

**HARLEM RBI INCORPORATED**

**FINANCIAL STATEMENTS  
AND  
ADDITIONAL INFORMATION**

**DECEMBER 31, 2007 AND 2006**

**HARLEM RBI INCORPORATED**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Harlem RBI Incorporated

We have audited the accompanying statements of financial position of Harlem RBI Incorporated (a not-for-profit corporation) as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years 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 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harlem RBI Incorporated as of December 31, 2007 and 2006, 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.

*Lutz + Carr, LLP*

New York, New York  
April 2, 2008

**HARLEM RBI INCORPORATED**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Cash and cash equivalents (Notes 1b and 9)	\$1,349,139	\$1,104,524
Unconditional promises to give (Notes 1c, 3 and 11)		
Unrestricted	308,095	131,965
Restricted for future periods	367,970	389,679
Restricted for future programs	50,000	162,676
Investments (Notes 1e and 4)	18,250	14,099
Accounts receivable	1,673	35,000
Prepaid expenses	56,743	31,079
Property and equipment, at cost (net of accumulated depreciation) (Notes 1d and 5)	631,496	787,461
Security deposits	<u>22,318</u>	<u>22,318</u>
<b>Total Assets</b>	<u><u>\$2,805,684</u></u>	<u><u>\$2,678,801</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 219,599	\$ 140,335
Deferred rent liability (Note 6)	<u>12,329</u>	<u>15,653</u>
Total Liabilities	<u>231,928</u>	<u>155,988</u>
Commitments and Contingency (Note 6)		
Net Assets, as restated (Note 11)		
Unrestricted	1,919,999	1,666,670
Temporarily restricted (Note 2)	<u>653,757</u>	<u>856,143</u>
Total Net Assets	<u>2,573,756</u>	<u>2,522,813</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$2,805,684</u></u>	<u><u>\$2,678,801</u></u>

See notes to financial statements.

## HARLEM RBI INCORPORATED

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>Changes in Unrestricted Net Assets</b>		
Revenue and Other Support		
Contributions (Note 11)	\$2,148,794	\$1,794,131
Special events revenue, including \$50,000 released from restriction in 2006 (Notes 7 and 11)	1,451,228	1,156,140
Less: Direct benefit expense (Note 7)	(231,598)	(259,358)
Fees for service	2,001	64,247
Net investment income (Note 4)	46,207	31,830
Miscellaneous income	29,983	8,399
	<u>3,446,615</u>	<u>2,795,389</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	580,555	622,905
	<u>580,555</u>	<u>622,905</u>
Total Unrestricted Revenue and Other Support Before Donated Services	4,027,170	3,418,294
Donated services (Note 8)	113,163	103,032
Donated materials (Note 8)	132,035	35,109
	<u>132,035</u>	<u>35,109</u>
Total Unrestricted Revenue and Other Support	<u>4,272,368</u>	<u>3,556,435</u>
Expenses		
Program Service - Youth Development Services	2,918,333	2,406,452
Supporting Services		
General and administrative	386,136	255,300
Fundraising	469,372	366,294
Total Supporting Services	<u>855,508</u>	<u>621,594</u>
Total Expenses Before Donated Services and Materials	3,773,841	3,028,046
Donated services (Note 8)	113,163	103,032
Donated materials (Note 8)	132,035	35,109
	<u>132,035</u>	<u>35,109</u>
Total Expenses	<u>4,019,039</u>	<u>3,166,187</u>
Increase in Unrestricted Net Assets	<u>253,329</u>	<u>390,248</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions	378,169	542,873
Net assets released from restrictions	(580,555)	(672,905)
Uncollectible promises to give	-	(300,000)
	<u>-</u>	<u>(300,000)</u>
Decrease in Temporarily Restricted Net Assets	<u>(202,386)</u>	<u>(430,032)</u>
Increase (decrease) in net assets	50,943	(39,784)
Net assets, beginning of year, as previously reported	2,596,768	2,562,597
Prior period adjustment (Note 11)	(73,955)	-
	<u>(73,955)</u>	<u>-</u>
<b>Net Assets, End of Year</b>	<u><u>\$2,573,756</u></u>	<u><u>\$2,522,813</u></u>

See notes to financial statements.

**HARLEM RBI INCORPORATED**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ 50,943	\$ (39,784)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	204,073	158,021
Realized (gain) loss on investments	631	(58)
Unrealized gain on investments	(4,151)	(1,647)
Donated securities	(81,145)	(20,150)
Bad debt expense	-	600,000
Change in allowance for doubtful accounts	-	(300,000)
(Increase) decrease in:		
Unconditional promises to give	(41,745)	217,243
Accounts receivable	33,327	(7,287)
Prepaid expenses	(25,664)	(5,856)
Increase (decrease) in:		
Accounts payable and accrued expenses	79,264	53,262
Deferred rent liability	(3,324)	334
Net Cash Provided By Operating Activities	<u>212,209</u>	<u>654,078</u>
<b>Cash Flows From Investing Activities</b>		
Acquisition of property and equipment	(48,108)	(45,281)
Proceeds from sales of investments	80,514	20,208
Net Cash Provided (Used) By Investing Activities	<u>32,406</u>	<u>(25,073)</u>
<b>Cash Flows From Financing Activities</b>		
Repayment of loan payable	-	(100,000)
Net increase in cash and cash equivalents	244,615	529,005
Cash and cash equivalents, beginning of year	<u>1,104,524</u>	<u>575,519</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$1,349,139</u></u>	<u><u>\$1,104,524</u></u>

See notes to financial statements.

**HARLEM RBI INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 AND 2006**

**Note 1 - Organization and Summary of Significant Accounting Policies**

a - Organization

Harlem RBI uses baseball and softball and the power of teams to provide inner-city youth with opportunities to play, to learn and to grow, inspiring them to recognize their potential and realize their dreams.

Harlem RBI, a 501(c)3 organization, is a dynamic youth development program located in East Harlem, New York. Harlem RBI prides itself on being a community-based organization that successfully integrates youth development principles with the benefits of sports activity and team participation. A staff of 25 full-time professionals - with the support of a dedicated corps of over 250 part-time staff, volunteers and interns - implement year-round programs for more than 650 boys and girls, ages 7-18. Membership on a baseball or softball team opens the door to participation in an array of exemplary programs that support youth as they grow from vulnerable children into resilient young adults.

b - Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all short-term highly liquid investments, such as money market funds, to be cash equivalents.

c - Contributions and Unconditional Promises to Give

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

d - Property and Equipment

Property and equipment acquired are recorded at cost. Property and equipment are depreciated using the straight-line method over the estimated useful life of the related asset. The Organization had adopted a policy of implying a time restriction on contributions to acquire fixed assets that expire over the assets' depreciable lives, consequently, the assets contributed to acquire property and equipment, are recorded as restricted support to be released from restriction over the assets' useful lives.

**HARLEM RBI INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 AND 2006**

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

e - Investments

The Organization reflects investments at fair value in the statement of financial position. Unrealized gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets.

f - Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

g - Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

h - Tax Status

Harlem RBI Incorporated is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

**Note 2 - Temporarily Restricted Net Assets**

Temporarily restricted net assets are donor designated for future programs and activities. Temporarily restricted net assets are restricted as follows:

	<u>2007</u>	<u>2006</u>
Future periods	\$370,471	\$391,108
Future programs	<u>283,286</u>	<u>465,035</u>
	<u>\$653,757</u>	<u>\$856,143</u>

Temporarily restricted net assets consist of the following:

	<u>2007</u>	<u>2006</u>
Unconditional promises to give	\$417,970	\$303,788
Cash and cash equivalents	<u>235,787</u>	<u>552,355</u>
	<u>\$653,757</u>	<u>\$856,143</u>

**HARLEM RBI INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 AND 2006**

**Note 3 - Unconditional Promises to Give**

Unconditional promises to give are due as follows:

	<u>2007</u>	<u>2006</u>
Due in less than one year	\$633,094	\$531,965
Due in one to five years	<u>100,000</u>	<u>175,000</u>
	733,094	706,965
Less: Discount to present value at 5%	<u>(7,029)</u>	<u>(22,645)</u>
	<u>\$726,065</u>	<u>\$684,320</u>

Uncollectible promises to give are expected to be insignificant.

**Note 4 - Investments**

At December 31, 2007 and 2006, investments consist of the following:

	<u>2007</u>		<u>2006</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Common stock	<u>\$18,250</u>	<u>\$23,461</u>	<u>\$14,099</u>	<u>\$23,461</u>

Net investment income consists of the following:

	<u>2007</u>	<u>2006</u>
Interest income	\$42,687	\$30,125
Realized gain (loss) on investments	(631)	58
Unrealized gain on investments	<u>4,151</u>	<u>1,647</u>
Total Net Investment Income	<u>\$46,207</u>	<u>\$31,830</u>

**Note 5 - Property and Equipment**

Property and equipment consist of the following:

	<u>Life</u>	<u>2007</u>	<u>2006</u>
Equipment	3-5 years	\$ 151,706	\$ 109,894
Furniture	7 years	22,318	20,323
Leasehold improvements	Life of lease	348,366	344,065
Field costs	Life of lease	<u>804,265</u>	<u>804,265</u>
		1,326,655	1,278,547
Less: Accumulated depreciation		<u>(695,159)</u>	<u>(491,086)</u>
		<u>\$ 631,496</u>	<u>\$787,461</u>

**HARLEM RBI INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 AND 2006**

**Note 5 - Property and Equipment (continued)**

The Organization has completed the process of designing and rebuilding its Field of Dreams. The project commenced in 2003 and was completed in April 2005. Harlem RBI licensed the property from the City of New York, Department of Parks and Recreation ("Parks Department") for an initial term of five years with an option to renew for additional five years at the Parks Department's sole discretion. Field costs include all design and construction costs incurred to date. The Organization is obligated to maintain the field during the duration of the agreement.

Depreciation expense for the years ended December 31, 2007 and 2006 was \$204,073 and \$158,021, respectively.

**Note 6 - Commitments and Contingency**

a - On April 12, 2005, the Organization renewed the lease agreement for the facility that is used for youth development services, which provides for the following annual minimum rentals:

<b><u>Year Ending December 31,</u></b>	
2008	\$39,700
2009	41,700
2010	28,700

The Organization has the option to renew the lease through September 30, 2013.

On October 1, 2005, the Organization entered into a lease agreement for new office space, which provides for the following annual minimum rentals through September 30, 2010:

<b><u>Year Ending December 31,</u></b>	
2008	\$102,300
2009	102,300
2010	76,700

Rent expense is recognized on a straight-line basis, including all scheduled rent increases and all free rent periods.

The Organization is responsible for utility expenses related to the office spaces. The total rent expense was \$121,935 and \$113,525 in 2007 and 2006, respectively.

b - Government supported programs are subject to audit by the respective government agency.

**HARLEM RBI INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 AND 2006**

**Note 7 - Special Events Revenue**

Harlem RBI holds several fundraising events annually as follows:

	<u>2007</u>	<u>2006</u>
Bids for Kids Gala	\$1,223,339	\$ 891,878
15 <sup>th</sup> Anniversary Dinner	9,045	123,950
Golf event	116,468	91,528
Junior and other event	<u>102,376</u>	<u>48,784</u>
	1,451,228	1,156,140
Less: Direct benefit expense	<u>(231,598)</u>	<u>(259,358)</u>
	<u>\$1,219,630</u>	<u>\$ 896,782</u>

**Note 8 - Donated Services and Materials**

In 2007, Harlem RBI received in-kind legal services on a number of issues from several law firms. Work included updating an employee manual for Harlem RBI as well as ongoing legal assistance related to facilities operations. The total value of donated legal services was \$104,523 and \$103,032 in 2007 and 2006, respectively. The Organization also received in-kind accounting services totaling \$8,640 in 2007. In addition, in 2007 and 2006 Harlem RBI received in-kind baseball equipment, printing services and various memorabilia items, the total value of which were \$132,035 and \$35,109, respectively.

Harlem RBI requires the support of hundreds of volunteers each year to support its mission and accomplish its programmatic goals. In 2007 and 2006, over 250 volunteers gave anywhere between 5 and 250 hours of volunteer time to the Organization. Harlem RBI estimates that in 2007 and 2006, volunteers spent upwards of 15,000 hours each year coaching baseball and softball, tutoring youth and supporting enrichment activities or helping with administrative tasks.

**Note 9 Concentration of Credit Risk**

The Organization's cash and cash equivalents are on deposit with two financial institutions.

**HARLEM RBI INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 AND 2006**

**Note 10 - Functional Allocation of Expenses**

The cost of providing the various program and the supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and the supporting services benefited.

**Note 11 - Prior Period Adjustment**

Unrestricted net assets as of December 31, 2006 have been reduced to properly reflect certain contribution and special events revenue as collections of outstanding promises to give and not as income earned during the year ended December 31, 2006 as follows:

Contributions	\$ (61,200)
Special events revenue	<u>(12,755)</u>
Unrestricted unconditional promises to give	(73,955)
Unconditional promises to give, as previously stated	<u>205,920</u>
 Unconditional Promises to Give, Adjusted as of December 31, 2006	 <u>\$131,965</u>

## **ADDITIONAL INFORMATION**



**LUZ AND CARR**

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**INDEPENDENT AUDITOR'S REPORT ON  
ADDITIONAL INFORMATION**

To the Board of Directors of  
Harlem RBI Incorporated

Our report on our audits of the basic financial statements of Harlem RBI Incorporated for 2007 and 2006 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for the year ended December 31, 2007 with comparative totals for 2006 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lutz + Carr, LLP*

New York, New York  
April 2, 2008

## HARLEM R.B.I, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2007 WITH COMPARATIVE TOTALS FOR 2006

	Program Service	Supporting Services			2007	2006
		General and Administrative	Fundraising	Total	Total Expenses	Total Expenses
	Youth Development Services					
Salaries, payroll taxes and employee benefits	\$ 1,575,252	\$ 211,192	\$ 299,270	\$510,462	\$2,085,714	\$1,719,042
Baseball umpires, equipment and fees	131,267	788	2,343	3,131	134,398	142,992
Communications and outreach	11,148	6,945	1,100	8,045	19,193	8,354
Transportation	70,217	2,065	4,787	6,852	77,069	67,300
Scholarships and stipends	173,336	-	-	-	173,336	110,682
Youth Program Expenses						
Food	73,653	3,266	3,790	7,056	80,709	66,945
Admissions/fees	18,455	2,378	270	2,648	21,103	21,836
Supplies	43,337	468	716	1,184	44,521	51,323
Camp fees	50,981	-	-	-	50,981	55,259
Program events	21,783	418	615	1,033	22,816	15,440
Other	9,421	875	10	885	10,306	5,531
Rent	99,985	9,757	12,193	21,950	121,935	113,525
Consulting and technology fees	233,606	77,529	28,600	106,129	339,735	155,166
Accounting and bookkeeping fees	5,854	354	864	1,218	7,072	3,598
Audit	-	19,374	-	19,374	19,374	15,082
Insurance	52,327	9,625	7,259	16,884	69,211	65,998
Indirect benefit expense	-	-	51,812	51,812	51,812	45,976
Office/Administrative Expenses						
Printing and photocopying	20,220	1,794	7,754	9,548	29,768	15,260
Non-program supplies	30,013	11,336	16,912	28,248	58,261	55,029
Office cleaning and maintenance	29,867	2,859	3,131	5,990	35,857	26,684
Office equipment leasing	22,283	2,829	2,718	5,547	27,830	17,705
Telephone and internet	20,739	592	3,828	4,420	25,159	23,113
Other	29,546	7,819	5,525	13,344	42,890	53,490
Dues and publications	4,536	6,590	6,862	13,452	17,988	7,980
Interest	-	-	-	-	-	3,108
Miscellaneous expenses	2,485	150	95	245	2,730	3,608
Total expenses before depreciation (excluding donated services)	2,730,311	379,003	460,454	839,457	3,569,768	2,870,026
Depreciation	188,022	7,133	8,918	16,051	204,073	158,020
Total Expenses, 2007 (excluding donated services)	<u>\$ 2,918,333</u>	<u>\$ 386,136</u>	<u>\$ 469,372</u>	<u>\$855,508</u>	<u>\$3,773,841</u>	
Total Expenses, 2006 (excluding donated services)	<u>\$ 2,406,452</u>	<u>\$ 255,300</u>	<u>\$ 366,294</u>	<u>\$621,594</u>		<u>\$3,028,046</u>

See independent auditor's report on additional information.