THE FINANCIAL CLINIC

FINANCIAL STATEMENTS

September 30, 2014

C O N T E N T S

Wegner CPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Financial Clinic
New York, New York

We have audited the accompanying financial statements of The Financial Clinic, which comprise the statement of financial position as of September 30, 2014, and the related statements of activities, functional expenses, and cash flows for the period from January 1, 2014 to September 30, 2014, 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 The Financial Clinic as of September 30, 2014, and the changes in its net assets and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

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January 9, 2015

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THE FINANCIAL CLINIC
STATEMENT OF FINANCIAL POSITION
September 30, 2014

ASSETS		
Cash	$	52,274
Accounts receivable		164,749
Promises to give		113,650
Prepaid expenses		12,527
Equipment and leasehold improvements - net (see note 3)		92,587
Security deposits		20,300
Total assets	$	456,087
LIABILITIES		
Accounts payable	$	98,488
Accrued expenses		23,857
Deferred revenue		79,438
Deferred lease liability		2,857
Line of credit (see note 5)		494,897
Notes payable (see note 4)		118,935
Total liabilities		818,472
NET DEFICIT		
Unrestricted deficit		(518,635)
Temporarily restricted (see note 6)		156,250
Total net deficit		(362,385)
Total liabilities and net deficit	$	456,087

See accompanying notes.

THE FINANCIAL CLINIC

STATEMENT OF ACTIVITIES

For the Period from January 1, 2014 to September 30, 2014

UNRESTRICTED NET ASSETS (DEFICIT)	
REVENUE	
Program service fees	$ 795,876
Grants	65,000
Contributions	90,011
Donated services (see note 7)	106,684
Miscellaneous income	9,849
Total revenue	1,067,420
EXPENSES	
Program services	
Direct Services	641,709
Strategic Initiatives	260,405
Policy & Advocacy	193,628
Management and general	315,327
Fundraising	69,012
Total expenses	1,480,081
Net assets released from restriction	121,405
Change in unrestricted net deficit	(291,256)
TEMPORARILY RESTRICTED NET ASSETS	
Contributions	233,963
Net assets released from restriction	(121,405)
Change in temporarily restricted net assets	112,558
Change in net assets (deficit)	(178,698)
Net assets (deficit) - beginning of period	(183,687)
Net assets (deficit) - end of period	$ (362,385)

See accompanying notes.

THE FINANCIAL CLINIC
STATEMENT OF FUNCTIONAL EXPENSES
For the Period from January 1, 2014 to September 30, 2014

	Direct Services	Strategic Initiatives	Policy & Advocacy	Total Program Services	Management and General	Fundraising	Total
Personnel	$ 520,448	$ 179,718	$ 156,611	$ 856,777	$ 118,467	$ 15,038	$ 990,282
Professional fees	24,762	31,783	7,294	63,839	128,573	51,746	244,158
Occupancy	58,747	20,286	17,678	96,711	13,372	1,697	111,780
Office equipment	4,089	1,445	1,230	6,764	4,870	119	11,753
Travel	1,453	12,117	3,269	16,839	11,350	-	28,189
Postage and printing	2,141	1,255	486	3,882	2,100	104	6,086
Insurance	6,143	2,121	1,849	10,113	1,398	178	11,689
Interest	-	-	-	-	15,262	-	15,262
Supplies	3,872	1,986	887	6,745	884	85	7,714
Bank and credit score fees	10,189	-	-	10,189	4,225	-	14,414
Dues and membership	1,176	696	3,189	5,061	1,172	45	6,278
Conference and facility fees	7,159	6,481	703	14,343	5,595	-	19,938
Miscellaneous	1,530	2,517	432	4,479	8,059	-	12,538
	$ 641,709	$ 260,405	$ 193,628	$ 1,095,742	$ 315,327	$ 69,012	$ 1,480,081

See accompanying notes.

THE FINANCIAL CLINIC
STATEMENT OF CASH FLOWS
For the Period from January 1, 2014 to September 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	(178,698)
Adjustments to reconcile change in net deficit to net cash flows from operating activities:		
Depreciation and amortization		3,197
(Increase) decrease in assets		
Accounts receivable		(45,066)
Promises to give		(74,958)
Prepaid expenses		(12,527)
Increase (decrease) in liabilities		
Accounts payable		73,061
Accrued expenses		23,857
Deferred revenue		79,438
Deferred lease liability		2,857
Net cash flows from operating activities		(128,839)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and leasehold improvements		(81,951)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable		(557,755)
Proceeds from line of credit		705,065
Payments on line of credit		(210,168)
Net cash flows from financing activities		(62,858)
Net change in cash		(273,648)
Cash - beginning of period		325,922
Cash - end of period	$	52,274
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	$	15,262

See accompanying notes.

NATURE OF ACTIVITIES

The Financial Clinic was incorporated in September 2006 as a not-for-profit organization in the State of New York. The Financial Clinic's mission is to build the working poor people's financial security. The Financial Clinic accomplishes this mission through a range of direct services and capacity building supports that address immediate challenges and create trajectories for long-term goals. The Clinic defines and measures financial security around six pillars: assets, banking, credit, debt, taxes, and goals. By demonstrating improved financial security for its customers and sharing that expertise with its partners, the Clinic is also shaping policy and leading the field of financial development.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Clinic is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by the Clinic in perpetuity.

Accounts Receivable

Management considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been developed. If an account becomes uncollectible, it will be charged to operations when that determination is made.

Promises to Give

Unconditional promises to give are recognized as support in the period the promises are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give receivable in less than one year are recorded at their net realizable value and those due in more than one year are reported at the present value of their net realizable value, using risk-free interest rate applicable to the years in which the promises are to be received.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment and Leasehold Improvements

Acquisitions of equipment and leasehold improvements in excess of $1,000 are capitalized. Purchases of equipment and leasehold improvements are recorded at cost. Donations of equipment and leasehold improvements are recorded as support at their estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is provided using the straight-line method over 3 to 5 years, the estimated useful lives of the assets.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a 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.

Donated Services

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 estimated fair values in the period received.

Estimates

The preparation of financial statements 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 statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The Clinic's major programs are as follows:

Direct Services – The Clinic provides one-on-one consulting that helps customers develop sound financial goals and habits. Part of the direct services program provides "on-ramp" assistance with budgeting and banking. The Clinic also provides tax preparation and financial education workshops; legal assistance with bankruptcy, foreclosure, and consumer law.

Strategic Initiatives – Our business-to-business consulting services are designed to build capacity at organizations that work with low-income people locally and nationally. We share financial development expertise that organizations can apply to improve the lives of those they serve.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Policy and Advocacy – Based on what we learn from our on-the-ground work with thousands of working poor people each year, we research, develop, and advocate for policy reforms and systemic changes that will remove obstacles to financial security. We build coalitions and partner with advocacy groups, researchers, think-tanks, practitioners, and local, state, and federal policymakers to guide and support our policy agenda.

Income Tax Status

The Clinic is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Clinic's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, the Clinic is no longer subject to such examinations for tax years before 2010.

Date of Management's Review

Management has evaluated subsequent events through January 9, 2015, the date which the financial statements were available to be issued.

NOTE 2 – PROMISES TO GIVE

Promises to give at September 30, 2014 consist of promises that are receivable in less than one year.

NOTE 3 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements at September 30, 2014 consisted of the following:

Leasehold improvements	$ 6,951
Computer equipment	9,286
Software	75,000
Equipment and furniture	4,547
Equipment and leasehold improvements	95,784
Accumulated depreciation and amortization	3,197
Equipment and leasehold improvements - net	$ 92,587

Depreciation and amortization expense for the period ended September 30, 2014 was $3,197.

NOTE 4 – LINE OF CREDIT

The Clinic has a $500,000 revolving line of credit, which had an outstanding balance of $494,897 at September 30, 2014. The credit line is perpetual and matures on March 31, 2019. Advances on the credit line are payable on demand and carry an interest rate equal to the prime rate plus 3%. The line of credit is secured by a general business security agreement.

NOTE 5 – NOTES PAYABLE

In anticipation of its spinning off from the Fund for the City of New York's (the "Fund") fiscal sponsorship effective January 1, 2014 (see NOTE 11), the Clinic acquired two unsecured loans from the Fund in December 2013.

The first note was for $401,690 and the Clinic paid this loan during the period ended September 30, 2014.

The other unsecured loan from the Fund was for $275,000. The note has no stated interest rate but is subject to a service charge of 3% of its principal amount. While the original maturity date was June 30, 2014, due to additional financial adjustments post spinning off from the fiscal sponsorship of the Fund, the Clinic entered in a settlement agreement with the Fund in July of 2014. Based on the settlement agreement, the note is being paid through the assignment of accounts receivable for services provided by the Clinic. At September 30, 2014, $67,894 of the amount in accounts receivable was assigned to pay the loan balance.

The outstanding balance at September 30, 2014 is $118,935.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at September 30, 2014:

Equipment purchase	$ 5,000
Financial coaching for domestic violence victims	45,000
Data analysis of financial coaching findings	6,250
Advocate for better access to earned income tax credits	90,000
Merger expenses	10,000
	$ 156,250

NOTE 7 – DONATED SERVICES

The fair value of donated legal services of $106,684 reported in the statement of activities and as professional fees in the statement of functional expenses. All of the donated legal services were management and general expenses.

NOTE 8 – OPERATING LEASES

The Clinic has an operating lease agreement for its office space located in New York City with One Fifteen West Associates LP that was signed on June 18, 2012. The lease expires on August 31, 2017. The lease requires monthly payments of $7,183 with annual increases of three percent. Lease expense for the period ended September 30, 2014 was $66,043.

Future minimum lease payments are as follows for the years ending September 30, 2015, 2016, and 2017 are $86,631, $89,230, and $83,829.

NOTE 9 – RETIREMENT PLAN

The Clinic sponsors a 401(k) plan through Charles Schwab that is administered by a Supplemental Participation Agreement with CMC Interactive. The Clinic matches 200% of the amount deferred by the employee up to a maximum of 5% of compensation, following a one-year waiting period for full-time employees. The plan was established in December 2014.

NOTE 10 - UNRESTRICTED NET ASSETS (DEFICIT)

At September 30, 2014 the Clinic's net assets were in a deficit position of $362,385, primarily due to the year of transition the Clinic experienced in fiscal year 2014.

From December 2006 through December 2013, the Clinic functioned as a Partner Project of the Fund. The Fund's Partner Project Program provided fiscal sponsorship, which included support such as financial management, monthly expense and revenue reports, as well as financial reports for funders and audits. While early on, The Clinic was incorporated by New York State, and recognized as a nonprofit, 501(c)(3) by the IRS, the back-of-the-house support from the Fund allowed it to focus on fundraising and delivering services. In its sevens as a Partner Project with the Fund, The Clinic's operating budget grew from $15,000 to over $2 million.

During the summer of 2013, the Clinic's Board of Directors voted in favor of the Clinic spinning off from the fiscal sponsorship of the Fund. This decision came after several years of continues cost benefit analysis. This Board-lead initiative came to fruition on January 1, 2014.

In anticipation of this transition, the Clinic took on a liability of $676,690 via a cash flow loan from the Fund to facilitate our spinning off (see Note 5) . By the end of the current fiscal year, the Clinic has repaid approximately 83 percent of this liability. The remaining 17 percent is expected to be paid in full before the end of fiscal year 2015 - quarter 2.

In March 2014, the Clinic also secured a line of credit of $500,000 (see Note 4). This is intended to replace the line of credit offered through the Fund's Partner Project Program. Due to unexpected delays in grants and contracts, the Clinic has used a larger than anticipated portion of this line of credit.

Currently projecting a surplus for fiscal year 2015, the Clinic's Board of Directors, in concert with it's management team have devised a plan in which the financial security of the organization is strengthened year over year. This expected growth is primarily due to the expansion of it services, and the public launch of the Clinic's Software as a Service (SaaS) system, Change Machine.

NOTE 11 – SUBSEQUENT EVENT

The Clinic began the process to merge with the New York City Financial Network Action Consortium (NYCfNAC). NYCfNAC was created in 1999 to strengthen the capacity of the city's leading community development credit unions (CDCUs), promote access by unbanked households to the comprehensive and affordable financial services by the credit unions, and build a strong CDCUnetwork in New York City.

NOTE 11 – SUBSEQUENT EVENT (continued)

In late 2013, following a renewed strategic planning effort, Peter Bray, founder and Executive Director of NYCfNAC', and its Board of Directors concluded that the best means to preserve NYCfNAC's core programs, and furthermore, to expand its mission beyond the credit union community, would be to merge with an organization whose core services also addressed the financial security of a low-income population. The Clinic's compatible mission, strong leadership, and complementary programs made it an obvious choice to be NYCfNAC's merger partner.

The Executive Directors of both organizations initiated an informal discussion about a merger in the fall of 2013, and shortly thereafter, both presented their boards with this opportunity. Its benefits were immediately apparent to their boards, which designated specific directors to be a liaison in these discussions between the Executive Directors and their boards. Lawyers Alliance for New York assisted both organizations early in the process to secure pro bono legal counsel: Stroock &Stroock & Lavan for the Clinic and Hughes Hubbard & Reed for NYCfNAC.

The discussion between the organizations' leadership also resolved that the Clinic will assume the operation of NYCfNAC's VITA and Benefits Enrollment Programs, as well as assume NYCfNAC's approximately $400,000 reserve. The amount of reserves may be subject to change.