

YORK STREET PROJECT
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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JUNE 30, 2010 AND 2009

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
York Street Project
Jersey City, New Jersey

We have audited the accompanying consolidated statements of financial position of York Street Project (the "Project"), a non-profit organization, and its affiliates as of June 30, 2010 and 2009, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the management of York Street Project and its affiliates. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Project and its affiliates as of June 30, 2010 and 2009, 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.



Mountainside, New Jersey
September 16, 2010

YORK STREET PROJECT
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 489,018	\$ 520,036
Investments	1,467,178	1,419,262
Accounts receivable	27,842	40,305
Prepaid expenses	13,326	7,875
Rent receivable	319	-
Due from state assistance agency	36,486	-
Total current assets	<u>2,034,169</u>	<u>1,987,478</u>
Fixed assets:		
Property and equipment, net of accumulated depreciation of \$543,191 and \$488,138, respectively	<u>524,757</u>	<u>561,842</u>
Total assets	\$ <u>2,558,926</u>	\$ <u>2,549,320</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 38,309	\$ 28,859
Accrued payroll	110,828	99,811
Accrued expenses	43,860	40,260
Deferred revenue	<u>8,524</u>	<u>19,377</u>
Total current liabilities	<u>201,521</u>	<u>188,307</u>
Other liabilities:		
Mortgage-secured grant	135,000	157,500
Security deposit	<u>1,000</u>	<u>1,000</u>
Total other liabilities	<u>136,000</u>	<u>158,500</u>
Net assets:		
Unrestricted	1,806,409	1,885,611
Temporarily restricted	<u>414,996</u>	<u>316,902</u>
Total net assets	<u>2,221,405</u>	<u>2,202,513</u>
Total liabilities and net assets	\$ <u>2,558,926</u>	\$ <u>2,549,320</u>

The accompanying notes are an integral part of the financial statements.

YORK STREET PROJECT
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Support						
Grants	\$ 2,126	\$ 945,881	\$ 948,007	\$ -	\$ 1,056,554	\$ 1,056,554
Intra-institute grants and contributions	-	167,500	167,500	107,196	-	107,196
Contributions and bequests	808,977	17,000	825,977	617,324	31,121	648,445
Facilities contribution	727,800	-	727,800	727,800	-	727,800
Providence rent subsidy	389,592	-	389,592	389,592	-	389,592
Providence direct subsidy	922,117	-	922,117	934,416	-	934,416
Total support	2,850,612	1,130,381	3,980,993	2,776,328	1,087,675	3,864,003
Revenue						
Tuition, residence fees and rents	651,087	-	651,087	621,927	-	621,927
Investment income	34,778	11,586	46,364	35,914	24,406	60,320
Realized gain (loss) on securities	8,615	3,027	11,642	(265,426)	24,134	(241,292)
Unrealized gain (loss) on securities	73,704	25,896	99,600	(167,400)	26,418	(140,982)
Total revenue	768,184	40,509	808,693	225,015	74,958	299,973
Net assets released from restrictions:						
Satisfaction of usage restrictions	1,072,796	(1,072,796)	-	1,093,777	(1,093,777)	-
Total support and revenue	4,691,592	98,094	4,789,686	4,095,120	68,856	4,163,976
EXPENSES						
Transitional housing	893,812	-	893,812	1,240,110	-	1,240,110
Child development	698,734	-	698,734	705,978	-	705,978
Supportive services	701,182	-	701,182	354,842	-	354,842
Residency	760,347	-	760,347	767,801	-	767,801
Education	500,562	-	500,562	476,671	-	476,671
General and administrative - all programs	822,453	-	822,453	757,029	-	757,029
Fund raising and public relations - all programs	393,704	-	393,704	427,703	-	427,703
Total expenses	4,770,794	-	4,770,794	4,730,134	-	4,730,134
Change in net assets	(79,202)	98,094	18,892	(635,014)	68,856	(566,158)
Net assets, beginning of year	1,885,611	316,902	2,202,513	2,520,625	248,046	2,768,671
Net assets, end of year	\$ 1,806,409	\$ 414,996	\$ 2,221,405	\$ 1,885,611	\$ 316,902	\$ 2,202,513

The accompanying notes are an integral part of the financial statements.

YORK STREET PROJECT
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services					Supporting Services			Total
	Transitional Housing	Child Development	Supportive Services	Housing	Education	General Administrative	Fund Raising and Public Relations		
Salaries	\$ 267,335	\$ 328,114	\$ 203,083	\$ 96,571	\$ 236,183	\$ 378,670	\$ 156,518	\$ 1,666,474	
Benefits and payroll taxes	106,290	178,150	72,964	41,615	69,985	116,790	57,763	643,557	
Equipment	10,708	2,735	-	2,887	-	6,179	-	22,509	
Repairs and maintenance	22,695	2,129	1,806	40,069	2,307	2,241	303	71,550	
Supplies and materials	74,080	54,478	2,251	64,721	18,320	2,332	141	216,323	
Technical computer support	-	-	-	-	-	-	-	-	
Special funds	5,656	-	-	-	-	-	-	5,656	
Member benefits	(30,198)	19,747	-	47	-	-	-	(10,404)	
Purchased services	38,510	2,811	18,737	6,008	16,187	74,988	1,171	158,412	
Professional fees	-	-	-	-	-	58,206	-	58,206	
Occupancy	390,989	97,748	130,099	505,889	150,800	79,466	8,131	1,363,122	
Postage	244	588	-	-	-	3,481	3,285	7,598	
Telephone	1,230	2,116	-	-	-	9,605	1,805	14,756	
Office expenses	-	-	-	-	-	11,561	19,962	31,523	
Other expenses	6,273	10,118	-	2,540	6,780	23,794	11,640	61,145	
Major Repairs	-	-	272,242	-	-	-	-	272,242	
Fund raising activities	-	-	-	-	-	-	87,890	87,890	
Capital campaign	-	-	-	-	-	-	45,095	45,095	
Depreciation	-	-	-	-	-	55,140	-	55,140	
Total functional expenses	\$ 893,812	\$ 698,734	\$ 701,182	\$ 760,347	\$ 500,562	\$ 822,453	\$ 393,704	\$ 4,770,794	

The accompanying notes are an integral part of the financial statements.

YORK STREET PROJECT
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

	Program Services						Supporting Services			Total
	Transitional Housing	Child Development	Supportive Services	Residency	Education	General Administrative	Fund Raising and Public Relations			
Salaries	\$ 257,964	\$ 344,795	\$ 150,604	\$ 95,267	\$ 208,608	\$ 325,947	\$ 152,834	\$ 152,834	\$ 1,536,019	
Benefits and payroll taxes	116,716	178,576	56,336	52,655	68,309	92,324	63,703	63,703	628,619	
Equipment	3,705	4,514	-	372	-	2,660	-	-	11,251	
Repairs and maintenance	16,005	829	352	34,663	19,932	2,025	22	22	73,828	
Supplies and materials	71,490	40,036	3,727	69,875	7,847	1,640	233	233	194,848	
Technical Computer Support	-	-	-	-	-	-	-	-	-	
Special funds	9,753	-	-	-	-	-	-	-	9,753	
Member benefits	2,819	21,344	-	-	-	200	-	-	24,363	
Purchased services	36,148	1,292	16,579	4,556	15,552	72,726	1,036	1,036	147,889	
Professional fees	-	-	-	-	-	55,850	-	-	55,850	
Occupancy	387,498	97,541	127,244	507,823	150,800	86,312	7,953	7,953	1,365,171	
Postage	247	350	-	-	-	3,768	2,415	2,415	6,780	
Telephone	1,113	1,881	-	-	-	10,709	1,634	1,634	15,337	
Office expenses	-	-	-	-	-	19,104	6,894	6,894	25,998	
Major repairs	330,301	-	-	-	-	-	-	-	330,301	
Other expenses	6,351	14,820	-	2,590	5,623	20,572	8,963	8,963	58,919	
Fund raising activities	-	-	-	-	-	-	182,016	182,016	182,016	
Depreciation	-	-	-	-	-	63,192	-	-	63,192	
Total functional expenses	\$ 1,240,110	\$ 705,978	\$ 354,842	\$ 767,801	\$ 476,671	\$ 757,029	\$ 427,703	\$ 427,703	\$ 4,730,134	

The accompanying notes are an integral part of the financial statements.

YORK STREET PROJECT
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grants and entitlements	\$ 1,068,832	\$ 1,058,432
Cash received from rentals	299,701	60,000
Section 8 subsidy received	77,354	-
Cash received from residents and students	436,325	692,310
Cash received from York Street Project support	608,009	558,697
York Street Project rent subsidy received	389,591	389,591
Subsidies received	1,377,571	1,389,855
Contributions received	927,902	1,295,441
Cash received from reimbursements	6,250	3,900
Interest and dividends received	46,364	60,319
Cash paid for employee costs	(2,068,198)	(2,198,358)
Cash paid for operating expenses	<u>(3,245,986)</u>	<u>(3,436,999)</u>
Net cash provided by (used for) operating activities	<u>(76,285)</u>	<u>(126,812)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(18,055)	(31,017)
Purchases of investments	(967,314)	(551,224)
Proceeds from sale of investments	<u>1,030,638</u>	<u>767,916</u>
Net cash provided by (used for) investing activities	<u>45,269</u>	<u>185,675</u>
Net increase (decrease) in cash	(31,016)	58,863
Cash and cash equivalents at beginning of year	<u>520,034</u>	<u>461,173</u>
Cash and cash equivalents at end of year	<u>\$ 489,018</u>	<u>\$ 520,036</u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES**

Change in net assets	\$ <u>18,892</u>	<u>(566,158)</u>
Adjustment to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation expense	55,139	63,193
(Increase) decrease in accounts receivable	(22,457)	16,517
(Increase) decrease in contribution receivable	-	3,878
(Increase) decrease in rent receivables	(1,947)	(361)
(Increase) decrease in due from affiliates	90	12,653
Increase (decrease) in accounts payable	10,335	(12,306)
Increase (decrease) in accrued payroll	6,850	1,810
(Increase) decrease in prepaid expenses	(5,453)	5,598
Increase (decrease) in accrued expenses	6,862	(460)
Increase (decrease) in deferred income	(10,853)	(7,430)
Gain on securities transactions	(111,243)	-
Increase (decrease) in mortgage secured grant	(22,500)	(22,500)
Unrealized (gain) on securities		382,274
Total adjustments	<u>(95,177)</u>	<u>442,866</u>
Net cash provided by (used for) operating activities	<u>\$ (76,285)</u>	<u>(126,812)</u>

The accompanying notes are an integral part of these financial statements.

YORK STREET PROJECT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the York Street Project and its affiliated non-profit organizations founded and sponsored by the Sisters of St. Joseph of Peace in Englewood Cliffs, New Jersey. These non-profit organizations include St. Joseph's Home, Kenmare School and St. Mary's Residence. All significant inter-affiliated transactions and accounts are eliminated.

Organization

The York Street Project (the "Project") is a non-profit corporation which provides administrative and development support for the charitable purposes of its affiliated non-profit organizations referred to above.

St. Joseph's Home, (the "Home") provides transitional housing for economically disadvantaged women and their dependents and, under the name of The Nurturing Place, provides a development center for preschool children.

The Kenmare School, (the "School") provides an alternative education program for economically disadvantaged women who choose to complete their secondary education. St. Mary's Residence, (the "Residence") provides a room with meals to single working women under rental agreements cancelable upon 30 days notice.

Income Tax Status

All members of the consolidation are non-profit organizations qualifying as tax-exempt organizations under 501(c)(3) of the Internal Revenue Code. Accordingly, the Project is exempt from federal and state income taxes.

Basis of Accounting

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

Property and Equipment

The Project follows the practice of capitalizing expenditures in excess of \$1,000 for property and equipment at cost or at estimated fair value at date of gift, if donated. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

Reclassifications

Certain accounts in prior-year financial statements may have been reclassified for comparative purposes to conform with the presentation in current-year financial statements. There were no such reclassifications in these financial statements.

YORK STREET PROJECT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash in banks, interest-bearing deposits and short-term highly liquid investments with original maturities of three months or less. Bank accounts are federally insured up to \$250,000 under FDIC. At times, account balances may be in excess of the insurable limit. At June 30, 2010, there were no uninsured excess cash balances.

Public Support and Revenue

In accordance with current accounting pronouncements, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions.

Grants and other contributions of cash and other assets are reported as temporarily 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 restrictions.

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Estimates

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

Concentrations of credit risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. At June 30, 2010, the organization had no balances in excess of Federal Deposit Insurance Corporation insured limits.

Unearned Income

Income from special events is deferred and recognized over the periods to which the income relates.

YORK STREET PROJECT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Financial statement presentation follows the recommendations of current accounting pronouncements; the Project is required to report information regarding its financial position and activities to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets

Unrestricted net assets represent resources whose use is not limited or restricted by donors. They generally arise as a result of exchange transactions (including contracts with government agencies), unrestricted contributions (including board designated contributions), or restricted contributions whose restrictions have expired.

Temporarily restricted net assets

Temporarily restricted net assets represent resources whose use is limited by donors for the purpose and/or time in which they may be expended. Eventually, temporarily restricted net assets are reclassified to unrestricted as their time and purpose requirements are met.

Permanently restricted net assets

Permanently restricted net assets represent resources that must be maintained permanently. Like temporarily restricted net assets, permanent restrictions may be imposed only by a donor. However, permanently restricted net assets generally do not get reclassified, since, by definition, their restrictions never expire.

Fair Value of Financial Instruments

Investments consist of mutual funds investing in debt and equity securities. They are carried at fair value and any gain or loss on investments is reported in the statement of activities as increases or decreases in unrestricted net assets.

The Organization adopted FASB Codification No 820 Fair Value Measurement. The Codification provides guidance on how to measure fair value, when required, under existing accounting standards. The Codification also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels ('Level 1,2,3').

The Project's investment portfolio is held by a financial broker. Interest and dividends are reported as part of the investment income.

YORK STREET PROJECT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2010</u>	<u>2009</u>
Equipment and furniture	\$ 737,434	\$ 719,466
Leasehold Improvements	285,552	285,552
Vehicles	<u>44,962</u>	<u>44,962</u>
	1,067,948	1,049,980
 Less - Accumulated Depreciation	 <u>(543,191)</u>	 <u>(488,138)</u>
	<u>\$ 524,757</u>	<u>\$ 561,842</u>

Depreciation expense for the years ended June 30, 2010 and 2009 amounted to \$55,140 and \$63,192, respectively.

NOTE 3 - FAIR VALUE MEASUREMENT

The Organization states its investments at fair value using Level 1 fair value measures (quoted prices in active markets) to reflect unrealized gains in the Statement of Revenue and Expenses and Changes in Net Assets. Investment income of unrestricted net assets is recorded as revenue in the Unrestricted Fund. At June 30, 2010 and 2009, investments consisted of the following:

	<u>June 30, 2010</u> Quoted Prices in Active Markets for Identical Assets (Level 1)	<u>June 30, 2009</u> Quoted Prices in Active Markets for Identical Assets (Level 1)
<u>Unrestricted Investments</u>		
Equity Securities	\$ 849,130	\$ 878,697
Mutual Funds	<u>618,048</u>	<u>540,565</u>
<u>Totals</u>	<u>\$ 1,467,178</u>	<u>1,419,262</u>

A summary of the net return on investments consist of the following for the years ended June 30, 2010 and 2009, respectively:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 46,364	\$ 60,320
Net realized gain (loss)	11,292	(241,292)
Net unrealized gain/(loss)	<u>99,600</u>	<u>(140,982)</u>
 Net return/(loss) on investments	 <u>\$ 157,606</u>	 <u>\$ (321,954)</u>

YORK STREET PROJECT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	St. Joseph's Home	York St. Project	Kenmare School	Total	
				June 30, 2010	2009
Provisions of bequests	\$ -	\$ 405,996	\$ -	\$ 405,996	\$ 307,902
Scholarships	-	-	9,000	9,000	9,000
 Total temporarily restricted net assets	 \$ -	 \$ 405,996	 \$ 9,000	 \$ 414,996	 \$ 316,902

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	St. Joseph's	York St. Project	Kenmare School	Total	
				June 30, 2010	2009
Purpose restriction accomplished:					
Foundation and government					
Grants	\$ 22,508	\$ 426,320	\$ -	\$ 448,828	\$ 485,542
HUD Grant	558,544	-	-	558,544	558,544
NJ Department of Agriculture	34,894	-	-	34,894	34,491
Time and usage restrictions expired	-	-	30,530	30,530	15,200
 Total temporarily restricted net assets released from restriction	 \$ 615,946	 \$ 426,320	 \$ 30,530	 \$ 1,072,796	 \$ 1,093,777

YORK STREET PROJECT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 - HOUSING AND URBAN DEVELOPMENT GRANT

On January 6, 1988, the Home was awarded a grant from the U.S. Department of Housing and Urban Development ("HUD") in the amount of \$1,879,660 ending in April, 1994. Since then, the Home has received grants every three years. In April 2001, the Home received a grant in the amount of \$1,675,604 for the period May 2001 through April 2004. Beginning May 1, 2004, the grant is for 12 months, renewable annually. Provisions of the grant agreement require the Home to obtain or provide matching funds for the project and operate the program in accordance with specific federal guidelines. During the years ended June 30, 2010 and 2009, the Home received \$558,544 from the grant for each year.

NOTE 6 - RELATED PARTY TRANSACTIONS

For the years ended June 30, 2010 and 2009, The Sisters of St. Joseph of Peace provided direct financial support to the affiliated non-profit organizations as follows:

	<u>2010</u>	<u>2009</u>
York Street Project	\$ 749,592	\$ 749,592
St. Joseph's Home	51,000	51,000
The Kenmare School	201,000	201,000
St. Mary's Residence	192,768	205,065
The Nurturing Place	<u>117,348</u>	<u>117,348</u>
Total related party transactions	<u>\$ 1,311,708</u>	<u>\$ 1,324,005</u>

The York Street Project provided direct financial support to its affiliated organizations as follows:

	<u>2010</u>	<u>2009</u>
The Kenmare School	\$ 188,000	\$ 132,000
The Nurturing Place	221,259	359,728
St. Mary's Residence	45,000	81,000
St. Joseph's Home	<u>520,767</u>	<u>678,136</u>
Total support from York Street Project to its affiliated organizations	<u>\$ 975,026</u>	<u>\$ 1,250,864</u>

Except for St. Joseph's Home, the Sisters of St. Joseph of Peace provided the use of facilities in which the organizations operate their programs

YORK STREET PROJECT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 6 - RELATED PARTY TRANSACTIONS (Continued)

The Home occupies its facilities under a lease with the Sisters of St. Joseph of Peace . The term of the lease is sixty months commencing May 1,1999 and ending April 30, 2005, at a monthly rental of \$32,466. A lease extension and renewal agreement, effective May 1, 2004, extended the lease for a period of ten (10) years, expiring on April 30, 2014. The monthly rental amount for this new lease term is \$32,466. The lease extension and renewal terms are in agreement with the HUD provisions that require the Home to obtain or provide matching funds for the project.

Future minimum rental payments at June 30, 2010 are summarized as follows:

<u>Fiscal year</u>		<u>Amount</u>
2011	\$	389,592
2012		389,592
2013		389,592
2014		<u>324,660</u>
Total future minimum rental payments:	\$	<u>1,493,436</u>

For the years ended June 30, 2010 and 2009, rental expense amounted to \$389,592.

The Sisters of St. Joseph of Peace donate the use of facilities in which the Project operates its programs. The annual fair rental value of those facilities is estimated to be \$100,000 and \$90,000 for the years ended June 30, 2010 and 2009, respectively, and has been included in revenue and expenses for the years then ended.

The Kenmare School conducts its operations from facilities that are leased from a related party, the Project, which was extended for an additional five years expiring April 30, 2019. The rent paid to the Project for the years ended June 30, 2010 and 2009 amounted to \$60,000 for each year. However, that rent is below the current fair rental value of the premises, which is estimated to be \$248,000. Accordingly, an additional \$188,000 has been included in revenue and expenses for the years ended June 30, 2010 and 2009, representing the difference between actual rent paid and the fair rental value of the facilities.

YORK STREET PROJECT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 6 - RELATED PARTY TRANSACTIONS (Continued)

Future minimum rental payments at June 30, 2010 are summarized as follows:

<u>Fiscal year</u>	<u>Amount</u>
2011	\$ 60,000
2012	60,000
2013	60,000
2014	60,000
2015	60,000
Subsequent Years	<u>230,000</u>
Total future minimum rental payments	<u>\$ 530,000</u>

The Sister's of St. Joseph of Peace also provided the use of facilities in which the Residence operates. The annual fair rental value of the premises, which is estimated to be \$439,800 has been included in support and expenses for the years ended June 30, 2010 and 2009.

High school education tuition payments are made by the Home to the School, an affiliated organization, for residents of the Home attending the School. For the years ended June 30, 2010 and 2009, these payments totaled \$17,650 and \$12,850, respectively.

The Project provides administrative services to its sister organizations. For the years ended June 30, 2009, York Street Project was reimbursed by the following organizations: The Nurturing Place \$11,000; St. Mary's Residence \$11,000; St. Joseph's Home \$32,846; and the Kenmare School \$11,000. In addition, the Project has a payable due to the Home for the years ended June 30, 2010 and 2009 in the amount of \$566,609, and to Kenmare School in the amount of \$50,000 for each year.

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NOTE 7 - MORTGAGE NOTE PAYABLE

The Home obtained financing in the amount of \$225,000 from the New Jersey Department of Community Affairs Division of Housing in order to renovate their facility. In connection with that financing the State of New Jersey secured the property with a mortgage and a mortgage note. The note provides that the outstanding principal balance will be due upon default on the terms of the note or upon sale of the premises at 81 York Street, Jersey City, New Jersey. Among other conditions, the note requires the Home to utilize the funds received to renovate the premises. No principal or interest will be due and the principal will be forgiven at the rate of 10% per year, provided the facility is used as transitional housing for homeless women. Management of St. Joseph's Home certified that the shelter has provided transitional housing for homeless women for the years ended June 30, 2010 and 2009 and therefore 40% of the secured grant has been released.

NOTE 8 - PENSION PLAN

The Sisters of St. Joseph of Peace maintain separate pension plans for religious and lay employees of its affiliated nonprofit organizations who meet minimum age and service requirements. Pension expense for the affiliated organizations for the years ended June 30, 2010 and 2009 was as follows:

	<u>2010</u>	<u>2009</u>
York Street Project	\$ 47,347	\$ 41,654
St. Joseph's Home	77,864	68,311
The Kenmare School	20,361	19,183
St. Mary's Residence	<u>24,598</u>	<u>19,608</u>
Total pension expense	<u>\$ 170,170</u>	<u>\$ 148,756</u>

The Project's liability for compensated absences was not significant and has not been recorded in these financial statements since it was not considered material to the financial statements taken as a whole.

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NOTE 9 - LEASE OBLIGATION

The School entered into a lease agreement to lease a photocopier with monthly lease payments of \$500 for 60 months. The following is a schedule of future minimum rental payments required under these agreements as of June 30, 2010.

<u>Fiscal year</u>	<u>Amount</u>
2011	6,000
2012	6,000
2013	6,000
2014	<u>2,500</u>
Total future minimum rental payments	\$ <u>20,500</u>

NOTE 10 - DONATED SERVICES

For the years ended June 30, 2010 and 2009, the Home received approximately 5,700 and 3,000 hours, respectively, of donated services from unpaid volunteers who assisted in the Child Development Center. No amounts have been recognized in the statement of activities for the services donated by unpaid volunteers, because the criteria for recognition under generally accepted accounting principles has not been satisfied. Noncash donations of materials and supplies to the Child Development Center approximated \$30,000 and \$12,000 for the years ended June 30, 2010 and 2009, and have been included in revenue and expenses for the respective years.

NOTE 11 - 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.

NOTE 12 - SUBSEQUENT EVENTS

The Project, in accordance with a recent accounting pronouncement, has evaluated the effect of subsequent events through September 16, 2010, which corresponds to the date the financial statements were available to be issued.