

COMMUNITY RESOURCE EXCHANGE, INC.

**Financial Statements
For the Year Ended
September 30, 2013**

Independent Auditor's Report

To the Board of Directors of
Community Resource Exchange, Inc.

We have audited the accompanying financial statements of Community Resource Exchange, Inc. which comprise the statement of financial position as of September 30, 2013 and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Resource Exchange, Inc. as of September 30, 2013 and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Community Resource Exchange, Inc. for the year ended September 30, 2012 were audited by other auditors, whose report dated February 6, 2013 expressed an unqualified opinion on those financial statements.

Condon O'Meara McGinty + Donnelly LLP

COMMUNITY RESOURCE EXCHANGE, INC.

Statement of Financial Position

	<u>September 30</u>	
	<u>2013</u>	<u>2012</u>
Assets		
Cash and cash equivalents	\$1,837,451	\$ 787,074
Certificates of deposit, at fair value	786,400	1,775,353
Accrued interest receivable	2,404	3,932
Government grants and contracts receivable	211,294	218,833
Foundation grants, contracts, consulting fees and donor pledges receivable, net	464,862	343,566
Prepaid expenses and other assets	74,441	50,119
Property and equipment, at cost, net	<u>105,592</u>	<u>123,660</u>
Total assets	<u>\$3,482,444</u>	<u>\$3,302,537</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 206,624	\$ 148,771
Unearned revenue	<u>37,524</u>	<u>49,858</u>
Total liabilities	<u>244,148</u>	<u>198,629</u>
Net assets		
Unrestricted		
Operating	1,129,085	1,111,871
Board designated	<u>1,474,195</u>	<u>1,474,195</u>
Total unrestricted	2,603,280	2,586,066
Temporarily restricted	<u>635,016</u>	<u>517,842</u>
Total net assets	<u>3,238,296</u>	<u>3,103,908</u>
Total liabilities and net assets	<u>\$3,482,444</u>	<u>\$3,302,537</u>

See notes to financial statements.

COMMUNITY RESOURCE EXCHANGE, INC.

Statement of Activities

	Year Ended September 30						
	2013			2012			
	Unrestricted	Board Designated	Temporarily Restricted	Unrestricted	Board Designated	Temporarily Restricted	
Operating	Operating	Operating	Operating	Operating	Operating	Total	
Revenue and support							
Contributions	\$ 180,361	\$ -	\$ 126,239	\$ 306,600	\$ -	\$ 20,000	\$ 259,919
Donated goods and services	26,917	-	-	26,917	-	-	45,814
Special events, net of direct benefits to donors of \$3,872 and \$5,209 for 2013 and 2012, respectively	9,163	-	-	9,163	-	-	7,006
Foundation and corporate grants	241,650	-	790,488	1,032,138	-	272,850	695,484
Government grants and contracts	696,148	-	-	696,148	-	-	572,293
Consulting fees	773,687	-	-	773,687	-	-	494,539
Investment return	18,269	-	-	18,269	-	-	26,081
Rental	98,564	-	-	98,564	-	-	43,541
Net assets released from restrictions	799,553	-	(799,553)	-	-	(833,162)	-
Total revenue and support	<u>2,844,312</u>	<u>-</u>	<u>117,174</u>	<u>2,961,486</u>	<u>-</u>	<u>(540,312)</u>	<u>2,144,677</u>
Expenses							
Program services	2,305,646	-	-	2,305,646	-	-	2,340,278
Supporting services							
Management and general	470,970	-	-	470,970	-	-	648,557
Fundraising	27,247	-	-	27,247	-	-	12,657
Total supporting services	498,217	-	-	498,217	-	-	661,214
Total expenses	<u>2,803,863</u>	<u>-</u>	<u>-</u>	<u>2,803,863</u>	<u>-</u>	<u>-</u>	<u>3,001,492</u>
Transfers	-	-	-	-	(106,077)	-	-
Increase (decrease) in net assets before other deduction	40,449	-	117,174	157,623	(106,077)	(540,312)	(856,815)
Other deduction							
Cancelled grant	(23,235)	-	-	(23,235)	-	-	-
Increase (decrease) in net assets	<u>17,214</u>	<u>-</u>	<u>117,174</u>	<u>134,388</u>	<u>(106,077)</u>	<u>(540,312)</u>	<u>(856,815)</u>
Net assets, beginning of year	<u>1,111,871</u>	<u>1,474,195</u>	<u>517,842</u>	<u>3,103,908</u>	<u>1,580,272</u>	<u>1,058,154</u>	<u>3,960,723</u>
Net assets, end of year	<u>\$1,129,085</u>	<u>\$1,474,195</u>	<u>\$ 635,016</u>	<u>\$3,238,296</u>	<u>\$1,474,195</u>	<u>\$ 517,842</u>	<u>\$3,103,908</u>

See notes to financial statements.

COMMUNITY RESOURCE EXCHANGE, INC.

Statement of Functional Expenses

	Year Ended September 30							
	2013			2012				
	Program Services	Supporting Services Management and General	Fundraising	Total	Program Services	Supporting Services Management and General	Fundraising	Total
Payroll and related expenses								
Salaries and related expenses	\$1,293,213	\$ 178,733	\$ 16,731	\$1,488,677	\$1,280,387	\$ 409,194	\$ 8,320	\$1,697,901
Payroll taxes and benefits	267,041	71,313	1,716	340,070	332,338	106,211	2,159	440,708
Total payroll and related expenses	1,560,254	250,046	18,447	1,828,747	1,612,725	515,405	10,479	2,138,609
Other expenses								
Conferences and meetings	20,536	2,598	638	23,772	28,007	1,786	36	29,829
Consultants	339,013	67,290	1,839	408,142	237,123	19,882	404	257,409
Professional fees	19,351	31,388	178	50,917	34,362	37,032	223	71,617
Office equipment and supplies	41,765	11,461	1,732	54,958	30,982	9,901	201	41,084
Occupancy	240,357	91,755	2,216	334,328	286,339	46,682	949	333,970
Staff and leadership development	13,509	-	-	13,509	26,141	-	-	26,141
Travel	4,553	1,146	28	5,727	8,449	594	12	9,055
Communications	15,264	5,821	321	21,406	18,316	5,853	119	24,288
Materials, including printing and publications	27,254	383	1,629	29,266	36,036	4,455	91	40,582
Bank charges and other fees	10,800	4,123	100	15,023	7,774	2,485	52	10,311
Depreciation and amortization	12,990	4,959	119	18,068	14,024	4,482	91	18,597
Total other expenses	745,392	220,924	8,800	975,116	727,553	133,152	2,178	862,883
Total expenses	\$2,305,646	\$ 470,970	\$ 27,247	\$2,803,863	\$2,340,278	\$ 648,557	\$ 12,657	\$3,001,492

See notes to financial statements.

COMMUNITY RESOURCE EXCHANGE, INC.

Statement of Cash Flows

	Year Ended	
	September 30	
	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 134,388	\$ (856,815)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Donated stock	-	(34,946)
Depreciation and amortization	18,068	18,597
Increase (decrease) in assets		
Accrued interest receivable	1,528	(343)
Government grants and contracts receivable	7,539	83,876
Foundation grants, contracts, consulting fees and donor pledges receivable	(121,296)	154,533
Prepaid expenses and other assets	(24,322)	(4,159)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	57,853	(94,822)
Unearned revenue	(12,334)	9,779
Net cash provided by (used in) operating activities	<u>61,424</u>	<u>(724,300)</u>
Cash flows from investing activities		
Purchases of certificates of deposit	-	(792,406)
Proceeds from the maturity of certificates of deposit	<u>988,953</u>	<u>835,739</u>
Net cash provided by investing activities	<u>988,953</u>	<u>43,333</u>
Net increase (decrease) in cash and cash equivalents	1,050,377	(680,967)
Cash and cash equivalents, beginning of year	<u>787,074</u>	<u>1,468,041</u>
Cash and cash equivalents, end of year	<u>\$1,837,451</u>	<u>\$ 787,074</u>

See notes to financial statements.

COMMUNITY RESOURCE EXCHANGE, INC.**Notes to Financial Statements
September 30, 2013****Note 1 – Nature of organization**

Community Resource Exchange, Inc. (“CRE”) is a not-for-profit corporation that helps make New York City's nonprofit organizations stronger and more effective in fighting poverty and advancing social justice. CRE carries out its mission through one-to-one management consulting, coaching, workshops, and cohort learning programs in the areas of strategic and organizational planning, board development, fundraising management, human resources, financial management, strategic restructuring, and leadership development. CRE also provides information, tools and resources to support nonprofit leaders and works in partnership with government and foundations to assure that its services are made available to target organizations regardless of their ability to pay.

Note 2 – Summary of significant accounting policies**Net assets**

CRE reports information regarding its financial position and activities in two classes of net assets which are as follows:

Unrestricted

Operating net assets are used to account for the general activities of CRE.

Board designated

During 1994, the Board of Directors of CRE created a fund to which a portion of CRE's unrestricted fund balance is to be reserved for emergencies, cash flow shortages, or other uses approved by the Board. In subsequent years, the Board designated three subsidiary components to the Board Designated Fund:

- Reserve Fund - for use only at the Board's discretion to meet shortfalls in funding;
- Program Expansion Fund - for use in supporting future program expansions;
- Capital Fund - for use to support significant investments in space renovations or other capital improvements.

Temporarily restricted

Temporarily restricted net assets contain donor-imposed restrictions that permit the Board to use or expend the assets as specified. The restrictions are specified either by the passage of time or by action of CRE.

COMMUNITY RESOURCE EXCHANGE, INC.**Notes to Financial Statements (continued)
September 30, 2013****Note 2 – Summary of significant accounting policies (continued)****Cash and cash equivalents**

CRE deems highly liquid instruments with original maturities of 90 days or less to be cash equivalents.

Certificates of deposit

Certificates of deposit have an original maturity of three months or more and are recorded at cost, which approximates fair value.

Fair value measurements

At September 30, 2013 and September 30, 2012, CRE's certificates of deposit are all classified in the highest level of the fair value hierarchy (Level 1). The quoted prices for these assets are in active markets for identical assets.

Pledges and contributions receivable

Contributions are recognized when the donor makes a promise to give to CRE 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 restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets as net assets released from restrictions.

Allowance for doubtful accounts

As of September 30, 2013 and September 30, 2012, CRE has an allowance of \$32,245 and \$-0-, respectively, for any potentially uncollectible accounts receivable. The allowance is reflected net with CRE grants, contracts, consulting fees and donor pledges receivable on the accompanying statement of financial position. The estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

Property and equipment

Office equipment and furniture acquisitions are stated at cost and depreciated on a straight line basis over an estimated useful life of five years. Leasehold improvements are stated at cost and amortized on a straight-line basis over the shorter of the lease term or their estimated useful life. CRE capitalizes all expenditures for leasehold improvements and office equipment in excess of \$1,000 with a useful life greater than one year.

COMMUNITY RESOURCE EXCHANGE, INC.**Notes to Financial Statements (continued)
September 30, 2013****Note 2 – Summary of significant accounting policies (continued)****Revenue recognition**

Revenue from government contracts and grants is recognized when costs are incurred or other services are performed and requisitions for reimbursements are submitted. Unearned revenue represents consulting fees received in advance of the performance of services.

Donated goods and services

CRE recognizes donated goods and services which have an ascertainable value and are an integral part of CRE's program and support services. For the fiscal years ended September 30, 2013 and September 30, 2012, donated goods and services consisted of consulting and legal services totaling \$26,917 and \$45,814, respectively.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Concentrations of credit risk

CRE's financial instruments that are potentially exposed to concentrations of credit risk consist of cash, cash equivalents, certificates of deposit and receivables. CRE places its cash, cash equivalents and certificates of deposit with what it believes to be quality financial institutions and CRE has not incurred any losses in these accounts to date. CRE monitors its receivables on an ongoing basis and management believes all receivables are collectible. Accordingly, CRE believes no significant concentrations of credit risk exist with respect to its cash, cash equivalents, certificates of deposit and receivables.

Reclassifications

Certain items in the 2012 financial statements have been reclassified for comparative purposes only.

Subsequent events

CRE has evaluated subsequent events and transactions for potential recognition or disclosure through May 20, 2014, which is the date the financial statements were available to be issued.

COMMUNITY RESOURCE EXCHANGE, INC.

Notes to Financial Statements (continued)
September 30, 2013

Note 3 – Government grants and contracts receivable

Government grants and contracts receivable consist of the following as of September 30, 2013 and September 30, 2012:

	<u>2013</u>	<u>2012</u>
The City of New York Department for the Aging	\$ 33,764	\$ 26,276
Department of Youth and Community Development	43,155	16,333
New York City Housing Authority	-	60,033
NYC Department of Health and Mental Health Public Health Solutions/HIV Care Services	<u>134,375</u>	<u>116,191</u>
Total	<u>\$ 211,294</u>	<u>\$ 218,833</u>

Reimbursement under government contracts and contracts is subject to audit by the various government agencies. The effect of any potential audit disallowances is not reflected in these financial statements.

Note 4 – Foundation grants, contracts, consulting fees and donor pledges receivable

Foundation grants, contracts, consulting fees and donor pledges receivable consist of the following as of September 30, 2013 and September 30, 2012:

	<u>2013</u>	<u>2012</u>
Anonymous	\$ -	\$ 25,000
Korean American Community Foundation	40,000	-
New York Community Trust	-	50,000
Westchester Community Foundation	18,675	8,625
Consulting fees	395,932	208,401
Other	42,500	51,540
Allowance for doubtful accounts	<u>(32,245)</u>	<u>-</u>
Total	<u>\$ 464,862</u>	<u>\$343,566</u>

COMMUNITY RESOURCE EXCHANGE, INC.

Notes to Financial Statements (continued)
September 30, 2013

Note 5 – Property and equipment, net

As of September 30, 2013 and September 30, 2012, property and equipment and accumulated depreciation and amortization were as follows:

	<u>2013</u>	<u>2012</u>
Leasehold improvements	\$ 199,490	\$ 199,490
Office equipment and furniture	<u>207,572</u>	<u>207,572</u>
	407,062	407,062
Less accumulated depreciation and amortization	<u>301,470</u>	<u>283,402</u>
Total property and equipment	<u>\$ 105,592</u>	<u>\$ 123,660</u>

Note 6 – Board designated funds

Board designated funds consisted of the following as of September 30, 2013 and September 30, 2012:

	<u>2013</u>	<u>2012</u>
Reserve fund	\$ 573,913	\$ 573,913
Program expansion fund	888,030	888,030
Capital fund	<u>12,252</u>	<u>12,252</u>
Total	<u>\$1,474,195</u>	<u>\$1,474,195</u>

Note 7 – Temporarily restricted net assets

As of September 30, 2013 and September 30, 2012, temporarily restricted net assets consisted of the following:

	<u>2013</u>	<u>2012</u>
Purpose restriction		
Performance Management System	\$ -	\$ 46,502
Small Grants Program	1,845	25,081
Consulting	537,809	193,426
Time restriction	<u>95,362</u>	<u>252,833</u>
Total	<u>\$ 635,016</u>	<u>\$ 517,842</u>

COMMUNITY RESOURCE EXCHANGE, INC.

**Notes to Financial Statements (continued)
September 30, 2013**

Note 8 – Employee benefit plans

CRE has 403(b) and 457(b) plans available to all eligible employees. CRE's contributions to the plans are at the discretion of the Board of Directors. CRE's contributions to the 403(b) plan were \$11,320 and \$83,404 for the years ended September 30, 2013 and September 30, 2012, respectively. CRE did not contribute to the 457(b) plan during the 2013 or 2012 fiscal years.

Note 9 – Lease commitments

CRE's lease for office space expires in December 2020. The following is the future annual minimum lease payments required under the lease agreement:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 266,876
2015	273,548
2016	280,387
2017	287,396
2018	294,581
2019 and thereafter	<u>378,834</u>
Total	<u>\$1,781,622</u>

The rental expense for CRE for the years ended September 30, 2013 and September 30, 2012 was approximately \$263,000 and \$254,000. CRE has a \$33,333 security deposit with the landlord which is included in prepaid expenses and other assets on the statement of financial position.

In June 2012, CRE entered into a license agreement with another nonprofit organization to permit the use of a portion of its office space with an initial expiration of June 2013. This agreement allows for up to three automatic one year extensions absent of notice by either party and requires monthly payments to CRE of \$2,500 per month.

During March 2013 and April 2013, CRE entered into two other license agreements for a portion of its office space, both expiring in May 2014.

Note 10 – Tax status

CRE is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, CRE has been determined by the Internal Revenue Service to be a publicly supported organization and not a private foundation under the meaning of Section 509(a)(1) of the Code. As of September 30, 2013, no amounts have been recognized for uncertain tax positions. CRE's tax returns for the 2010 fiscal year and forward are subject to the usual review by the appropriate authorities.