

THE FINANCIAL CLINIC
FINANCIAL STATEMENTS
September 30, 2015

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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, 2015, 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 The Financial Clinic as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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THE FINANCIAL CLINIC
STATEMENT OF FINANCIAL POSITION
September 30, 2015

ASSETS	
Cash	\$ 212,359
Accounts receivable	151,088
Unconditional promises to give	223,997
Prepaid expenses	7,626
Equipment and leasehold improvements - net (see note 3)	28,327
Software - net (see note 4)	121,523
Security deposits	20,300
	<hr/>
Total assets	\$ 765,220
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LIABILITIES	
Accounts payable	\$ 92,095
Accrued expenses	61,899
Deferred revenue	118,136
Deferred lease liability	4,283
Line of credit (see note 4)	494,895
	<hr/>
Total liabilities	771,308
NET DEFICIT	
Unrestricted deficit	(395,565)
Temporarily restricted net assets (see note 6)	389,477
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Total net deficit	(6,088)
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Total liabilities and net deficit	\$ 765,220
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See accompanying notes.

THE FINANCIAL CLINIC
STATEMENT OF ACTIVITIES
Year ended September 30, 2015

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Program service fees	\$ 1,188,996	\$ -	\$ 1,188,996
Grants	104,835	1,225,757	1,330,592
Contribution from NYCfNAC (see note 10)	335,935	-	335,935
Special events	21,785	-	21,785
Cost of direct benefits to donors	(11,224)	-	(11,224)
Donated services (see note 7)	15,343	-	15,343
Miscellaneous income	11,311	-	11,311
	<hr/>	<hr/>	<hr/>
Total support and revenue	1,666,981	1,225,757	2,892,738
EXPENSES			
Program services			
Direct Services	1,027,735	-	1,027,735
Strategic Initiatives	557,103	-	557,103
Policy & Advocacy	191,915	-	191,915
Management and general	510,028	-	510,028
Fundraising	249,660	-	249,660
	<hr/>	<hr/>	<hr/>
Total expenses	2,536,441	-	2,536,441
Net assets released from restriction	992,530	(992,530)	-
	<hr/>	<hr/>	<hr/>
Change in net assets (deficit)	123,070	233,227	356,297
Net assets (deficit) - beginning of year	(518,635)	156,250	(362,385)
	<hr/>	<hr/>	<hr/>
Net assets (deficit) - end of year	<u>\$ (395,565)</u>	<u>\$ 389,477</u>	<u>\$ (6,088)</u>

See accompanying notes.

THE FINANCIAL CLINIC
STATEMENT OF FUNCTIONAL EXPENSES
Year ended September 30, 2015

	Direct Services	Strategic Initiatives	Policy & Advocacy	Total Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
Personnel	\$ 760,191	\$ 412,888	\$ 157,330	\$ 1,330,409	\$ 284,677	\$ 210,910	\$ -	\$ 1,825,996
Professional fees	155,538	40,724	5,401	201,663	74,222	14,555	-	290,440
Occupancy	56,079	37,076	10,394	103,549	36,917	9,990	-	150,456
Office equipment	5,350	3,221	2,045	10,616	3,772	1,055	-	15,443
Travel	698	9,477	5,007	15,182	3,405	1,886	-	20,473
Postage and printing	3,876	4,201	459	8,536	13,336	3,444	-	25,316
Insurance	12,054	-	1,469	13,523	4,497	1,519	-	19,539
Interest	-	-	-	-	30,833	-	-	30,833
Supplies	10,082	3,901	2,941	16,924	1,135	229	4,963	23,251
Bank and credit score fees	13,082	-	-	13,082	3,904	-	-	16,986
Dues and membership	956	584	2,655	4,195	955	159	-	5,309
Conference and facility fees	9,009	20,110	2,111	31,230	16,399	5,410	6,261	59,300
Miscellaneous	820	8,856	2,103	11,779	3,866	503	-	16,148
Bad debt	-	-	-	-	22,777	-	-	22,777
Depreciation	-	16,065	-	16,065	9,333	-	-	25,398
Total expenses	1,027,735	557,103	191,915	1,760,688	510,028	249,660	11,224	2,547,665
Less cost of direct benefits to donors included with support and revenue on the statement of activities	-	-	-	-	-	-	(11,224)	(11,224)
Total expenses included in the expenses section of the statement of activities	\$ 1,027,735	\$ 557,103	\$ 191,915	\$ 1,760,688	\$ 510,028	\$ 249,660	\$ -	\$ 2,536,441

See accompanying notes.

THE FINANCIAL CLINIC
STATEMENT OF CASH FLOWS
Year ended September 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net deficit	\$ 356,297
Adjustments to reconcile change in net deficit to net cash flows from operating activities	
Contribution from NYCfNAC	(335,935)
Depreciation and amortization	25,398
(Increase) decrease in assets	
Accounts receivable	13,661
Unconditional promises to give	(110,347)
Prepaid expenses	4,901
Increase (decrease) in liabilities	
Accounts payable	(6,393)
Accrued expenses	38,042
Deferred revenue	38,698
Deferred lease liability	1,426
	<hr/>
Net cash flows from operating activities	25,748
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash transferred from NYCfNAC	335,935
Purchase of equipment and leasehold improvements	(16,061)
Purchase of software	(66,600)
	<hr/>
Net cash flows from investing activities	253,274
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on note payable	(118,935)
Proceeds from line of credit	50,000
Payments on line of credit	(50,002)
	<hr/>
Net cash flows from financing activities	(118,937)
Net change in cash	160,085
Cash - beginning of year	<hr/> 52,274
Cash - end of year	<hr/> \$ 212,359 <hr/>
SUPPLEMENTAL DISCLOSURES	
Cash paid for interest	\$ 30,833

See accompanying notes.

THE FINANCIAL CLINIC
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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.

In 2014, the Clinic identified the financial security ecosystem as the best model to increase both the scale and impact of the Clinic's mission to build the financial security and improve the financial mobility of America's working poor.

The financial security ecosystem bundles together the Clinic's best practices and services and employs them in collaboration with a partner organization. By combining the Clinic's strategies - direct service in the form of a gold standard financial coaching model; building the capacity of the partner organization and its front-line staff; and utilizing data and research to inspire systems change - within a single, holistic partnership, the organization is better able to reach its ultimate vision of building financial security and improving financial mobility for all Americans.

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.

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.

THE FINANCIAL CLINIC
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Promises to give at September 30, 2015 are receivable in less than one year.

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.

Software

All software research and development costs along with any maintenance and customer support are expensed as incurred. All software production costs including any indirect costs are recorded at cost and amortized over the greater of the ratio that current gross revenue for a product bear to the total of current and anticipated future gross revenue for that product and the straight-line method over the remaining estimated economic life of the product including the period being reported on.

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.

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 through the VITA program and financial education workshops; legal assistance with bankruptcy, foreclosure, and consumer law.

THE FINANCIAL CLINIC
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Policy & 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.

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.

Income Tax Status

The Clinic is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is therefore not subject to federal and state income or franchise taxes.

Date of Management's Review

Management has evaluated subsequent events through January 21, 2016, the date which the financial statements were available to be issued.

NOTE 2 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements at September 30, 2015 consisted of the following:

Leasehold improvements	\$ 15,392
Computer equipment	12,078
Equipment and furniture	<u>9,619</u>
Equipment and leasehold improvements	37,089
Accumulated depreciation and amortization	<u>8,762</u>
Equipment and leasehold improvements - net	<u><u>\$ 28,327</u></u>

Total depreciation and amortization expense for the year ended September 30, 2015 was \$9,454.

THE FINANCIAL CLINIC
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 – SOFTWARE

Software at September 30, 2015 consisted of the following:

Software	\$ 141,600
Accumulated amortization	<u>20,077</u>
Software - net	<u><u>\$ 121,523</u></u>

Amortization expense for the year ended September 30, 2015 was \$15,944. There were no software amounts written down to net realizable value for the year ended September 30, 2015. Research and Development expense for the year ended September 30, 2015 was \$122,771.

NOTE 4 – LINE OF CREDIT

The Clinic has a \$500,000 revolving line of credit, which had an outstanding balance of \$494,895 at September 30, 2015. 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, 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 year ended September 30, 2014. The other unsecured loan from the Fund was for \$275,000 and the Clinic paid the remaining balance of \$118,935 during the year ended September 30, 2015.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at September 30, 2015:

Growth Plan	\$ 150,000
Change Machine	68,288
Financial Security EcoSystem Program	75,000
VITA Program	<u>96,189</u>
Temporarily restricted net assets	<u><u>\$ 389,477</u></u>

NOTE 7 – DONATED SERVICES

The fair value of donated legal services of \$12,103 and donated consulting fees of \$3,240 were 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 and donated consulting fees were for the strategic initiatives program.

THE FINANCIAL CLINIC
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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 year ended September 30, 2015 was \$88,159.

Future minimum lease payments are as follows for the years ending September 30, 2016 and 2017 are \$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. Retirement expense for the year ended September 30, 2015, was \$112,289.

NOTE 10 – CONTRIBUTION FROM NYCfNAC

On February 9, 2015, the Clinic signed a certificate of merger with the New York City Financial Network Action Consortium, Inc. (NYCfNAC). The certificate of merger gave the Clinic the rights to acquire cash balances upon completion of operations by NYCfNAC. On August 7, 2015, the Clinic received a cash contribution totaling \$335,935 from NYCfNAC. NYCfNAC dissolved as a corporation and is no longer in existence.

NOTE 11 – UNRESTRICTED NET ASSETS (DEFICIT)

At the conclusion of its previous fiscal year, the Clinic's net assets were in a deficit position of \$362,885. At the conclusion of this fiscal year, the Clinic has reduced this net assets deficit by 98%, a testament to the Clinic's plan in which the financial security of the organization is strengthened year over year.

NOTE 12 – PUBLIC LAUNCH OF CHANGE MACHINE

Hundreds joined The Financial Clinic on October 15, 2015 for a historic kickoff to the first annual National Financial Goal Day and Change Machine Public Launch. Celebrations took place on every corner of the country — from Hawaii to Dallas, Washington, D.C. to Madison, Los Angeles to New York City, and everywhere in between. In addition to practitioners joining in the celebrations of launch partners, social service staff, advocates, funders and other field leaders attended the virtual celebration on Change Machine and social media by using the hashtag #myfinancialgoal. The conversation continues in the robust, professional social network on Change Machine, where front-line staff, experts and thought leaders can give and receive support to help customers achieve their goals.