

EAST HAMPTON NEIGHBORHOOD HOUSE ASSOCIATION, INC.

FINANCIAL STATEMENT

FOR THE YEAR ENDED

MAY 31, 1998

EAST HAMPTON NEIGHBORHOOD HOUSE ASSOCIATION, INC.

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To the Board of Directors
East Hampton Neighborhood House Association, Inc.
East Hampton, NY 11937

We have reviewed the accompanying statement of financial position (modified cash basis) of East Hampton Neighborhood House Association, Inc. (a non-profit organization) as of May 31, 1998, and the related statements of net assets (modified cash basis), and the statement of cash flows (modified cash basis) for the year then ended, in accordance with Statements on Standards For Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of East Hampton Neighborhood House Association, Inc.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting, as described in Note 2.

Markowitz, Preische & Stevens, P.C.

Markowitz, Preische and Stevens, P.C.
Certified Public Accountants

July 7, 1998

EAST HAMPTON NEIGHBORHOOD HOUSE ASSOCIATION, INC.

Statement of Financial Position - Modified Cash Basis

At May 31, 1998

(See Accountants' Review Report)

<u>ASSETS</u>	1997 <u>Total</u>	Memorandum Only <u>1996</u>
Current Assets:		
Cash	\$ 6,948	\$ 3,712
Cash - advanced planning	78,586	131,366
Investments - securities	<u>403,257</u>	<u>301,028</u>
Total Current Assets	<u>488,791</u>	<u>436,106</u>
Fixed Assets:		
Building	22,783	22,783
Furniture and fixtures	45,098	45,098
Equipment	3,326	1,707
Improvements	5,050	1,950
Land	<u>1,500</u>	<u>1,500</u>
	77,757	73,038
Less: accumulated depreciation	<u>(44,157)</u>	<u>(36,452)</u>
Total Fixed Assets	<u>33,600</u>	<u>36,586</u>
Total Assets	<u>\$ 522,391</u>	<u>\$ 472,692</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Payroll taxes payable	\$ 2,878	\$ 1,227
Total Current Liabilities	<u>2,878</u>	<u>1,227</u>
<u>NET ASSETS</u>		
Unrestricted:		
Undesignated	\$ 519,513	\$ 471,465
Total Unrestricted	<u>519,513</u>	<u>471,465</u>
Temporarily Restricted:	-	-
Permanently Restricted:	<u>-</u>	<u>-</u>
Total Net Assets and Liabilities	<u>\$ 522,391</u>	<u>\$ 472,692</u>

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

EAST HAMPTON NEIGHBORHOOD HOUSE ASSOCIATION, INC.

Statement of Activities - Modified Cash Basis

For The Year Ended May 31, 1998

(See Accountants' Review Report)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>1997 Total</u>	<u>Memorandum Only 1996</u>
REVENUES:				
Nursery school	\$ 23,347	\$ -	\$ 23,347	\$ 23,488
Donations	1,423	1,500	2,923	700
Hall use	13,415	-	13,415	14,200
Appeal letter	4,075	-	4,075	7,881
Golf tournament	20,576	-	20,576	19,934
Interest	2,385	-	2,385	939
Dividends	26,489	-	26,489	23,799
Realized gain on investments	21,519	-	21,519	21,181
Unrealized gain on investments	5,867	-	5,867	-
Cumulative effect of change in accounting principle	19,246	-	19,246	-
Net assets released from restrictions	<u>1,500</u>	<u>(1,500)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>139,842</u>	<u>-</u>	<u>139,842</u>	<u>112,122</u>
EXPENSES:				
Program Services:				
Wages	49,341	-	49,341	45,194
Utilities	6,600	-	6,600	7,100
Telephone	1,302	-	1,302	883
Office supplies	237	-	237	1,727
Professional services	2,023	-	2,023	3,390
Repairs and maintenance	4,159	-	4,159	3,442
Payroll taxes	6,334	-	6,334	5,220
Depreciation	7,706	-	7,706	2,331
Licenses	303	-	303	314
Meals and entertainment (net of 50%)	-	-	-	346
Advertising	<u>229</u>	<u>-</u>	<u>229</u>	<u>55</u>
Total Program Expenses	<u>78,234</u>	<u>-</u>	<u>78,234</u>	<u>70,002</u>
SUPPORTING SERVICES:				
Management and General:				
New York State Franchise Tax	110	-	110	-
Accounting	500	-	500	2,100
Professional services	1,760	-	1,760	1,727
Repairs and maintenance	2,080	-	2,080	3,947
Insurance	<u>9,110</u>	<u>-</u>	<u>9,110</u>	<u>8,819</u>
Total Supporting Services	<u>13,560</u>	<u>-</u>	<u>13,560</u>	<u>16,593</u>
Total Expenses	<u>91,794</u>	<u>-</u>	<u>91,794</u>	<u>86,595</u>
Increase in Net Assets before cumulative effect of change in accounting principles	<u>\$ 48,048</u>	<u>\$ -</u>	<u>\$ 48,048</u>	<u>\$ 25,527</u>

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

EAST HAMPTON NEIGHBORHOOD HOUSE ASSOCIATION, INC.

Statement of Cash Flows - Modified Cash Basis

For The Year Ended May 31, 1998

(See Accountants' Review Report)

	<u>1997</u>	Memorandum Only <u>1996</u>
Cash flows from operating activities:		
Net income	\$ 48,048	\$ 25,527
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	7,705	2,331
Realized gain on sale of investments	(21,519)	(21,181)
Unrealized gain on sale of investments	(5,867)	-
Increase (Decrease) in payroll taxes payable	1,651	(727)
Nondeductible meals and entertainment	-	(346)
Cum. effect of change in accounting principle	<u>(19,246)</u>	<u>-</u>
Net cash used by operating activities	<u>(37,276)</u>	<u>(19,923)</u>
Cash flows from investing activities:		
Purchase of equipment	(1,619)	-
Purchase of furniture and fixtures	-	(7,358)
Payment for leasehold improvements	(3,100)	-
Payment for purchase of investments	(267,799)	(67,237)
Proceeds from sale of investments	<u>212,202</u>	<u>67,008</u>
Net cash provided by investing activities	<u>(60,316)</u>	<u>(7,587)</u>
Net decrease in cash and cash equivalents	(49,544)	(1,983)
Cash and equivalents at beginning of year	<u>135,078</u>	<u>137,061</u>
Cash and equivalents at end of year	<u>\$ 85,534</u>	<u>\$ 135,078</u>

EAST HAMPTON NEIGHBORHOOD HOUSE ASSOCIATION, INC.

Notes to Financial Statements
For the Year Ended May 31, 1998
(See Accountants' Review Report)

Note 1: Nature of Organization

East Hampton Neighborhood House Association, Inc. is an exempt organization under Section 501 (c)(3) of the Internal Revenue Code. Its purpose is to provide the surrounding community with a preschool program, and to maintain and operate a meeting hall for various religious, civic and youth groups.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the modified cash basis of accounting; consequently, certain revenues are recognized when received rather than when earned, and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. This basis does, however, capitalize the acquisition of property and equipment, depreciates these capitalized assets and records the liabilities arising from the collection of payroll taxes.

Investments

As of June 1, 1997, the Organization elected to adopt SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investments in marketable securities are carried at cost; market value of these investments as of May 31, 1998 equals \$403,257, resulting in an unrealized gain of \$5,867.

Temporarily Restricted Assets

During the year, the Organization received \$1,500 as a temporarily restricted net asset, to be used for the purchase of a computer. This computer was purchased during the fiscal year.

Financial Statement Presentation

The Association has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Association 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. In addition, the Association is required to present a statement of cash flows. As dictated by this new statement the Association has discontinued its use of fund reporting and has, accordingly, reclassified its financial statements to present the three classes of net assets required. This reclassification did not have an effect for the year ended May 31, 1998.

Contributions

The Association also elected to adopt SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

EAST HAMPTON NEIGHBORHOOD HOUSE ASSOCIATION, INC.

Notes to Financial Statements
For the Year Ended May 31, 1998
(See Accountants' Review Report)

Unrestricted Net Assets

Current year unrestricted net assets have been shown in the Statement of Financial Position - Modified Cash Basis as undesignated. The activity is as follows:

	<u>1997</u>	(Memorandum Only) <u>1996</u>
Net Assets - Beginning of Year	\$ 471,465	\$ 446,284
Increase in net assets before cumulative effect of change in accounting principles	28,802	25,527
Cumulative effect of change in accounting principles	19,246	-
Less: 50% Meals and Entertainment	<u>-</u>	<u>(346)</u>
Net Assets - End of Year	\$ <u>519,513</u>	\$ <u>471,465</u>