

**SOUTH BRONX OVERALL ECONOMIC
DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

MARCH 31, 2007

**SOUTH BRONX OVERALL ECONOMIC
DEVELOPMENT CORPORATION**

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Independent Auditor's Report

Board of Directors South Bronx Overall Economic Development Corporation

We have audited the accompanying balance sheet of South Bronx Overall Economic Development Corporation as of March 31, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of South Bronx Overall Economic Development Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements do not include the financial position, changes in net assets and cash flows of SOBRO Local Development Corporation, SOBRO Development Corporation and Credit, Inc., which is discussed in Note 1. Under accounting principles generally accepted in the United States of America, the financial statements of South Bronx Overall Economic Development Corporation, SOBRO Local Development Corporation and SOBRO Development Corporation and Credit, Inc. should be consolidated in the accompanying financial statements. Total assets of South Bronx Overall Economic Development Corporation, SOBRO Local Development Corporation and SOBRO Development Corporation and Credit, Inc. were \$1,138,497 as of March 31, 2007 and total revenues were \$862,011 for the year ended March 31, 2007.

In our opinion, except for the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of South Bronx Overall Economic Development Corporation as of March 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Loeb & Troper LLP

December 8, 2008

**SOUTH BRONX OVERALL ECONOMIC
DEVELOPMENT CORPORATION**

BALANCE SHEET

MARCH 31, 2007

ASSETS

Current assets	
Cash	\$ 14,241
Cash - tenants' security deposits	54,259
Accounts receivable	1,207,850
Contracts receivable	1,902,194
Contributions receivable - current	49,810
Rent receivable	108,450
Loans receivable	32,804
Prepaid expenses and other receivables	<u>115,194</u>
Total current assets	3,484,802
Assets limited as to use (Note 3)	415,189
Developer fees receivable	902,006
Fixed assets - net (Note 4)	6,324,110
Financing costs - net	<u>348,896</u>
Total assets	<u>\$ 11,475,003</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$ 1,084,118
Due to related organizations (Note 1)	509,768
Advances from government agencies	237,165
Loans payable (Note 5)	215,000
Mortgage notes payable (Note 6)	114,830
Capital leases payable (Note 7)	85,000
Security deposits	<u>136,775</u>
Total current liabilities	2,382,656
Loans payable (Note 5)	1,250,000
Mortgage notes payable (Note 6)	2,960,410
Capital leases payable (Note 7)	<u>3,190,000</u>
Total liabilities	<u>9,783,066</u>
Net assets (Exhibit B)	
Unrestricted	1,191,013
Temporarily restricted (Note 8)	<u>500,924</u>
Total net assets	<u>1,691,937</u>
Total liabilities and net assets	<u>\$ 11,475,003</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**SOUTH BRONX OVERALL ECONOMIC
DEVELOPMENT CORPORATION**

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support			
Government contracts and grants	\$ 7,601,277		\$ 7,601,277
Corporate and foundation grants	91,811	\$ 145,000	236,811
Special events income	\$ 379,592		
Direct costs of special events	<u>(133,678)</u>	245,914	245,914
Rental income	1,104,625		1,104,625
Development fees	4,166		4,166
Management fees (Note 1)	255,417		255,417
Contracted services (Note 1)	969,677		969,677
Interest income	7,772		7,772
Other revenue	83,338		83,338
Net assets released from restrictions (Note 8)	<u>432,087</u>	<u>(432,087)</u>	
Total revenues and other support	<u>10,796,084</u>	<u>(287,087)</u>	<u>10,508,997</u>
Expenses (Exhibit C)			
Program services	<u>8,789,368</u>		<u>8,789,368</u>
Supporting services			
Management and general	1,798,589		1,798,589
Fund raising	<u>157,706</u>		<u>157,706</u>
Total supporting services	<u>1,956,295</u>		<u>1,956,295</u>
Total expenses	<u>10,745,663</u>		<u>10,745,663</u>
Change in net assets before other changes	50,421	(287,087)	(236,666)
Contributions from related organizations (Note 1)	118,608		118,608
Restatement (Note 14)	<u>271,526</u>		<u>271,526</u>
Change in net assets (Exhibit D)	440,555	(287,087)	153,468
Net assets - beginning of year	<u>750,458</u>	<u>788,011</u>	<u>1,538,469</u>
Net assets - end of year (Exhibit A)	<u>\$ 1,191,013</u>	<u>\$ 500,924</u>	<u>\$ 1,691,937</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

SOUTH BRONX OVERALL ECONOMIC
DEVELOPMENT CORPORATION

EXHIBIT C

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2007

	Program Services						Support Services		Direct Cost of Special Events	Total Expenses
	Youth Services	Adult Services and Testing Assessment	Commercial Revitalization	Technical Assistance Programs	Industrial Development and Job Creation Programs	Community Development	Total Program Expenses	Management and General		
Salaries	\$ 2,007,121	\$ 938,943	\$ 191,844	\$ 366,953	\$ 218,432	\$ 970,220	\$ 4,693,513	\$ 551,930	\$ 59,060	\$ 5,304,503
Payroll taxes and employee benefits	452,081	211,486	43,211	82,652	49,199	218,531	1,057,160	124,316	13,303	1,194,779
Consultants and contract services	374,054	99,218	3,727	71,898	51,016	47,016	646,929	56,312	46,099	749,340
Travel and conferences	277,027	14,396	13,126	25,989	2,576	10,243	343,357	18,436	4,097	365,890
Occupancy (Note 11)	173,458	134,916	15,266	55,105	47,208	152,297	578,250	267,661	20,704	866,615
Equipment rental and maintenance	167,415	47,697	8,070	9,325	4,939		237,446	19,769		257,215
Communication and consumable supplies	298,711	51,420	11,447	37,778	46,861	4,719	450,936	9,250	1,133	461,319
Interest	74,506	36,735	11,050	14,694	11,020	183,674	331,679	215,856		547,535
Property taxes	6,651	3,325	997	1,330	997	16,625	29,925	36,573		66,498
Bad debts								175,195		175,195
Depreciation and amortization	100,000	50,000	3,000	15,000	10,000	106,500	284,500	280,989		565,489
Catering and entertainment										\$ 133,678
Miscellaneous	57,407	16,320	3,000	5,955	16,033	36,958	135,673	42,302	13,310	191,285
Total functional expenses (Exhibit B)	\$ 3,988,431	\$ 1,604,456	\$ 304,738	\$ 686,679	\$ 458,281	\$ 1,746,783	\$ 8,789,368	\$ 1,798,589	\$ 157,706	\$ 10,879,341

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**SOUTH BRONX OVERALL ECONOMIC
DEVELOPMENT CORPORATION**

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2007

Cash flows from operating activities	
Change in net assets (Exhibit B)	\$ 153,468
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation and amortization	565,489
Decrease (increase) in assets	
Accounts receivable	827,964
Contracts receivable	(690,973)
Contributions receivable	(22,973)
Rent receivable	(108,450)
Security deposits	(285)
Prepaid expenses	104,945
Developer fees receivable	(902,006)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	48,760
Due to related organizations	41,267
Advances from government agencies	(121,517)
Security deposits	(6,476)
	<u> </u>
Net cash used by operating activities	<u>(110,787)</u>
Cash flows from investing activities	
Decrease in limited use assets	167
Loans issued	(32,804)
Fixed asset acquisitions	(60,692)
	<u> </u>
Net cash used by financing activities	<u>(93,329)</u>
Cash flows from financing activities	
Repayment of mortgage, loans, and bonds	(294,209)
Proceeds from loans	450,000
	<u> </u>
Net cash provided by financing activities	<u>155,791</u>
Net decrease in cash and cash equivalents	(48,325)
Cash - beginning of year	<u>62,566</u>
Cash - end of year	<u>\$ 14,241</u>
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	<u>\$ 547,535</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**SOUTH BRONX OVERALL
ECONOMIC DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 1 - NATURE OF ORGANIZATION

South Bronx Overall Economic Development Corporation (the "Organization" or SBOEDC), the parent corporation, was formed in 1972 to help facilitate revitalization and development of South Bronx into a regional subcenter in the New York metropolitan area. SBOEDC is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization was formed to transform the South Bronx, New York into a center of commerce, industry, government, culture and higher education. Working in conjunction with the government, the private sector and the community, the Organization plans, advocates and facilitates major infrastructure investments in South Bronx; directly develops and manages smaller strategic real estate projects; pursues a variety of initiatives to encourage small business in South Bronx; and advocates and undertakes projects to provide amenities and cultural programs to make the South Bronx more attractive and hospitable.

The Organization's primary sources of revenues are government contracts and grants, private grants, as well as rental revenues.

The Organization is related to the following corporations:

<u>Abbreviations</u>	<u>Organization</u>
SOBRO-LDC	SOBRO Local Development Corporation was formed by SOBRO to address South Bronx's need for development of local businesses. SOBRO-LDC owns and leases properties in the South Bronx that are rented to local businesses. SBOEDC is the sole member of SOBRO-LDC. SOBRO-LDC is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.
SOBRO-DC	SOBRO Development Corporation was formed by SOBRO to address South Bronx's need for development of local businesses. SOBRO-LDC owns and leases properties in the South Bronx that are rented to local businesses. SBOEDC is the sole member of SOBRO-DC. SOBRO-DC is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. SOBRO DC made a contribution of \$118,608 to SBOEDC in fiscal year ended March 31, 2007.

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**SOUTH BRONX OVERALL
ECONOMIC DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 1 - NATURE OF ORGANIZATION (continued)

<u>Abbreviations</u>	<u>Organization</u>
CI	Credit Inc. was formed by SOBRO to facilitate capital and financial services for organizations, minorities and female entrepreneurs and other businesses that, due to the location in a distressed or low-income community, are not adequately served by mainstream financial institutions, thereby enabling them to succeed and thrive. SBOEDC is the sole member of CI. CI is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The net amount of \$42,425 due from Credit, Inc. represents advances made to Credit Inc. to finance operations in 2007. This amount is repaid in the normal course of business.

Consolidated financials will be prepared.

Balance Sheet

	<u>SOBRO- LDC</u>	<u>SOBRO-DC</u>	<u>CI</u>	<u>Total</u>
Assets	\$ <u>801,260</u>	\$ <u>298,327</u>	\$ <u>38,910</u>	\$ <u>1,138,497</u>
Liabilities	\$ 47,666	\$ 143,502	\$ 121,320	\$ 312,488
Net assets (deficit)	<u>753,594</u>	<u>154,825</u>	<u>(82,410)</u>	<u>826,009</u>
Total liabilities and net assets	\$ <u>801,260</u>	\$ <u>298,327</u>	\$ <u>38,910</u>	\$ <u>1,138,497</u>

Statement of Activities

Revenue	\$ 380,332	\$ 480,389	\$ 1,290	\$ 862,011
Expenses	<u>405,341</u>	<u>346,803</u>	<u>44,476</u>	<u>796,620</u>
Change in net assets before transfer to related parties and forgiveness of debt	(25,009)	133,586	(43,186)	65,391
Transfer to related parties		(118,608)		(118,608)
Forgiveness of debt			<u>16,000</u>	<u>16,000</u>
Change in net assets	(25,009)	14,978	(27,186)	(37,217)
Net assets (deficit) - beginning of year	<u>778,603</u>	<u>139,847</u>	<u>(55,224)</u>	<u>863,226</u>
Net assets (deficit) - end of year	\$ <u>753,594</u>	\$ <u>154,825</u>	\$ <u>(82,410)</u>	\$ <u>826,009</u>

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**SOUTH BRONX OVERALL
ECONOMIC DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 1 - NATURE OF ORGANIZATION (continued)

SBOEDC provides management services to affiliated programs for fees. The total management and administrative fees charged to affiliated programs for 2007 was \$255,417. In addition, SBOEDC contracts with affiliates and related organizations to provide personnel services. Personnel services provided to affiliates and related organizations totaled \$969,677 for the year ended March 31, 2007.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are subsequently met.

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Functional expenses - The costs of providing the Organization's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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**SOUTH BRONX OVERALL
ECONOMIC DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets - Fixed assets are recorded at cost. Depreciation and amortization are recorded on the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	5 - 40 years
Furniture and fixtures	5 - 7 years
Equipment	3 - 5 years

Amortization of leasehold improvements is amortized over the life of the lease.

Assets limited as to use - Assets that are not available for unrestricted use are classified as assets limited as to use. The use of these assets is limited due to a variety of reasons such as: amounts held in escrow by, or on deposit with, financial institutions that collateralize loan or mortgage obligations; placed on deposit with banks participating in letters of credit; and money held by the Trustee to make principal and interest payments to bond holders.

Net assets - Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose.

Financing costs - Financing costs are amortized over the life of the related mortgages, bonds or letters of credit.

NOTE 3 - ASSETS LIMITED AS TO USE

Certain assets limited as to use are held in a Guaranteed Investment Contract ("GIC"), which are valued at contract value. The GIC earns a fixed rate of interest of 5.70%. The composition of assets limited as to use at March 31, 2007 is as follows:

Cash (tax escrow)	\$ 47,720
Guaranteed investment contract (Debt reserve fund)	<u>367,469</u>
	<u>\$ 415,189</u>

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**SOUTH BRONX OVERALL
ECONOMIC DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 4 - FIXED ASSETS

Fixed assets consist of the following:

Land	\$ 143,345
Buildings and improvements	6,003,837
Leasehold improvements	2,175,168
Furniture and fixtures	573,206
Equipment	<u>955,260</u>
	9,850,816
Accumulated depreciation and amortization	<u>(3,526,706)</u>
	<u>\$ 6,324,110</u>

NOTE 5 - LOANS PAYABLE

The balance at March 31, 2007 consists of the following:

<u>Description</u>	<u>Effective Interest Rate at 3/31/07</u>	<u>Amount Payable</u>
<u>Lines of Credit</u>		
A. A secured line of credit for \$750,000 payable to Citibank with an interest rate floating at Lender's base rate plus .50%, collateralized by the personal property of the Organization, subject only to existing liens of records on the closing date. The line of credit expires on August 31, 2008.	8.5%	\$ 750,000
B. A secured loan, payable to Local Initiatives Support Corporation, due on 1/31/2008 collateralized by pledges and assignment of proceeds from capital campaign.	6.3%	215,000

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**SOUTH BRONX OVERALL
ECONOMIC DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 5 - LOANS PAYABLE (continued)

	<u>Effective Interest Rate at 3/31/07</u>	<u>Amount Payable</u>
C. Unsecured loan, payable to Citibank, in a single installment at a fixed interest rate of 4% and due on 3/1/2010 with interest paid quarterly at a variable interest rate not to exceed the Wall Street Journal prime rate. The line is secured by the Organizations' annual Gala fund-raising receipts.	4.0%	\$ <u>500,000</u>
Total loans payable		\$ <u>1,465,000</u>

Principal payments for these loans for the next three years are as follows:

<u>Year Ending</u>	
3/31/08	\$ 215,000
3/31/09	750,000
3/31/10	<u>500,000</u>
Total loans payable	\$ <u>1,465,000</u>

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**SOUTH BRONX OVERALL
ECONOMIC DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 6 - MORTGAGES PAYABLE

The balances at March 31, 2007 consist of the following:

<u>Description</u>	<u>Effective Interest Rate at 3/31/07</u>	<u>Amount Payable</u>
A. On May 25, 2005, SBOEDC obtained a ten-year mortgage note from Washington Mutual in the aggregate principal sum of \$2,189,553, with a variable interest rate based on the Monthly Average 1 Year Treasury Index plus 2.65%. The mortgage note matures on July 1, 2015 and requires payment of principal and interest in monthly installments of \$14,446. The mortgage note is collateralized by the premises located at 1-9 East 170 th Street, Bronx, New York and at 15-19 West 183 rd Street, Bronx, New York and the property known as Unit B in the East 170 th Street Condominium.	7.5%	\$ 2,083,824
B. In fiscal year 2005, SBOEDC obtained a mortgage from the Bronx Overall Economic Development Corporation, a not-for-profit local development corporation in the aggregate principal amount of \$1.2 million with a fixed interest rate of 5% per annum. The mortgage loan matures on November 7, 2021. The loan requires payment of principal in monthly installments of \$7,919. The mortgage loan is collateralized by the premises located at 270 East 137 th Street, Bronx, New York.	5.0%	<u>991,416</u>
Total mortgages payable		<u>\$ 3,075,240</u>

All of the mortgages are secured by real estate owned by the Organization.

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**SOUTH BRONX OVERALL
ECONOMIC DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 6 - MORTGAGES PAYABLE (continued)

Principal payments on these mortgages payable for the next five years and thereafter are as follows:

<u>Year Ending</u>	<u>Amount</u>
3/31/08	\$ 114,830
3/31/09	121,704
3/31/10	128,636
3/31/11	135,983
3/31/12	143,473
Thereafter	<u>2,430,614</u>
Total mortgages payable	<u>\$ 3,075,240</u>

NOTE 7 - CAPITAL LEASES PAYABLE

On September 1, 2000, SBOEDC entered into an agreement with New York City Industrial Development Agency (the "IDA") to issue Civic Facility Revenue Bonds (South Bronx Overall Economic Development Corporation Project), Series 2000, in the aggregate principal amount of \$3,695,000, with a fixed interest rate of 8.65% per annum, to finance a portion of the costs of a project consisting of the acquisition, renovation and equipping of a commercial leasehold located at 2856-2870 Third Avenue, Bronx, New York (the "Facility"). The series 2000 bonds are scheduled to mature in various amounts through 2025. Quarterly interest payments began on December 1, 2000 and required annual principal repayments began starting December 1, 2002.

Principal and interest payments are guaranteed by SOBRO Local Development Corporation and SOBRO Development Corporation, which are affiliated companies of SBOEDC.

Principal payments for each of the next five years and thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 85,000	\$ 70,617	\$ 155,617
2009	90,000	68,784	158,784
2010	95,000	66,844	161,844
2011	105,000	64,795	169,795
2012	115,000	62,531	177,531
Thereafter	<u>2,785,000</u>	<u>488,389</u>	<u>3,273,389</u>
	<u>\$ 3,275,000</u>	<u>\$ 821,960</u>	<u>\$ 4,096,960</u>

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**SOUTH BRONX OVERALL
ECONOMIC DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets consist of the following balances:

Excel in School program	\$ 453,913
Passage of time	21,712
Strive & Excel	13,350
Other	<u>11,949</u>
	<u>\$ 500,924</u>

Net assets were released from restriction:

Excel in School program	\$ 64,455
Passage of time	5,125
Strive & Excel	5,173
Job Start program	49,085
On the Side	300,000
Other	<u>8,249</u>
	<u>\$ 432,087</u>

NOTE 9 - PENSION PLAN

The Organization has a defined contribution pension plan covering employees who meet age and length of service requirements. Pension expense for the year ended March 31, 2007 was \$230,756.

NOTE 10 - CONCENTRATIONS

Financial instruments which potentially subject the Organization to a concentration of credit risk are cash accounts with major financial institutions in excess of FDIC insurance limits. Management believes that credit risk related to these accounts is minimal.

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**SOUTH BRONX OVERALL
ECONOMIC DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 11 - OCCUPANCY

SBOEDC occupies office space and uses equipment under a noncancelable operating lease. The lease provides for certain escalation charges based on increases in operating expenses of the buildings in addition to the base annual rent. In 2001, SBOEDC entered into a 25-year non-cancelable lease agreement, with an option to renew for an additional twenty years, for its headquarters. The future minimum rental payments under the noncancelable operating lease with terms in excess of one year are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$ 256,250
2009	256,250
2010	256,250
2011	381,250
2012	381,250
Thereafter	<u>5,331,250</u>
Total	<u>\$ 6,862,500</u>

Rent expense for the fiscal year ended March 31, 2007 was \$411,379.

NOTE 12 - COMMITMENTS AND CONTIGENCIES

Reimbursements for program expense and overhead applicable to various programs conducted under contract with governmental agencies are subject to audit, which may result in adjustments or disallowances. The amount of disallowance, if any, cannot be determined. Therefore, no provision is made for these potential liabilities. Management does not anticipate any material adjustments as a result of these audits.

NOTE 13 - EMPIRE DEVELOPMENT ZONE PROGRAM (EDZ)

The Empire Development Zone program's expenditures were \$46,758 for the year ended March 31, 2007 and were included in the schedule of functional expenses under the "Industrial Development and Job Creation" program grouping.

NOTE 14 - RESTATEMENT

SBOEDC overaccrued their liability for payroll taxes and employee benefits payable. A restatement was recorded in 2007 to correct this error.