

ST. JOHN'S BREAD & LIFE PROGRAM, INC.

FINANCIAL STATEMENTS

JUNE 30, 2010

**ST. JOHN'S BREAD & LIFE PROGRAM, INC.
FINANCIAL STATEMENTS
JUNE 30, 2010**

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
St. John's Bread & Life Program, Inc.
Brooklyn, NY

We have audited the accompanying statement of financial position of St. John's Bread & Life Program, Inc. ("Bread & Life") as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Bread & Life's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Bread & Life's 2009 financial statements and, in our report dated August 12, 2009 we expressed an unqualified opinion on those financial statements.

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 our audit to obtain reasonable assurances 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. John's Bread & Life Program, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Tempesta + Farrell, P.C.

New York, New York
August 18, 2010

ST. JOHN'S BREAD & LIFE PROGRAM, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

ASSETS	<u>2010</u>	<u>2009</u>
Current assets:		
Cash	\$ 464,394	\$ 540,208
Contributions receivable (net)	307,993	468,886
Prepaid expenses	18,452	19,722
Inventory	13,372	12,902
Total current assets	<u>804,211</u>	<u>1,041,718</u>
Other assets:		
Property and equipment (net)	6,848,640	7,181,124
Issuance Costs - NMTC Loans (net)	330,011	338,695
Total other assets	<u>7,178,651</u>	<u>7,519,819</u>
TOTAL ASSETS	<u>\$ 7,982,862</u>	<u>\$ 8,561,537</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable & accrued expenses	\$ 81,763	\$ 113,036
Construction loan	-	750,000
Non-recourse loan	-	500,000
Total current liabilities	<u>81,763</u>	<u>1,363,036</u>
Other Liabilities:		
Interest Payable	95,061	45,464
Loan Payable - LIIF Loan A	4,870,600	4,870,600
Loan Payable - LIIF Loan B	1,919,400	1,919,400
Total other liabilities	<u>6,885,061</u>	<u>6,835,464</u>
Total liabilities	<u>6,966,824</u>	<u>8,198,500</u>
NET ASSETS:		
Unrestricted	791,871	162,620
Temporarily restricted	224,167	200,417
Total net assets	<u>1,016,038</u>	<u>363,037</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 7,982,862</u>	<u>\$ 8,561,537</u>

See Accompanying Notes to Financial Statements.

ST. JOHN'S BREAD & LIFE PROGRAM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	Unrestricted	Temporarily Restricted	Total 2010	Total 2009
PUBLIC SUPPORT AND OTHER REVENUE				
Public Support:				
Individuals	\$ 315,046	\$ -	\$ 315,046	\$ 545,786
Corporations	52,412	-	52,412	42,112
Foundations	598,333	224,167	822,500	860,008
Government	423,647	-	423,647	225,380
Religious Organizations	16,000	-	16,000	10,000
Special Events	211,355	-	211,355	196,016
Miscellaneous	7,809	-	7,809	11,011
In-kind Contributions	120,853	-	120,853	190,566
Capital Campaign	1,579,884	-	1,579,884	1,446,091
Net assets released from restrictions	200,417	(200,417)	-	-
Total support	<u>3,525,756</u>	<u>23,750</u>	<u>3,549,506</u>	<u>3,526,970</u>
EXPENSES				
Operating Expenses:				
Program Services:				
Meals and nutrition	1,512,305	-	1,512,305	1,530,024
Social services	816,090	-	816,090	793,259
Total program services	<u>2,328,396</u>	<u>-</u>	<u>2,328,396</u>	<u>2,323,283</u>
Supporting Services:				
Fundraising	349,637	-	349,637	337,627
Management	218,658	-	218,658	233,404
Total supporting services	<u>568,295</u>	<u>-</u>	<u>568,295</u>	<u>571,031</u>
Total operating expenses	<u>2,896,691</u>	<u>-</u>	<u>2,896,691</u>	<u>2,894,314</u>
Excess of operating revenue over operating expenses	<u>629,065</u>	<u>23,750</u>	<u>652,815</u>	<u>632,656</u>
Non operating expenses:				
Restricted grant to University	-	-	-	(4,870,600)
Interest and dividend income	184	-	184	2,737
Realized loss	-	-	-	(8,783)
Total non-operating activities	<u>184</u>	<u>-</u>	<u>184</u>	<u>(4,876,646)</u>
INCREASE (DECREASE) IN NET ASSETS	<u>629,251</u>	<u>23,750</u>	<u>653,001</u>	<u>(4,243,990)</u>
NET ASSETS, Beginning of Year	<u>162,620</u>	<u>200,417</u>	<u>363,037</u>	<u>4,607,027</u>
NET ASSETS, End of Year	<u>\$ 791,871</u>	<u>\$ 224,167</u>	<u>\$ 1,016,038</u>	<u>\$ 363,037</u>

See Accompanying Notes to Financial Statements.

ST. JOHN'S BREAD & LIFE PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010
 (With Comparative Totals for the Year Ended June 30, 2009)

	Program Services			Supporting Services			Total Supporting Services	2010	2009
	Meals & Nutrition	Social Services	Total Program Services	Fund Raising	Management	Total Supporting Services			
Salaries	\$ 378,400	\$ 388,808	\$ 767,208	\$ 185,062	\$ 116,755	\$ 301,817	\$ 1,069,025	\$ 1,083,072	
Payroll taxes	36,576	36,654	73,229	13,587	5,544	19,131	92,360	95,299	
Employee benefits	55,585	45,992	101,577	15,973	15,982	31,956	133,532	129,955	
Religious stipends	52,042	6,700	58,743	1,914	2,872	4,786	63,529	83,502	
Volunteer expenses	2,263	6,396	8,659	96	454	550	9,209	9,243	
Food purchases	558,238	25,183	583,421	322	57	379	583,800	543,304	
Products and supplies	59,240	8,372	67,611	3,090	1,885	4,976	72,587	80,594	
Hygenic and baby supplies	-	2,244	2,244	-	-	-	2,244	8,695	
Holiday toys and gifts	-	39,736	39,736	-	-	-	39,736	47,276	
Tokens and miscellaneous/client asst.	973	11,030	12,003	-	-	-	12,003	9,887	
Consultants and outside services	5,265	28,044	33,310	42,363	488	42,851	76,161	28,319	
Professional fees	-	-	-	-	12,020	12,020	12,020	15,174	
Rent, utilities and parking	46,295	12,670	58,964	3,509	7,700	11,208	70,173	111,566	
Repairs and maintenance	18,061	7,397	25,458	2,506	3,493	5,999	31,457	27,529	
Interest	54,579	24,335	78,914	4,468	6,918	11,386	90,300	104,556	
Insurance	8,822	14,115	22,937	1,764	10,586	12,350	35,287	27,980	
Equipment rental	2,124	2,986	5,110	1,683	1,089	2,773	7,882	6,037	
Office supplies	4,899	8,256	13,155	2,893	2,406	5,299	18,455	31,287	
Stationary and printing	438	5,301	5,739	9,622	419	10,041	15,780	13,155	
Telephone	10,834	11,112	21,946	1,473	3,477	4,950	26,895	25,086	
Postage	251	1,078	1,329	5,031	1,311	6,342	7,672	8,881	
Special events expenses	-	-	-	33,309	-	33,309	33,309	36,255	
Vehicle expense	19,406	3,039	22,445	92	70	162	22,607	17,930	
Training and development	2,526	770	3,296	1,238	1,196	2,434	5,729	1,614	
Meetings and conferences	2,462	937	3,399	862	1,142	2,004	5,403	4,842	
Dues, fees and subscriptions	1,326	1,263	2,588	978	284	1,262	3,851	3,132	
Bank charges	25	57	82	56	2,391	2,448	2,530	4,572	
Depreciation	185,272	117,901	303,173	16,843	16,843	33,686	336,859	326,397	
Amortization	4,776	3,039	7,816	434	435	869	8,684	7,952	
Miscellaneous	1,629	2,675	4,303	467	2,841	3,308	7,612	1,223	
Total	\$ 1,512,305	\$ 816,090	\$ 2,328,396	\$ 349,637	\$ 218,658	\$ 568,295	\$ 2,896,691	\$ 2,894,314	

See Accompanying Notes to Financial Statements.

ST. JOHN'S BREAD & LIFE PROGRAM, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 653,001	\$ (4,243,990)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities		
Depreciation	336,859	326,397
Amortization	8,684	7,952
Decrease in contributions receivable	160,893	1,483,947
Decrease (increase) in prepaid expenses	1,270	(4,119)
Decrease (Increase) in inventory	(470)	32,098
Decrease in accounts payable and accrued expenses	(31,272)	(160,878)
Increase in interest payable	49,597	45,464
	<u>1,178,562</u>	<u>(2,513,129)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(4,375)	(447,318)
Decrease in investments	<u>-</u>	<u>34,152</u>
	<u>(4,375)</u>	<u>(413,166)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in construction loan	(750,000)	(3,575,000)
Proceeds from Loan Payable - LIIF Loan A	-	4,870,600
Proceeds from Loan Payable - LIIF Loan B	-	1,919,400
Decrease in non-recourse loan	(500,000)	(1,255,000)
Increase in NMTC Issuance costs	-	(331,647)
	<u>(1,250,000)</u>	<u>1,628,353</u>
Net Decrease in Cash	(75,813)	(1,297,942)
CASH, Beginning of Year	<u>540,207</u>	<u>1,838,150</u>
CASH - End of Year	<u>\$ 464,394</u>	<u>\$ 540,208</u>
<u>SUPPLEMENTAL INFORMATION:</u>		
Interest Paid	<u>\$ 40,703</u>	<u>\$ 59,093</u>

See Accompanying Notes to Financial Statements.

ST. JOHN'S BREAD & LIFE PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1. ORGANIZATION AND MISSION

St. John's Bread & Life Program, Inc. ("Bread & Life") was founded in 1982 as an outreach program of St. John the Baptist Roman Catholic Church (the "Parish") for the purpose of providing free, nutritious meals to the residents of an impoverished Brooklyn community. Bread & Life was separately incorporated in 1993 and ceased to be an outreach program of the Parish at that time. In 2008, Bread & Life was further reorganized and is now a Membership Organization whose members are appointed by the president of St. John's University, New York (the "University"). Bread & Life is governed by a board of directors who are approved by the members. Bread & Life not only provides an estimated 2,100 meals per day, but also provides a setting where social service agencies can meet with and assist those in need. Bread & Life relies on food donations from governmental agencies, as well as monetary contributions from corporations, foundations, religious organizations and individuals.

St. John's Bread & Life Foundation (the "Program Affiliate") was established in 2008 and is an inactive organization (see Note 8).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

B) Financial Statement Presentation

Bread & Life reports its financial position and operating activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The classification of net assets and related support, revenue and expenses is based on the presence or absence of donor-imposed restrictions.

These classifications are defined as follows:

Permanently Restricted - net assets, generally of an endowment nature, resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the recipient. Bread & Life has no permanently restricted net assets.

Temporarily Restricted - net assets resulting from contributions and other inflows of assets whose use by the recipient is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions taken pursuant to those stipulations. When stipulations terminate or are fulfilled, the amounts involved are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets received and released within the same year are reported as unrestricted net assets.

Unrestricted - unexpended net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations.

ST. JOHN'S BREAD & LIFE PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

C) Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Bread & Life's financial statements for the year ended June 30, 2009 from which the summarized information was derived.

D) Inventory

Inventory consists of food and related household items, and is recorded at cost.

E) Property and Equipment

Property and equipment is stated at cost and is being depreciated on the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	50 Years
Building improvements	20 Years
Furniture & Equipment	4 to 10 Years

F) Revenue Recognition

In accordance with accounting principles, contributions received are classified depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

G) In-Kind Donations

Bread & Life receives certain goods and services on a pro-bono basis. The value of these contributions is reflected in the accompanying financial statements as in-kind donations in the accompanying statement of activities, since they are subject to objective measurement or valuation.

H) Functional Allocation of Expenses

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

I) Use of Estimates

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

ST. JOHN'S BREAD & LIFE PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J) Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the Statement of Financial Position date through September 1, 2010. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with general accepted accounting principles. Management has determined that there are no subsequent events that require additional disclosure.

NOTE 3. INCOME TAXES

Bread & Life is organized under the Not-For-Profit Corporation Law of the State of New York and is qualified as exempt from federal income tax under section 501 (c)(3) of the Internal Revenue Code.

Bread & Life adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes. FIN 48 requires the evaluation of tax positions taken on previously filed tax returns or expected to be taken on future tax returns. These positions must meet a "more-likely-than-not" standard that, based on the technical merits, have more than fifty percent likelihood of being sustained by the applicable tax authority. Bread & Life has concluded that the adoption of FIN 48 resulted in no effect on Bread & Life's financial position or results of operations. There is no tax liability resulting from unrecognized tax benefits relating to uncertain tax positions taken or expected to be taken.

NOTE 4. CONTRIBUTIONS RECEIVABLE

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged. Contributions subject to donor-imposed restrictions that are met in the same reporting period are reported as unrestricted revenues. Contributions with purpose or time restrictions that are not met in the same reporting period as received are reported as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose or time restrictions are met.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions expected to be received after one year are discounted at a risk-free rate of return. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contribution.

ST. JOHN'S BREAD & LIFE PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 4. CONTRIBUTIONS RECEIVABLE (continued)

Contributions receivable were as follows at June 30, 2010:

Amounts expected to be collected in:	
Less than one year	\$ 180,722
One to five years	<u>130,000</u>
	310,722
Less: discount for net present value (4%)	<u>(2,729)</u>
	<u>\$ 307,993</u>

Contributions receivable were as follows at June 30, 2009:

Amounts expected to be collected in:	
Less than one year	\$ 305,500
One to five years	<u>180,500</u>
	486,000
Less: discount for net present value (4%)	<u>(17,114)</u>
	<u>\$ 468,886</u>

NOTE 5. PROPERTY & EQUIPMENT

Property and equipment at June 30, 2010 and 2009 consisted of the following:

	2010		
	Cost	Accumulated Depreciation	Net Carrying Value
Land	\$ 987,533	\$ -	\$ 987,533
Building	1,764,030	88,202	1,675,828
Building improvement	4,210,959	504,412	3,706,547
Furniture and equipment	<u>823,159</u>	<u>344,427</u>	<u>478,732</u>
	<u>\$ 7,785,681</u>	<u>\$ 937,041</u>	<u>\$ 6,848,640</u>
	2009		
	Cost	Accumulated Depreciation	Net Carrying Value
Land	\$ 987,533	\$ -	\$ 987,533
Building	1,764,030	52,921	1,711,109
Building improvements	4,206,584	293,974	3,912,610
Furniture and equipment	<u>823,160</u>	<u>253,288</u>	<u>569,872</u>
	<u>\$ 7,781,307</u>	<u>\$ 600,183</u>	<u>\$ 7,181,124</u>

ST. JOHN'S BREAD & LIFE PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 6. CONSTRUCTION LOAN

Bread & Life entered into a \$5,000,000 line of credit with a bank for the construction of the new building. Drawdowns under the construction loan bore interest rates ranging from 2.95% to 4.26%. Amounts outstanding for the years ended June 30, 2010 and 2009 were \$0 and \$750,000 respectively.

NOTE 7. NON-RECOURSE LOAN

In December 2006, Bread & Life entered into a pledge agreement with a board member to provide \$2,800,000 for the acquisition of real estate located at 795 Lexington Avenue, Brooklyn, NY (see Note 6). Of this amount, \$1,755,000 was recorded as a non-recourse loan to Bread & Life to be repaid solely out of funds raised by Bread & Life's Capital Campaign. The board member made a contribution of \$1,255,000 to Bread & Life in July 2008, leaving a balance of \$500,000 on the loan. In fiscal year 2010, the board member converted the loan payable to a \$500,000 donation.

NOTE 8. LOANS PAYABLE - NMTC

In July 2008, Bread & Life entered into various agreements for the purpose of participating in the Federal New Markets Tax Credit program (NMTC). In connection with this transaction, Bread & Life made a restricted grant in the amount of \$4,870,600 to the University to induce the University to serve as the Leveraged Lender in the transaction. As the Leveraged Lender the University received charitable contributions raised by Bread & Life, and lent them to a NMTC investor. The NMTC investor has used the contributions to leverage its equity investment and made loans to Bread & Life in the amounts of \$4,870,600 (Loan A) and \$1,919,400 (Loan B), respectively. The loans carry interest at 1% per annum to maturity on June 30, 2048. Interest due on Loan A is accrued and added to principal until June 1, 2015. Interest on Loan B is payable quarterly in arrears. Accrued interest payable on Loan A was \$95,061 and \$45,464 as of June 30, 2010 and 2009, respectively.

Beginning on June 1, 2016, Bread & Life will make annual level payments on the loans in an amount sufficient to repay principal and interest over the amortization period of 33 years beginning on June 1, 2015. In July 2015, an affiliate of the NMTC investor has the option (the "Put") to sell its interest in the loans for the sum of \$21,294 to the Program Affiliate (see Note 1). Should the Put not be exercised, the Program Affiliate has the right to purchase (the "Call") the loans at the then fair market value. It is anticipated that the Put will be exercised.

NOTE 9. EMPLOYEE BENEFIT PLAN

Bread & Life has established a defined contribution salary deferral 403(b) plan covering substantially all eligible employees. Employer contributions amounted to \$27,541 and \$26,282 for the years ended June 30, 2010 and 2009, respectively.

ST. JOHN'S BREAD & LIFE PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for the years ended June 30, 2010 and 2009 are summarized as follows:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Released for operation</u>	<u>June 30, 2010</u>
Robin Hood Foundation	\$ 160,417	\$ 116,667	\$ (160,417)	\$ 116,667
Single Stop USA	40,000	27,500	(40,000)	27,500
H.W. Wilson Foundation	<u>-</u>	<u>80,000</u>	<u>-</u>	<u>80,000</u>
	<u>\$ 200,417</u>	<u>\$ 224,167</u>	<u>\$ (200,417)</u>	<u>\$ 224,167</u>

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Released for operation</u>	<u>June 30, 2009</u>
Robin Hood Foundation	\$ 187,500	\$ 87,500	\$ (114,583)	\$ 160,417
Single Stop USA	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>
	<u>\$ 187,500</u>	<u>\$ 127,500</u>	<u>\$ (114,583)</u>	<u>\$ 200,417</u>

For the years ended June 30, 2010 and 2009, net assets amounting to \$200,417 and \$114,583 were released from restrictions by either satisfying a donor restriction or the passage of time, thus satisfying the restricted purposes.