

COMMUNITY RESOURCE EXCHANGE, INC.

**Financial Statements
For the Years Ended
September 30, 2014
and
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, 2014 and September 30, 2013 and the related statements of activities, functional expenses and cash flows for the years 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 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 audits 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, 2014 and September 30, 2013 and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty + Donnelly LLP

March 3, 2015

COMMUNITY RESOURCE EXCHANGE, INC.

Statement of Financial Position

	September 30	
	2014	2013
Assets		
Cash and cash equivalents	\$2,707,860	\$1,837,451
Certificates of deposit, at fair value	102,279	786,400
Accrued interest receivable	-	2,404
Government grants and contracts receivable	191,890	211,294
Foundation grants, contracts, consulting fees and pledges receivable, net	130,771	464,862
Prepaid expenses and other assets	89,717	74,441
Property and equipment, at cost, net	113,611	105,592
Total assets	\$3,336,128	\$3,482,444
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 267,519	\$ 206,624
Unearned revenue	110,975	37,524
Total liabilities	378,494	244,148
Net assets		
Unrestricted		
Operating	1,129,323	1,129,085
Board designated	1,474,195	1,474,195
Total unrestricted	2,603,518	2,603,280
Temporarily restricted	354,116	635,016
Total net assets	2,957,634	3,238,296
Total liabilities and net assets	\$3,336,128	\$3,482,444

See notes to financial statements.

COMMUNITY RESOURCE EXCHANGE, INC.

Statement of Activities

	Year Ended September 30							
	2014				2013			
	Unrestricted Operating	Board Designated	Temporarily Restricted	Total	Unrestricted Operating	Board Designated	Temporarily Restricted	Total
Revenue and support								
Contributions	\$ 305,942	\$ -	\$ -	\$ 305,942	\$ 180,361	\$ -	\$ 126,239	\$ 306,600
Donated goods and services	61,442	-	-	61,442	26,917	-	-	26,917
Special events, net of direct benefits to donors of \$15,717 and \$3,872 for 2014 and 2013, respectively	70,808	-	-	70,808	9,163	-	-	9,163
Foundation and corporate grants	82,797	-	254,803	337,600	241,650	-	790,488	1,032,138
Government grants and contracts	1,069,234	-	-	1,069,234	696,148	-	-	696,148
Consulting fees	871,194	-	-	871,194	773,687	-	-	773,687
Investment return	5,000	-	-	5,000	18,269	-	-	18,269
Rental	114,513	-	-	114,513	98,564	-	-	98,564
Net assets released from restrictions	535,703	-	(535,703)	-	799,553	-	(799,553)	-
Total revenue and support	3,116,633	-	(280,900)	2,835,733	2,844,312	-	117,174	2,961,486
Expenses								
Program services	2,639,877	-	-	2,639,877	2,305,646	-	-	2,305,646
Supporting services								
Management and general	447,065	-	-	447,065	470,970	-	-	470,970
Fundraising	29,453	-	-	29,453	27,247	-	-	27,247
Total supporting services	476,518	-	-	476,518	498,217	-	-	498,217
Total expenses	3,116,395	-	-	3,116,395	2,803,863	-	-	2,803,863
Increase (decrease) in net assets before other deduction	238	-	(280,900)	(280,662)	40,449	-	117,174	157,623
Other deduction								
Cancelled grant	-	-	-	-	(23,235)	-	-	(23,235)
Increase (decrease) in net assets	238	-	(280,900)	(280,662)	17,214	-	117,174	134,388
Net assets, beginning of year	1,129,085	1,474,195	635,016	3,238,296	1,111,871	1,474,195	517,842	3,103,908
Net assets, end of year	\$1,129,323	\$1,474,195	\$ 354,116	\$2,957,634	\$1,129,085	\$1,474,195	\$ 635,016	\$3,238,296

See notes to financial statements.

COMMUNITY RESOURCE EXCHANGE, INC.

Statement of Functional Expenses

Year Ended September 30

	2014				2013			
	Supporting Services				Supporting Services			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Payroll and related expenses								
Salaries and related expenses	\$1,322,327	\$ 167,197	\$ 12,946	\$1,502,470	\$1,293,213	\$ 178,733	\$ 16,731	\$1,488,677
Payroll taxes and benefits	255,015	52,091	3,739	310,845	267,041	71,313	1,716	340,070
Total payroll and related expenses	<u>1,577,342</u>	<u>219,288</u>	<u>16,685</u>	<u>1,813,315</u>	<u>1,560,254</u>	<u>250,046</u>	<u>18,447</u>	<u>1,828,747</u>
Other expenses								
Conferences and meetings	26,561	3,976	1,407	31,944	20,536	2,598	638	23,772
Consultants	635,635	41,461	2,383	679,479	339,013	67,290	1,839	408,142
Professional fees	53,840	29,340	1,262	84,442	19,351	31,388	178	50,917
Office equipment and supplies	35,617	12,898	1,433	49,948	41,765	11,461	1,732	54,958
Occupancy	224,884	121,371	5,220	351,475	240,357	91,755	2,216	334,328
Staff and leadership development	12,204	-	-	12,204	13,509	-	-	13,509
Travel	4,267	41	2	4,310	4,553	1,146	28	5,727
Communications	10,242	5,347	488	16,077	15,264	5,821	321	21,406
Materials, including printing and publications	39,141	2,366	101	41,608	27,254	383	1,629	29,266
Bank charges and other fees	6,774	3,691	159	10,624	10,800	4,123	100	15,023
Depreciation and amortization	13,370	7,286	313	20,969	12,990	4,959	119	18,068
Total other expenses	<u>1,062,535</u>	<u>227,777</u>	<u>12,768</u>	<u>1,303,080</u>	<u>745,392</u>	<u>220,924</u>	<u>8,800</u>	<u>975,116</u>
Total expenses	<u>\$2,639,877</u>	<u>\$ 447,065</u>	<u>\$ 29,453</u>	<u>\$3,116,395</u>	<u>\$2,305,646</u>	<u>\$ 470,970</u>	<u>\$ 27,247</u>	<u>\$2,803,863</u>

See notes to financial statements.

COMMUNITY RESOURCE EXCHANGE, INC.

Statement of Cash Flows

	Year Ended	
	September 30	
	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (280,662)	\$ 134,388
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	20,969	18,068
Increase (decrease) in assets		
Accrued interest receivable	2,404	1,528
Government grants and contracts receivable	19,404	7,539
Foundation grants, contracts, consulting fees and pledges receivable	334,091	(121,296)
Prepaid expenses and other assets	(15,276)	(24,322)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	60,895	57,853
Unearned revenue	<u>73,451</u>	<u>(12,334)</u>
Net cash provided by operating activities	<u>215,276</u>	<u>61,424</u>
Cash flows from investing activities		
Purchases of property and equipment	(28,988)	-
Proceeds from the maturity of certificates of deposit	<u>684,121</u>	<u>988,953</u>
Net cash provided by investing activities	<u>655,133</u>	<u>988,953</u>
Net increase in cash and cash equivalents	870,409	1,050,377
Cash and cash equivalents, beginning of year	<u>1,837,451</u>	<u>787,074</u>
Cash and cash equivalents, end of year	<u>\$2,707,860</u>	<u>\$1,837,451</u>

See notes to financial statements.

COMMUNITY RESOURCE EXCHANGE, INC.**Notes to Financial Statements
September 30, 2014 and 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 three classes of net assets which are as follows:

Unrestricted operating

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

Unrestricted 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.

Temporarily restricted

Net assets of CRE which have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of CRE pursuant to those stipulations.

COMMUNITY RESOURCE EXCHANGE, INC.**Notes to Financial Statements (continued)
September 30, 2014 and 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, 2014 and September 30, 2013, 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. 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, 2014 and September 30, 2013, CRE has an allowance of \$24,886 and \$32,245, respectively, for any potentially uncollectible accounts receivable. The allowance is reflected net with CRE foundation grants, contracts, consulting fees and 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.

COMMUNITY RESOURCE EXCHANGE, INC.**Notes to Financial Statements (continued)
September 30, 2014 and September 30, 2013****Note 2 – Summary of significant accounting policies (continued)****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 \$500 with a useful life greater than one year. During the 2014 fiscal year, fully depreciated property and equipment totaling \$6,340 were removed from the books and records of CRE.

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, 2014 and September 30, 2013, donated goods and services consisted of legal services totaling \$61,442 and \$26,917, 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 regularly monitors the collectability of its receivables. Accordingly, CRE believes no significant concentrations of credit risk exist with respect to its cash, cash equivalents, certificates of deposit and receivables.

COMMUNITY RESOURCE EXCHANGE, INC.

**Notes to Financial Statements (continued)
September 30, 2014 and September 30, 2013**

Note 2 – Summary of significant accounting policies (continued)

Subsequent events

CRE has evaluated subsequent events and transactions for potential recognition or disclosure through March 3, 2015, which is the date the financial statements were available to be issued.

Note 3 – Government grants and contracts receivable

Government grants and contracts receivable consist of the following as of September 30, 2014 and September 30, 2013:

	<u>2014</u>	<u>2013</u>
The City of New York Department for the Aging	\$ 62,636	\$ 33,764
The City of New York Department of Youth and Community Development	91,865	43,155
The City of New York Department of Cultural Affairs	4,039	-
The City of New York Department of Health and Mental Health Public Health Solutions/HIV Care Services	<u>33,350</u>	<u>134,375</u>
Total	<u>\$ 191,890</u>	<u>\$ 211,294</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 pledges receivable

Foundation grants, contracts, consulting fees and pledges receivable consist of the following as of September 30, 2014 and September 30, 2013:

	<u>2014</u>	<u>2013</u>
Consulting fees	\$ 131,638	\$ 395,932
Korean American Community Foundation	-	40,000
Westchester Community Foundation	-	18,675
Other	24,019	42,500
Allowance for doubtful accounts	<u>(24,886)</u>	<u>(32,245)</u>
Total	<u>\$ 130,771</u>	<u>\$ 464,862</u>

COMMUNITY RESOURCE EXCHANGE, INC.

**Notes to Financial Statements (continued)
September 30, 2014 and September 30, 2013**

Note 5 – Property and equipment, net

As of September 30, 2014 and September 30, 2013, property and equipment and accumulated depreciation and amortization were as follows:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 201,615	\$ 199,490
Office equipment and furniture	<u>228,095</u>	<u>207,572</u>
	429,710	407,062
Less accumulated depreciation and amortization	<u>316,099</u>	<u>301,470</u>
Total property and equipment, net	<u>\$ 113,611</u>	<u>\$ 105,592</u>

Note 6 – Temporarily restricted net assets

As of September 30, 2014 and September 30, 2013, temporarily restricted net assets consisted of the following:

	<u>2014</u>	<u>2013</u>
Purpose restriction		
Capital	\$ 4,803	\$ -
Small Grants Program	1,845	1,845
Consulting	324,606	537,809
Time restriction	<u>22,862</u>	<u>95,362</u>
Total	<u>\$ 354,116</u>	<u>\$ 635,016</u>

Note 7 – Retirement 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 \$55,876 and \$11,320 for the years ended September 30, 2014 and September 30, 2013, respectively. CRE did not contribute to the 457(b) plan during the 2014 or 2013 fiscal years. In January 2015, the Board of Directors elected to terminate the 457(b) plan.

COMMUNITY RESOURCE EXCHANGE, INC.

**Notes to Financial Statements (continued)
September 30, 2014 and September 30, 2013**

Note 8 – 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>
2015	\$ 273,548
2016	280,387
2017	287,396
2018	294,581
2019	301,946
2020	<u>76,893</u>
Total	<u>\$1,514,751</u>

The rental expense for CRE for the years ended September 30, 2014 and September 30, 2013 was approximately \$269,000 and \$263,000. 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.

CRE has three subtenants whose license agreements renew annually in May, August and September. These licenses can, at the discretion of CRE, be renewed at their anniversary date and either party may cancel the agreement with three months' notice. At September 30, 2014, the monthly payments for these subtenants total approximately \$6,300.

Note 9 – 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, 2014, no amounts have been recognized for uncertain tax positions. CRE's tax returns for the 2011 fiscal year and forward are subject to the usual review by the appropriate authorities.