and change in credit concentrations within the loan portfolio. Specific allowances are established for all impaired loans based on the estimated fair value of the collateral less any selling costs, if the loan is collateral dependent.

The Corporation has established a risk management process to monitor, evaluate and manage the principal risks associated with its loan portfolio. As part of its risk management process, the Corporation assigns a numeric risk rating to its prospective recipient of financial assistance based on quantitative and qualitative assessments of the obligor and facility. These risk ratings are reviewed at least annually or more often if there are material events that have occurred related to the obligor. Factors considered in assigning the risk ratings include: financial condition, qualitative assessment of management and strategy, amount and sources of repayment, perceived strengths and weaknesses and any factors that mitigate against those risks, benchmarking of the prospective recipient and its industry and creditworthiness. The rating of the prospective recipient of financial assistance is as follows: high quality, medium quality, marginal quality, low quality, substandard, and doubtful. Once a loan is granted a change in loan grade rating will be initiated by any of the following: delinquent payments, knowledge of vacated or non-maintained collateral; knowledge that the recipient of financial assistance has discontinued operations; and/or any other awareness on the part of the Corporation of potential business problems. The entity does not utilize derivatives to hedge against interest changes due to making loan interest rate commitments.

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Future payments to be received, excluding the convertible loans (Note 7) are as follows:

2012	\$	3,246,452
2013		1,602,994
2014		1,370,731
2015		1,227,213
2016		2,057,616
Thereafter		<u>2,007,592</u>
		11,512,598
Less allowance for doubtful accounts		<u>(2,398,305)</u>
Net	\$	<u>9,114,293</u>

As of June 30, 2013 and 2012, the loan processing company was holding \$152,144 and \$157,993, respectively of loan payments remitted that were due the Corporation. Payments were received subsequent to the fiscal year end.

**7. Convertible Loans**

The Corporation, through the Bronx Empowerment Zone Program, issued convertible loans to qualifying businesses in the Bronx Terminal Market area as well as for the Pregones Theater, Bronx Museum and Per Scholas. These loans require that the borrower remain in the Empowerment Zone for a period of three years and/or to reach specified benchmarks in order for the loan to be converted into a grant. If the borrower does not meet the stipulations of the loan, then the loan becomes due and payable upon the Corporation's demand. The outstanding loans were fully reserved at June 30, 2013 and 2012. At the years ended June 30, 2013 and 2012, there was \$550,925 and \$1,749,800, respectively, of convertible loans outstanding. During 2013 a convertible loan in the amount of \$1,000,000 defaulted and the collateral was transferred to the Corporation in the amount of \$107,000. During 2012 a convertible loan of \$550,000 was converted into a grant and is included in grant expense in the statement of functional expenses for the year ended June 30, 2012.

**8. In-kind Contributions**

The Corporation serves as an economic development arm of the Bronx Borough President's office. The Bronx Borough President's office also provides funding to the Corporation and can recommend up to a third of the members of the Board of Directors. The Corporation occupies office space in a building owned by the City of New York without any charge for rent and utilities. The estimated value of these donated facilities for both the years ended June 30, 2013 and 2012 was \$229,404 and \$229,403, respectively.

**9. Commitments**

**Lease Commitments**

The Corporation leases certain office equipment under noncancelable operating lease arrangements. Rental expense for the years ended June 30, 2012 and 2012 was \$38,106 and \$43,241, respectively. The leases expire on various dates through September 2016. The future minimum lease rental payable is as follows:

Year Ending June 30	Minimum Rental Payment
2014	\$ 37,668
2015	37,668
2016	<u>37,668</u>
	<u>\$ 113,004</u>

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**Loan Commitments**

The Corporation has not committed to disburse any loans as of June 30, 2013.

**10. Net Assets**

Components of temporarily restricted net assets at June 30, are as follows:

	2013	2012
Economic development		
Loan and grant fund	\$ 24,366,856	\$ 24,678,886
Health initiative	53,677	--
	<u>\$ 24,420,533</u>	<u>\$ 24,678,886</u>

Net assets were released from restrictions for the years ended June 30, as follows:

	2013	2012
Economic development		
Loan and grant fund	\$ 228,000	\$ 900,765
Administrative expenses	515,934	1,215,152
Health initiative	21,323	--
Training	--	50,000
	<u>\$ 765,257</u>	<u>\$ 2,165,917</u>

**11. Concentrations**

The Corporation's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash, cash equivalents, investments, and loans receivable. The management of the Corporation deposits cash funds in high quality institutions to lessen the amount of uninsured exposure. Cash equivalents and investments are in high-quality securities. Cash balances at eligible financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. From time to time, the Corporation may have cash balances which exceed the insured limit. Although subject to market fluctuations this investment policy somewhat limits the Corporation's exposure to concentrations of credit risk.

The Corporation was established to promote and encourage economic development in the Bronx and in that regard loans are generally made to businesses that entail greater risk than that of a commercial lender. There was one loan to a corporation that was 31 percent of the loan balances as of June 30, 2013 and 2012. An allowance for uncollectible accounts is recorded in the financial statements for any amounts considered uncollectible. Loan agreements include collateral and other loan provisions and are reviewed regularly for collection. This limits the Corporation's exposure to credit risk.

The Corporation received 35 percent and 54 percent of total revenue from federal grants for the years ended June 30, 2013 and 2012, respectively.

**12. Related Parties**

The Business Initiative Corporation ("BIC") is an independent not-for-profit corporation, sponsored by the Corporation and approved as a Certified Development Company in the borough of the Bronx, New York by the United States Small Business Administration ("SBA"). The mission of BIC is to support economic development in low and moderate income communities of the Bronx. It works with the SBA and private lenders to provide financing to small businesses. The Corporation provides personnel and other support which amounted to \$41,302 and \$43,211 at June 30, 2013 and 2012, respectively, to BIC in order to run its operations. Additionally, BIC has an unsecured, non-interest bearing, outstanding loan payable of \$(5,992) and \$(93,562) at June 30, 2013 and 2012, respectively, for advancement/(reimbursement) of expenses to the Corporation. The allowance for doubtful accounts was \$-0- and \$73,562 as of June 30, 2013 and 2012, respectively. Net repayments of \$105,000 were received from BIC during the year ended June 30, 2013. Subsequent to year end all amounts due were paid, therefore, no allowance at year end.

**Bronx Overall Economic Development Corporation**  
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**13. Contingencies**

The Corporation is subject to audits by funding sources. Management believes that the results of such audits, if any, will not have an adverse effect on the financial statements.

**14. Subsequent Events**

The Corporation has evaluated subsequent events occurring after the statement of financial position date through the date of January 29, 2014, which is the date the financial statements were available to be issued. Based on this evaluation, the Corporation has determined that there are no subsequent events that have occurred, that require disclosure in or adjustment to the financial statements.