



BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION

Financial Statements

June 30, 2014 and 2013

With Independent Auditors' Reports

Bronx Overall Economic Development Corporation
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June 30, 2014 and 2013

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Bronx Overall Economic Development Corporation as of June 30, 2014 and 2013, 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, 2014 and 2013, 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

October 24, 2014

Bronx Overall Economic Development Corporation
Statements of Financial Position
June 30, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	\$ 436,182	\$ 460,164
Restricted cash	9,280,170	8,237,605
Investments - restricted	11,067,244	10,634,014
Grants receivable	581,279	306,020
Due from loan processors	119,555	152,144
Loans receivable, net of allowance for uncollectible accounts of \$2,746,800 in 2014 and \$2,949,230 in 2013	7,627,919	9,114,293
Accounts receivable, net of allowance for uncollectible accounts of \$30,670 in 2014 and \$34,800 in 2013	13,203	25,725
Accrued interest receivable, net of allowance for uncollectible accounts of \$11,055 in both 2014 and 2013	31,607	27,353
Prepaid expenses and other receivables	5,000	10,058
Due from BIC	--	5,992
Property and equipment, net	<u>114,463</u>	<u>115,477</u>
	<u>\$ 29,276,622</u>	<u>\$ 29,088,845</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 117,300	\$ 209,253
Accrued payroll and related liabilities	91,053	180,585
Refundable advances	395,685	421,386
Due to funder	143,391	140,726
Due to BIC	55,085	--
Grants payable	<u>40,673</u>	<u>3,111</u>
Total liabilities	843,187	955,061
Net assets		
Unrestricted	3,996,074	3,713,251
Temporarily restricted	<u>24,437,361</u>	<u>24,420,533</u>
Total net assets	<u>28,433,435</u>	<u>28,133,784</u>
	<u>\$ 29,276,622</u>	<u>\$ 29,088,845</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, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and other support						
Government grants	\$ 736,577	\$ 100,000	\$ 836,577	\$ 863,392	\$ 75,000	\$ 938,392
Contributions	--	359,510	359,510	308,435	50,000	358,435
In-kind contribution	243,337	--	243,337	229,403	--	229,403
Loan fees	7,160	--	7,160	7,043	--	7,043
Interest income - loans	8,728	310,827	319,555	1,155	392,474	393,629
Investment income (loss)	1,531	232,932	234,463	1,634	(10,570)	(8,936)
Special events	265,705	--	265,705	320,935	--	320,935
Other income	89,375	--	89,375	15,730	--	15,730
Net assets released from restriction	986,441	(986,441)	--	765,257	(765,257)	--
	2,338,854	16,828	2,355,682	2,512,984	(258,353)	2,254,631
Expenses						
Program services						
Environmental	(12,614)	--	(12,614)	447,157	--	447,157
Empowerment zone	584,140	--	584,140	735,613	--	735,613
Economic development	434,417	--	434,417	761,268	--	761,268
Other programs	512,284	--	512,284	475,550	--	475,550
	1,518,227	--	1,518,227	2,419,588	--	2,419,588
Supporting services						
Management and general	253,356	--	253,356	273,059	--	273,059
Fundraising and special events	284,448	--	284,448	255,904	--	255,904
	537,804	--	537,804	528,963	--	528,963
	2,056,031	--	2,056,031	2,948,551	--	2,948,551
Change in net assets	282,823	16,828	299,651	(435,567)	(258,353)	(693,920)
Net assets, beginning of year	3,713,251	24,420,533	28,133,784	4,148,818	24,678,886	28,827,704
Net assets, end of year	<u>\$ 3,996,074</u>	<u>\$ 24,437,361</u>	<u>\$ 28,433,435</u>	<u>\$ 3,713,251</u>	<u>\$ 24,420,533</u>	<u>\$ 28,133,784</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, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Changes in net assets	\$ 299,651	\$ (693,920)
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Net unrealized/realized (gain) loss on investments	(14,075)	237,636
Bad debt recovery	(192,369)	(124,465)
Loss on disposal of assets	--	55,500
Grant expense - donation of fixed assets	--	40,000
Depreciation	2,816	3,230
Decrease (increase) in assets		
Restricted cash	(1,042,565)	(388,840)
Grants receivable	(289,450)	(191,596)
Accounts receivable	16,652	45,155
Accrued interest receivable	(4,254)	7,551
Prepaid expenses and other receivables	5,058	(833)
Due from loan processor	32,589	5,849
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(91,953)	42,862
Accrued payroll and related liabilities	(89,532)	62,060
Refundable advance	(25,701)	46,403
Grants payable	37,562	(2,198)
Due to funder	2,665	36,240
Net cash used by operating activities	<u>(1,352,906)</u>	<u>(819,366)</u>
Cash flows from investing activities		
Loans issued	(48,970)	(1,049,500)
Principal repayments on loans receivable	1,737,774	1,896,825
Proceeds from disposal of assets	--	4,500
Purchase of fixed assets	(1,802)	(2,679)
Proceeds from sales of investments	41,315	--
Purchase of investments	<u>(460,470)</u>	<u>(216,752)</u>
Net cash provided by investing activities	<u>1,267,847</u>	<u>632,394</u>
Cash flows from financing activities		
Payments from related party	85,172	103,097
Advances to related party	<u>(24,095)</u>	<u>(15,527)</u>
Net cash provided by financing activities	<u>61,077</u>	<u>87,570</u>
Net change in cash	(23,982)	(99,402)
Cash and cash equivalents		
Beginning of year	<u>460,164</u>	<u>559,566</u>
End of year	<u>\$ 436,182</u>	<u>\$ 460,164</u>
Supplemental disclosure of cash flow information		
Non-cash transfer of land held as collateral on loan in default	<u>\$ --</u>	<u>\$ 107,000</u>

There was no interest or income taxes paid during the years ended June 30, 2014 and 2013.

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, 2014

	Program Services					Supporting Services			Total
	Environmental	Empowerment Zone	Economic Development	Other Programs	Total	Management and General	Fundraising and Special Events	Total	
Grant expenses	\$ --	\$ 7,108	\$ --	\$ 63,212	\$ 70,320	\$ --	\$ --	\$ --	\$ 70,320
Salaries	2,279	301,722	210,291	--	514,292	151,883	18,325	170,208	684,500
Payroll taxes and employee benefits	1,700	93,191	60,556	--	155,447	34,673	5,085	39,758	195,205
Professional services	--	148,601	6,562	34,119	189,282	2,761	6,318	9,079	198,361
In-kind rent	--	81,113	108,150	--	189,263	40,556	13,519	54,075	243,338
Telephone	415	12,355	5,252	--	18,022	6,095	--	6,095	24,117
Equipment rentals	394	18,736	15,796	--	34,926	2,730	--	2,730	37,656
Repairs and maintenance	332	23,042	14,752	--	38,126	2,984	--	2,984	41,110
Supplies	--	6,926	1,778	66,127	74,831	1,937	10,165	12,102	86,933
Postage and shipping	--	1,792	405	60	2,257	171	--	171	2,428
Advertising and marketing	--	--	357	618	975	3,313	32,000	35,313	36,288
Dues and subscriptions	--	3,626	--	--	3,626	3,151	--	3,151	6,777
Transportation and meetings	39	11,797	919	14,114	26,869	206	7,250	7,456	34,325
Staff training and development	--	--	--	--	--	--	913	913	913
Insurance expense	--	10,944	5,830	2,826	19,600	374	--	374	19,974
Filing fees	--	775	--	130	905	--	881	881	1,786
Loan servicing fees	--	32,612	--	--	32,612	--	--	--	32,612
Catering and entertainment	--	--	--	141,886	141,886	--	184,825	184,825	326,711
Holiday gift distribution	--	--	--	46,754	46,754	--	--	--	46,754
Special events	--	--	--	141,417	141,417	--	--	--	141,417
Trolley driver	--	--	--	--	--	--	9,297	9,297	9,297
Bank charges and fees	--	(20)	--	--	(20)	144	--	144	124
Bad debt (recovery) expense	(18,338)	(173,144)	3,243	--	(188,239)	--	(4,130)	(4,130)	(192,369)
Depreciation	565	1,287	526	438	2,816	--	--	--	2,816
Miscellaneous	--	1,677	--	583	2,260	2,378	--	2,378	4,638
	<u>\$ (12,614)</u>	<u>\$ 584,140</u>	<u>\$ 434,417</u>	<u>\$ 512,284</u>	<u>\$ 1,518,227</u>	<u>\$ 253,356</u>	<u>\$ 284,448</u>	<u>\$ 537,804</u>	<u>\$ 2,056,031</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, 2013

	Program Services					Supporting Services			Total
	Environmental	Empowerment Zone	Economic Development	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>\$ 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
Notes to Financial Statements
June 30, 2014 and 2013

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 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, 2014 and 2013 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 activity in the loan fund and experience with the debtors. 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, 2014 and 2013

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.

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, financial condition of the debtor's payment history and general economic conditions.

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:

Description	Estimated Life (Years)
Computer equipment and software	3
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.

Due to Funder

Due to funder represents funds held in a Minority and Women Micro loan program. When funds are received they are recorded as a liability and when funds are disbursed a loan receivable is recorded. The principal amount is due back to the funder upon receipt of repayment on these loans, which reduces the liability.

Bronx Overall Economic Development Corporation

Notes to Financial Statements

June 30, 2014 and 2013

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.

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 three 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 was 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.

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, 2014 and 2013

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, 2014 and 2013. There are no open tax years prior to June 2011. 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 \$36,288 and \$27,552 for the years ended June 30, 2014 and 2013, 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.

3. Investments

Investments at June 30, are as follows:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Money market funds	\$ 1,851,215	\$ 1,851,215	\$ 1,072,900	\$ 1,072,900
Certificates of deposit	538,000	543,682	288,000	296,611
Mutual funds	<u>8,590,291</u>	<u>8,672,347</u>	<u>9,212,886</u>	<u>9,264,503</u>
	<u>\$ 10,979,506</u>	<u>\$ 11,067,244</u>	<u>\$ 10,573,786</u>	<u>\$ 10,634,014</u>

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

	<u>2014</u>	<u>2013</u>
Interest and dividend income	\$ 220,388	\$ 228,700
Net unrealized gain (loss) on investments	<u>14,075</u>	<u>(237,636)</u>
	<u>\$ 234,463</u>	<u>\$ (8,936)</u>

Bronx Overall Economic Development Corporation
Notes to Financial Statements
June 30, 2014 and 2013

5. Property and Equipment

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

	2014	2013
Land	\$ 107,000	\$ 107,000
Computer equipment and software	58,698	56,896
Motor vehicles	<u>19,393</u>	<u>19,393</u>
	185,091	183,289
Less: Accumulated depreciation	<u>(70,628)</u>	<u>(67,812)</u>
	<u>\$ 114,463</u>	<u>\$ 115,477</u>

Depreciation expense amounted to \$2,816 and \$3,230 in 2014 and 2013, 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 original Memorandum of Understanding ("MOU") signed by the Corporation with the granting agencies for the original designation period of ten years was set to expire on December 31, 2004. Subsequent legislation extended the expiration dates to December 31, 2011, and then to December 31, 2013. Prior to both subsequent legislative extension periods the Corporation entered into an MOU in 2004 and 2014 with the principal granting agencies. Under the 2014 Post-Designation MOU the Corporation retains all right, title, and interest in and to any Corporation loan repayment proceeds received by or owed to the Corporation. 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 \$-0- and \$1,000,000 were issued in 2014 and 2013, respectively. Loan proceeds that were not disbursed as of each of the years ended June 30, 2014 and 2013 amounted to \$19,565, and are included in refundable advances in the statements of financial position.

Bronx Overall Economic Development Corporation
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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 2014 and 2013.

Economic Development - Minority and Women Micro Enterprise Loan Fund

This loan fund was established to provide financial assistance to eligible minority and women and micro owned businesses in the form of working capital loans not to exceed \$7,000 and \$35,000, respectively, per borrower. New loans of \$8,970 and \$49,500 were issued in 2014 and 2013, 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, 2014 and 2013 was \$143,391 and \$140,726, respectively.

Loan Collateral

The Corporation approves collateral during the preparation and negotiation of all loans. 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, 2014 and 2013 are as follows:

	2014	2013
Empowerment Zone loans		
Convertible loans (Note 7)	\$ 550,925	\$ 550,925
Programmatic loans	<u>8,757,355</u>	<u>10,208,940</u>
Total Empowerment Zone loans	9,308,280	10,759,865
Economic Development loans	175,262	140,729
Environmental loans	<u>891,177</u>	<u>1,162,929</u>
Total loans	10,374,719	12,063,523
Less: Allowance for loan losses	<u>(2,746,800)</u>	<u>(2,949,230)</u>
Net loans	<u>\$ 7,627,919</u>	<u>\$ 9,114,293</u>

Bronx Overall Economic Development Corporation
Notes to Financial Statements
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An analysis of the allowance for loan losses as of June 30, 2014 is as follows:

	Total	Empowerment Zone Loans	Economic Development Loans	Environmental Loans
Balance at beginning of the year	\$ 2,949,230	\$ 2,517,127	\$ 136,248	\$ 295,855
Provision for loan losses	<u>(202,430)</u>	<u>(185,819)</u>	<u>1,727</u>	<u>(18,338)</u>
Ending balance	<u>\$ 2,746,800</u>	<u>\$ 2,331,308</u>	<u>\$ 137,975</u>	<u>\$ 277,517</u>

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

	Total	Empowerment Zone Loans	Economic Development Loans	Environmental Loans
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>

The following table provides details on the Corporation's delinquent and non-accrual loans as of June 30, 2014:

	Total Loans	Current	30-89 days past due	> 90 days past due	Total Non-accrual	90 days past due and accruing
Empowerment Zone loans						
Convertible loans	\$ 550,925	\$ 550,925	\$ --	\$ --	\$ --	\$ --
Programmatic loans	<u>8,757,355</u>	<u>7,302,515</u>	<u>161,667</u>	<u>1,293,174</u>	<u>352,877</u>	<u>940,296</u>
Total Empowerment Zone	9,308,280	7,853,440	161,667	1,293,174	352,877	940,296
Economic Development loans						
Economic Development loans	175,263	39,208	42	136,012	136,012	--
Environmental loans	<u>891,177</u>	<u>603,101</u>	<u>42,857</u>	<u>245,219</u>	<u>245,219</u>	<u>--</u>
Total loans	<u>\$ 10,374,720</u>	<u>\$ 8,495,749</u>	<u>\$ 204,566</u>	<u>\$ 1,674,405</u>	<u>\$ 734,108</u>	<u>\$ 940,296</u>

Bronx Overall Economic Development Corporation
Notes to Financial Statements
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The following table provides details on the Corporation's delinquent and non-accrual loans as of June 30, 2013:

	Total Loans	Current	30-89 Days Past Due	> 90 Days Past Due	Total Non-accrual	90 Days Past Due and Accruing
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 is a summary pertaining to impaired loans as of June 30, 2014:

	Total	Empowerment Zone Loans	Economic Development Loans	Environmental Loans
Impaired loans without a valuation allowance	\$ --	\$ --	\$ --	\$ --
Impaired loans with a valuation allowance	<u>2,175,636</u>	<u>1,794,405</u>	<u>136,012</u>	<u>245,219</u>
Total impaired loans	<u>\$ 2,175,636</u>	<u>\$ 1,794,405</u>	<u>\$ 136,012</u>	<u>\$ 245,219</u>
Valuation allowance related to impaired loans	<u>\$ 2,175,636</u>	<u>\$ 1,794,405</u>	<u>\$ 136,012</u>	<u>\$ 245,219</u>
Non-accrual loans	\$ 1,235,340	\$ 854,109	\$ 136,012	\$ 245,219
Accrual loans	<u>940,296</u>	<u>940,296</u>	<u>--</u>	<u>--</u>
Total impaired loans	<u>\$ 2,175,636</u>	<u>\$ 1,794,405</u>	<u>\$ 136,012</u>	<u>\$ 245,219</u>

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

	Total	Empowerment Zone Loans	Economic Development Loans	Environmental Loans
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><u>\$ 1,768,606</u></u>	<u><u>\$ 1,382,374</u></u>	<u><u>\$ 136,012</u></u>	<u><u>\$ 250,219</u></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><u>\$ 1,768,606</u></u>	<u><u>\$ 1,382,374</u></u>	<u><u>\$ 136,012</u></u>	<u><u>\$ 250,219</u></u>

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 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. Historically the recoupment on the value of collateral less any selling costs has been nominal due to the nature of the loans.

Bronx Overall Economic Development Corporation
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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.

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

2015	\$	3,208,671
2016		1,290,865
2017		1,214,420
2018		2,002,286
2019		902,192
Thereafter		<u>1,205,360</u>
		9,823,794
Less allowance for doubtful accounts		<u>(2,195,875)</u>
Net	\$	<u>7,627,919</u>

As of June 30, 2014 and 2013, the loan processing company was holding \$119,555 and \$152,144, 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 and Bronx Museum. 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, 2014 and 2013. At each of the years ended June 30, 2014 and 2013, there was \$550,925 of convertible loans outstanding. During 2013 a convertible loan in the amount of \$1,000,000 defaulted and the collateral in the amount of \$107,000 was transferred to the Corporation.

8. Line of Credit

The Corporation established a \$250,000 line of credit on November 20, 2013, which is due to expire on November 13, 2014, secured by the Corporation's CD at Popular Community Bank which has a balance of \$250,584 at June 30, 2014. The line of credit bears a variable interest rate of 3.25 percent. As of June 30, 2014 the Corporation has not drawn down from this fund.

Bronx Overall Economic Development Corporation
Notes to Financial Statements
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9. In-kind Contributions

The Bronx Borough President's office 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 on an annual basis. The estimated value of these donated facilities for the years ended June 30, 2014 and 2013 was \$243,337 and \$229,403, respectively.

10. Commitments

Lease Commitments

The Corporation leases certain office equipment under noncancelable operating lease arrangements. Rental expense for the years ended June 30, 2014 and 2013 was \$37,656 and \$38,106, respectively. The leases expire on various dates through March 2019. The future minimum lease rental payable is as follows:

Year Ending June 30	Minimum Rental Payment
2015	\$ 37,656
2016	37,656
2017	36,858
2018	32,868
2019	24,651
	<u>\$ 169,689</u>

Loan Commitments

The Corporation has not committed to disburse any loans as of June 30, 2014.

11. Net Assets

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

	2014	2013
Economic development		
Loan and grant fund	\$ 24,300,732	\$ 24,366,856
Health initiative	96,410	53,677
Cultural Events	40,219	--
	<u>\$ 24,437,361</u>	<u>\$ 24,420,533</u>

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

	2014	2013
Economic development		
Loan and grant fund	\$ 7,108	\$ 228,000
Administrative expenses	667,775	515,934
Health initiative	57,267	21,323
Cultural Events	254,291	--
	<u>\$ 986,441</u>	<u>\$ 765,257</u>

Bronx Overall Economic Development Corporation
Notes to Financial Statements
June 30, 2014 and 2013

12. 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 comprised 31 percent of the loan balances as of both June 30, 2014 and 2013. 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 23 percent and 35 percent of total revenue from federal grants for the years ended June 30, 2014 and 2013, respectively.

13. 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 \$39,301 and \$41,302 at June 30, 2014 and 2013, respectively, to BIC in order to run its operations. Additionally, BIC has an unsecured, non-interest bearing, outstanding loan receivable (payable) of \$55,085 and \$(5,992) at June 30, 2014 and 2013, respectively, for advancement (reimbursement) of expenses to the Corporation. Net repayments of \$85,000 were received from BIC during the year ended June 30, 2014. Subsequent to year end all amounts due were paid.

14. 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.

15. Subsequent Events

The Corporation has evaluated subsequent events occurring after the statement of financial position date through the date of October 24, 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.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bronx Overall Economic Development Corporation, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, cash flows, functional expenses, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bronx Overall Economic Development Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bronx Overall Economic Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Bronx Overall Economic Development Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bronx Overall Economic Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "WithumSmith+Brown, PC".

October 24, 2014