

**CHESTNUT HILL COMMUNITY
ASSOCIATION**

**COMBINED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

For the Year Ended March 31, 2006

CHESTNUT HILL COMMUNITY ASSOCIATION
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Chestnut Hill Community Association
Philadelphia, Pennsylvania

We have audited the accompanying combined balance sheet of Chestnut Hill Community Association (the "Company") as of March 31, 2006 and the related combined statements of operations, comprehensive loss, changes in member's equity and cash flows for the year then ended. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined 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 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Chestnut Hill Community Association as of March 31, 2006 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Jebran & Associates, P.C.

North Wales, Pennsylvania
February 15, 2007

**CHESTNUT HILL COMMUNITY ASSOCIATION
COMBINED BALANCE SHEET
At March 31, 2006**

ASSETS

Cash and cash equivalents	\$ (10,627)
Accounts receivable, net of allowance for doubtful accounts of \$2,437 at March 31, 2006	116,603
Due from affiliates	19,970
Prepaid expenses	<u>39,727</u>
Total Current Assets	<u>165,673</u>
Marketable securities, available for sale	<u>7,140</u>
Property and Equipment	
Leasehold improvements	66,761
Equipment	72,919
Furniture and fixtures	<u>134,318</u>
	273,998
Less Accumulated depreciation and amortization	<u>(272,608)</u>
Net Property and Equipment	<u>1,390</u>
Total Assets	<u><u>\$ 174,203</u></u>

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities

Line of credit	\$ 33,080
Accounts payable	52,139
Aspinwall fund	4,570
Deferred subscription income	34,297
Deferred membership income	12,350
Due to affiliates	<u>13,199</u>
Total Current Liabilities	<u>149,635</u>

MEMBERS' EQUITY

Unrealized loss on marketable securities	(480)
Additional paid-in capital	10,000
Retained earnings	<u>15,048</u>
	<u>24,568</u>
Total Liabilities and Members' Equity	<u><u>\$ 174,203</u></u>

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

CHESTNUT HILL COMMUNITY ASSOCIATION
COMBINED STATEMENT OF OPERATIONS
For the Year Ended March 31, 2006

Income	\$ 1,208,090
Operating Expenses	<u>1,250,192</u>
Net Loss	<u>\$ (42,102)</u>

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

CHESTNUT HILL COMMUNITY ASSOCIATION
COMBINED STATEMENT COMPREHENSIVE LOSS
For the Year Ended March 31, 2006

Net Loss	\$ (42,102)
Other Comprehensive Loss	
Unrealized holding loss on marketable securities, available for sale	<u>(341)</u>
Comprehensive Loss	<u>\$ (42,443)</u>

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

CHESTNUT HILL COMMUNITY ASSOCIATION
COMBINED STATEMENT CHANGES IN MEMBERS' EQUITY
For the Year Ended March 31, 2006

Balance at March 31, 2005	\$ 57,150
Net Loss	<u>(42,102)</u>
Balance at March 31, 2006	<u><u>\$ 15,048</u></u>

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

CHESTNUT HILL COMMUNITY ASSOCIATION
COMBINED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2006

Cash Flow from Operating Activities:	
Net loss	\$ (42,102)
Noncash expenses, revenues, gains and losses included in net loss	
Depreciation and amortization	4,347
Adjustments to reconcile net loss to net cash provided (used) by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	1,803
Due to/from affiliates	28,281
Prepaid expenses	(8,926)
Accounts payable	13,066
Deferred subscription income	(969)
Deferred membership income	(3,147)
Aspinwall fund	180
Net cash provided (used) by operating activities	<u>(7,467)</u>
Cash Flows from Investing Activities	
Purchase of property and equipment	<u>(800)</u>
Net Cash from Investing Activities	<u>(800)</u>
Cash Flows from Financing Activities	
Payments line of credit	<u>(20,660)</u>
Net Cash from Financing Activities	<u>(20,660)</u>
Net Decrease in Cash	(28,927)
Cash and Cash Equivalents, Beginning of the Year	<u>18,300</u>
Cash and Cash Equivalents, End of the Year	<u>\$ (10,627)</u>

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

CHESTNUT HILL COMMUNITY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

1. Nature of the Organization and Summary of Significant Accounting Policies

Nature of Organization

The Chestnut Hill Community Association (The Company), a Delaware corporation, is a membership organization consisting of residents of Chestnut Hill and others who share an interest in maintaining and improving the quality of life in the Chestnut Hill section of Philadelphia. The Company was incorporated on July 10, 1958. It is comprised of two divisions, the Chestnut Hill Community Association and the Chestnut Hill Local (a local newspaper).

Principles of combination:

The combined financial statements include the accounts of the Company and all of its divisions. All significant interdivisional accounts and transactions have been eliminated in combination.

Use of estimates

The preparation of financial statement in conformity with generally accepted accounting principles of 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 statement and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers cash equivalents to be those short-term investments maturing within three months of the date of origination.

Marketable securities, available for sale

The Company adopted Financial Accounting Standards Board (FASB) Statement No. 130, Reporting Comprehensive Income. This statement requires the reporting of comprehensive income in addition to net income from operations. Comprehensive income is a more comprehensive inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income.

Investments in marketable securities with readily determinable fair values are valued at their fair values. Any resulting gains or losses on sales of marketable securities are calculated using the specific identification method.

Property and equipment

Depreciation of property and equipment is based on lives and rates for income tax purposes at the time the asset is placed in service. These methods closely approximate the estimated useful lives of the property and equipment.

Expenditure of maintenance and repairs necessary to maintain property and equipment in efficient operating condition are charged to operations. Expenditures which increase the useful lives of the assets are capitalized.

**CHESTNUT HILL COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

1. Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Income recognition

Deferred subscription income represents newspaper subscriptions paid for in advance of actual delivery. These subscription amounts are deferred until delivery takes place, at which time income is recognized.

Deferred memberships income represents funds received during the current fiscal year for memberships in the Chestnut Hill Community Association for the following fiscal year.

2. Marketable Securities, Available for Sale

The following is a summary of investment securities classified as available of sale at March 31, 2006:

	Fair Value	Cost	Gross Unrealized Holding Loss
Equity securities	\$ 6,940	\$ 7,420	\$ (480)
Other	200	200	-
	\$ 7,140	\$ 7,620	\$ (480)

There were no proceeds from sales or gains (losses) from sales for the year ended March 31, 2006.

3. Property and Equipment

The estimated useful lives used in the computation of depreciation and amortization of property and equipment and the related expenses are as follows for the year ended March 31, 2006:

	Lives	Accumulated Depreciation and Amortization	Depreciation and Amortization Expense
Leasehold improvements	31.5 years	\$ 65,414	\$ 93
Equipment	5 -7 years	72,919	-
Furniture and fixtures	5 -7 years	134,275	4,254
		\$ 272,608	\$ 4,347

CHESTNUT HILL COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

4. Pension Plan

The Company has in effect a defined contribution profit sharing plan 401(K) which covers all employees who meet the eligibility requirements. Contributions to the plan are based upon a specific percentage of wages. The contributions for the year ended March 31, 2006 was \$24,082.

5. Aspinwall Fund

The trustees of the Aspinwall fund are required under their deed of trust to distribute the income of that trust to the Chestnut Hill Community Association. The Company is required to use these funds to further the interest of the Water Tower Recreation Center. Dividends received by the Chestnut Hill Community Association, as trustees of the Aspinwall Fund, are treated as a liability for financial reporting purposes.

6. Line of Credit

The Company has available, a \$300,000 line of credit with a bank. Interest is payable at the bank's prime rate plus 1%. The total amount outstanding at March 31, 2006 was \$33,080. The line of credit is renewable annually on August 1.

7. Income Taxes

The Company is liable for federal income taxes but has no liability for state or local taxes due to its exempt status as a membership organization within the Commonwealth of Pennsylvania.

As of March 31, 2006, there are approximately \$165,000 of federal tax carryforwards which expire in the year 2019 and thereafter to offset future taxable income.

The Company has provided for the effects of income taxes in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. Deferred income taxes are provided in recognition of temporary differences between financial and income tax reporting and consist of the following:

Deferred tax asset:

Net operating loss carryforward	\$ 165,000
Allowance for bad debts	2,437
	<hr/>
	167,437
Valuation allowance	(167,437)
	<hr/>
	\$ -
	<hr/>

Due to uncertainty of the realization of future tax benefits, the company has recorded a valuation allowance equal to the deferred tax asset as of March 31, 2006.

CHESTNUT HILL COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

8. Contingency

The Company maintains its cash and cash equivalents in bank accounts, which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts as of March 31, 2006. The Company believes that it is not exposed to any significant credit risk on cash and cash equivalents.

**SUPPLEMENTARY
INFORMATION**



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

The Board of Directors
Chestnut Hill Community Association
Philadelphia, Pennsylvania

Our report on our audit of the basic combined financial statements of Chestnut Hill Community Association for 2006 appears on page 3. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in the accompanying Schedules of Combining Balance Sheet Information, Combining Schedule of Operating Income and Expense Information and Schedule of Combining Schedule of Changes in Members' Equity Information are presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

Jebran & Associates, P.C.
North Wales, Pennsylvania
February 15, 2007

CHESTNUT HILL COMMUNITY ASSOCIATION
SCHEDULE OF COMBINING BALANCE SHEET INFORMATION
At March 31, 2006

	Divisions		
	Chestnut Hill Community Association	Chestnut Hill Local	Combined Total
ASSETS			
Cash and cash equivalents	\$ 1,133	\$ (11,760)	\$ (10,627)
Accounts receivable, net of allowance for doubtful accounts of \$2,437 at March 31, 2006	-	116,603	116,603
Due from affiliates	6,556	13,414	19,970
Prepaid expenses	5,196	34,531	39,727
Total Current Assets	<u>12,885</u>	<u>152,788</u>	<u>165,673</u>
Marketable securities, available for sale	6,940	200	7,140
Property and Equipment			
Leasehold improvements	-	66,761	66,761
Equipment	16,552	56,367	72,919
Furniture and fixtures	6,063	128,255	134,318
	<u>22,615</u>	<u>251,383</u>	<u>273,998</u>
Less Accumulated depreciation and amortization	<u>(22,615)</u>	<u>(249,993)</u>	<u>(272,608)</u>
Net Property and Equipment	<u>-</u>	<u>1,390</u>	<u>1,390</u>
Total Assets	<u>\$ 19,825</u>	<u>\$ 154,378</u>	<u>\$ 174,203</u>
LIABILITIES AND MEMBERS' EQUITY			
Current Liabilities			
Line of credit	\$ -	\$ 33,080	\$ 33,080
Accounts payable	2,817	49,322	52,139
Aspinwall fund	4,570	-	4,570
Deferred subscription income	-	34,297	34,297
Deferred membership income	12,350	-	12,350
Due to affiliates	7,014	6,185	13,199
Total Current Liabilities	<u>26,751</u>	<u>122,884</u>	<u>149,635</u>
MEMBERS' EQUITY			
Unrealized gain on marketable securities	(480)	-	(480)
Additional paid-in capital	10,000	-	10,000
Retained earnings	(16,446)	31,494	15,048
	<u>(6,926)</u>	<u>31,494</u>	<u>24,568</u>
Total Liabilities and Members' Equity	<u>\$ 19,825</u>	<u>\$ 154,378</u>	<u>\$ 174,203</u>

See Notes to Financial Statements

CHESTNUT HILL COMMUNITY ASSOCIATION
SCHEDULE OF COMBINING SCHEDULE OF OPERATING INCOME
AND EXPENSE INFORMATION
For the Year Ended March 31, 2006

	Divisions		Combined Total
	Chestnut Hill Community Association	Chestnut Hill Local	
Operating Income			
Dues	\$ 51,383	\$ -	\$ 51,383
Contributions	3,875	-	3,875
Advertising	-	979,978	979,978
Subscriptions	-	99,675	99,675
Other	38,080	35,099	73,179
	<u>\$ 93,338</u>	<u>\$ 1,114,752</u>	<u>\$ 1,208,090</u>
Operating Expenses			
Articles	\$ -	\$ 36,520	\$ 36,520
Bad debt	-	4,316	4,316
Bank fees	577	8,897	9,474
Computer	7,197	12,178	19,375
Depreciation and amortization	-	4,347	4,347
Employee benefits	4,973	48,429	53,402
Insurance	4,252	13,093	17,345
Legal and accounting	15,185	450	15,635
Mailing and delivery	-	17,527	17,527
Miscellaneous	5,096	10,058	15,154
Office	3,724	20,952	24,676
Payroll taxes	5,868	64,073	69,941
Photographs and artwork	-	7,291	7,291
Printing and graphics	-	115,421	115,421
Production supplies	-	300	300
Pension plan	1,169	22,913	24,082
Postage	2,087	40,736	42,823
Public relations	17,167	-	17,167
Rent	1,992	33,600	35,592
Repairs and maintenance	278	3,549	3,827
Salaries and wages	51,905	624,374	676,279
Special projects	-	20,339	20,339
Taxes and licenses	-	2,208	2,208
Telephone	1,791	11,686	13,477
Utilities	-	3,674	3,674
	<u>\$ 123,261</u>	<u>\$ 1,126,931</u>	<u>\$ 1,250,192</u>

See Notes to Financial Statements

CHESTNUT HILL COMMUNITY ASSOCIATION
SCHEDULE OF COMBINING SCHEDULE OF
CHANGES IN MEMBERS' EQUITY
For the Year Ended March 31, 2006

	Retained Earnings (Deficit)	Additional Paid-In Capital	Unrealized Gain (Loss) on Marketable Securities	Total
Chestnut Hill Community Association:				
Balance, Beginning of Year	\$ 13,477	\$ 10,000	\$ (139)	\$ 23,338
Net loss	(29,923)	-	-	(29,923)
Change in unrealized loss on investments	-	-	(341)	(341)
Balance, End of Year	<u>(16,446)</u>	<u>10,000</u>	<u>(480)</u>	<u>(6,926)</u>
Chestnut Hill Local:				
Balance, Beginning of Year	43,673	-	-	43,673
Net Loss	(12,179)	-	-	(12,179)
Balance, End of Year	<u>31,494</u>	<u>-</u>	<u>-</u>	<u>31,494</u>
Combined:				
Balance, Beginning of Year	57,150	10,000	(139)	67,011
Net loss	(42,102)	-	-	(42,102)
Change in unrealized loss on investments	-	-	(341)	(341)
Balance, End of Year	<u>\$ 15,048</u>	<u>\$ 10,000</u>	<u>\$ (480)</u>	<u>\$ 24,568</u>

See Notes to Financial Statements