



FINANCIAL STATEMENTS

September 30, 2016

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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, 2016, 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, 2016, 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.

New York Office:

230 Park Avenue, 10th Floor
New York, NY 10146
P: (212) 551-1724
F: (262) 522-7550

Washington DC Office:

400 North Washington Street
Second Floor
Alexandria, VA 22314
P: (703) 519-0990

Wisconsin Office:

2110 Luann Lane
Madison, WI 53713
P: (608) 274-4020
F: (608) 274-0775

Report on Summarized Comparative Information

We have previously audited The Financial Clinic's 2015 financial statements, and our report dated January 21, 2016, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wegner CPAs LLP

Wegner CPAs, LLP
New York, New York
January 13, 2017

THE FINANCIAL CLINIC
STATEMENT OF FINANCIAL POSITION
September 30, 2016 with comparative totals for September 30, 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 493,192	\$ 212,359
Accounts receivable	241,234	151,088
Unconditional promises to give (see note 3)	1,924,750	223,997
Prepaid expenses	27,613	7,626
Total current assets	2,686,789	595,070
OTHER ASSETS		
Equipment and leasehold improvements - net (see note 4)	20,450	24,193
Software - net (see note 5)	205,284	125,657
Security deposits	24,800	20,300
Long term unconditional promises to give - net (see note 3)	1,452,784	-
Total other assets	1,703,318	170,150
Total assets	\$ 4,390,107	\$ 765,220
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 81,237	\$ 92,095
Accrued expenses	13,320	-
Payroll liabilities	89,304	61,899
Deferred revenue	53,051	118,136
Deferred lease liability	3,110	4,283
Total current liabilities	240,022	276,413
LONG TERM LIABILITIES		
Line of credit (see note 6)	494,895	494,895
Total liabilities	734,917	771,308
NET ASSETS (DEFICIT)		
Unrestricted (deficit)	10,540	(395,565)
Temporarily restricted (see note 10)	3,644,650	389,477
Total net assets (deficit)	3,655,190	(6,088)
Total liabilities and net assets (deficit)	\$ 4,390,107	\$ 765,220

See accompanying notes.

THE FINANCIAL CLINIC
STATEMENT OF ACTIVITIES

Year ended September 30, 2016 with comparative totals for the year ended September 30, 2015

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Program service fees	\$ 804,902	\$ -	\$ 804,902	\$ 1,188,996
Grants and contributions	642,475	5,276,499	5,918,974	1,330,592
Contribution from NYCfNAC (see note 11)	-	-	-	335,935
Special events	-	-	-	21,785
Cost of direct benefits to donors	-	-	-	(11,224)
Donated services (see note 8)	199,235	-	199,235	15,343
Miscellaneous income	17,583	-	17,583	11,311
	1,664,195	5,276,499	6,940,694	2,892,738
EXPENSES				
Program services				
Direct Services	1,103,811	-	1,103,811	1,027,735
Strategic Initiatives	1,019,652	-	1,019,652	557,103
Policy & Advocacy	178,680	-	178,680	191,915
Management and general	725,325	-	725,325	510,028
Fundraising	251,948	-	251,948	249,660
	3,279,416	-	3,279,416	2,536,441
Net assets released from restriction	2,021,326	(2,021,326)	-	-
Change in net assets (deficit)	406,105	3,255,173	3,661,278	356,297
Net assets (deficit) - beginning of year	(395,565)	389,477	(6,088)	(362,385)
Net assets (deficit) - end of year	\$ 10,540	\$ 3,644,650	\$ 3,655,190	\$ (6,088)

See accompanying notes.

THE FINANCIAL CLINIC
STATEMENT OF FUNCTIONAL EXPENSES
Year ended September 30, 2016 with comparative totals for the year ended September 30, 2015

	2016						2015	
	Direct Services	Strategic Initiatives	Policy & Advocacy	Total Program Services	Management and General	Fundraising	Total	Total
Personnel	\$ 793,429	\$ 583,800	\$ 147,919	\$ 1,525,148	\$ 458,176	\$ 133,477	\$ 2,116,801	\$ 1,825,996
Professional fees	175,655	243,925	5,674	425,254	118,179	87,710	631,143	290,440
Occupancy	63,776	37,735	11,072	112,583	49,628	11,840	174,051	150,456
Web services and maintenance	7,492	46,446	1,165	55,103	6,045	5,880	67,028	28,548
Depreciation and amortization	5,287	40,813	986	47,086	3,054	889	51,029	25,398
Conference and facility fees	7,485	20,033	1,125	28,643	10,324	1,833	40,800	30,752
Travel	2,854	26,239	3,450	32,543	7,539	650	40,732	20,473
Interest	-	-	-	-	32,406	-	32,406	30,833
Insurance	7,864	4,862	1,627	14,353	8,355	1,743	24,451	19,539
Postage and printing	3,889	6,138	1,155	11,182	6,713	5,375	23,270	25,316
Bank and credit score fees	19,106	-	-	19,106	1,659	-	20,765	16,986
Supplies	8,822	3,586	1,153	13,561	4,318	1,449	19,328	23,251
Office equipment	7,427	3,196	967	11,590	4,574	1,036	17,200	15,443
Dues and membership	-	539	2,275	2,814	9,130	-	11,944	5,309
Miscellaneous	725	2,340	112	3,177	2,373	66	5,616	16,148
Bad debt	-	-	-	-	2,852	-	2,852	22,777
Total expenses	1,103,811	1,019,652	178,680	2,302,143	725,325	251,948	3,279,416	2,547,665
Less cost of direct benefits to donors included with support and revenue on the statement of activities	-	-	-	-	-	-	-	(11,224)
Total expenses included in the expenses section of the statement of activities	\$ 1,103,811	\$ 1,019,652	\$ 178,680	\$ 2,302,143	\$ 725,325	\$ 251,948	\$ 3,279,416	\$ 2,536,441

See accompanying notes.

THE FINANCIAL CLINIC
STATEMENT OF CASH FLOWS

Year ended September 30, 2016 with comparative totals for the year ended September 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets (deficit)	\$ 3,661,278	\$ 356,297
Adjustments to reconcile change in net assets (deficit) to net cash flows from operating activities		
Contribution from NYCfNAC	-	(335,935)
Depreciation and amortization	51,029	25,398
Discount on unconditional promises to give (see note 3)	47,216	-
(Increase) decrease in assets		
Accounts receivable	(90,146)	13,661
Unconditional promises to give	(3,200,753)	(110,347)
Prepaid expenses	(19,987)	4,901
Security deposits	(4,500)	-
Increase (decrease) in liabilities		
Accounts payable	(10,858)	(6,393)
Payroll liabilities	27,405	38,042
Deferred revenue	(65,085)	38,698
Deferred lease liability	(1,173)	1,426
Net cash flows from operating activities	394,426	25,748
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash transferred from NYCfNAC	-	335,935
Purchase of equipment and leasehold improvements	(10,363)	(16,061)
Purchase of software	(103,230)	(66,600)
Net cash flows from investing activities	(113,593)	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)
Net cash flows from financing activities	-	(118,937)
Net change in cash	280,833	160,085
Cash - beginning of year	212,359	52,274
Cash - end of year	\$ 493,192	\$ 212,359
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 32,406	\$ 30,833
Noncash investing and financing transactions		
Software acquisitions included in accrued expenses	13,320	-

See accompanying notes.

THE FINANCIAL CLINIC
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 with comparative totals for 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.

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.

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, 2016 with comparative totals for September 30, 2015

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.

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.

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.

THE FINANCIAL CLINIC
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 with comparative totals for September 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue

Program service revenue is recognized based on contract delivery dates. Revenue received prior to the contract dates to which it applies is recorded as deferred revenue.

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 13, 2017, the date which the financial statements were available to be issued.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

The Clinic maintains its cash balances in one financial institution located in New York, New York. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2016, the Clinic's uninsured cash balance totaled approximately \$245,000.

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give at September 30, 2016 and 2015 consisted of the following:

	2016	2015
Receivable in less than one year	\$ 1,924,750	\$ 223,997
Receivable in one to five years	1,500,000	-
Unconditional promises to give	3,424,750	223,997
Less discounts to net present value	(47,216)	-
Unconditional promises to give - net	\$ 3,377,534	\$ 223,997

Unconditional promises to give receivable in more than one year are discounted at an effective interest rate of 3.25% at September 30, 2016.

THE FINANCIAL CLINIC
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 with comparative totals for September 30, 2015

NOTE 3 – PROMISES TO GIVE (continued)

During the year ended September 30, 2016, the Clinic received a two year promise to give and recognized \$130,000 as contributions. Prior to the start of the second year of the agreement, the Clinic will be awarded an amount for use contingent upon the availability of appropriated funds from the VITA Grant Program. The amount awarded in the second year may be increased or decreased depending on the Congressional appropriation for the program.

NOTE 4 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements at September 30, 2016 and 2015 consisted of the following:

	2016	2015
Leasehold improvements	\$ 15,392	\$ 15,392
Computer equipment	22,441	12,078
Equipment and furniture	9,619	9,619
Equipment and leasehold improvements	47,452	37,089
Accumulated depreciation and amortization	27,002	12,896
Equipment and leasehold improvements - net	\$ 20,450	\$ 24,193

Total depreciation and amortization expense for the years ended September 30, 2016 and 2015 was \$14,106 and \$9,454.

NOTE 5 – SOFTWARE

Software at September 30, 2016 and 2015 consisted of the following:

	2016	2015
Software	\$ 258,150	\$ 141,600
Accumulated amortization	52,866	15,943
Software - net	\$ 205,284	\$ 125,657

Amortization expense for the years ended September 30, 2016 and 2015 was \$36,922 and \$15,944. There were no software amounts written down to net realizable value for the years ended September 30, 2016 and 2015.

NOTE 6 – LINE OF CREDIT

The Clinic has a \$500,000 revolving line of credit with an outstanding balance at September 30, 2016 and 2015 of \$494,895. The credit line 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.

THE FINANCIAL CLINIC
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 with comparative totals for September 30, 2015

NOTE 7 – OPERATING LEASES

The Clinic has operating leases for office space and work space located in New York City. The office lease requires monthly payments of \$7,183 with annual increases of three percent and expires on August 31, 2017 and the work space lease requires monthly payments of \$1,950 and expires on May 31, 2017. Lease expense for the years ended September 30, 2016 and 2015 was \$114,432 and \$88,159. Future minimum lease payments for the year ending September 30, 2017 are \$99,429.

NOTE 8 – DONATED SERVICES

The fair value of donated services for the years ended September 30, 2016 and 2015 included in the statement of activities and the corresponding expenses are as follows:

	2016		
	Direct Services	Management and General	Total
Individual tax preparation services	\$ 141,434	\$ -	\$ 141,434
Legal services	-	57,801	57,801
Donated services	\$ 141,434	\$ 57,801	\$ 199,235
	2015		
	Strategic Initiatives	Management and General	Total
Legal services	\$ -	\$ 12,103	\$ 12,103
Consulting fees	3,240	-	3,240
Donated services	\$ 3,240	\$ 12,103	\$ 15,343

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. Vesting period on the Clinic match is 3 years. Retirement expense for the years ended September 30, 2016 and 2015 was \$103,918 and \$112,289.

THE FINANCIAL CLINIC
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 with comparative totals for September 30, 2015

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2016 and 2015 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Growth Plan	\$ 57,989	\$ 150,000
Change Machine	12,500	68,288
Building Financial Security at Scale	436,284	-
Financial Security EcoSystem Project	2,790,377	75,000
VITA Program	97,500	96,189
Workforce Development Project	<u>250,000</u>	<u>-</u>
Temporarily restricted net assets	<u>\$ 3,644,650</u>	<u>\$ 389,477</u>

NOTE 11 – 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.