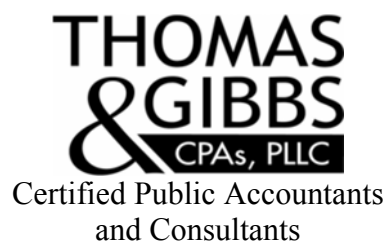


THE COMMUNITY EMPOWERMENT FUND
Chapel Hill, North Carolina

Audited Financial Statements

Year Ended December 31, 2014



THE COMMUNITY EMPOWERMENT FUND
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Year Ended December 31, 2014

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and Consultants

Report of Independent Auditors

To the Board of Directors
The Community Empowerment Fund
Chapel Hill, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of The Community Empowerment Fund (the "Fund"), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, cash flows and functional expenses 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 Fund as of December 31, 2014, 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.

James S. Gibbs CA, PLLC

Durham, North Carolina
July 2, 2015

THE COMMUNITY EMPOWERMENT FUND
STATEMENT OF FINANCIAL POSITION
December 31, 2014

	2014
Assets	
Current assets	
Cash and cash equivalents (note 2)	\$ 226,653
Accounts receivable	29,030
Inventory	1,515
Prepaid expenses	252
Total current assets	257,450
Non-current assets	
Property and equipment, net (note 3)	1,811
Other non-current assets	975
Total non-current assets	2,786
Total assets	\$ 260,236
Liabilities and net assets	
Liabilities	
Refundable advance (note 5)	\$ 1,000
Members' deposits (note 6)	44,534
Total liabilities	45,534
Net assets	
Unrestricted	
Undesignated	91,230
Board designated (note 11)	40,080
Total unrestricted	131,310
Temporarily restricted (note 12)	83,392
Total net assets	214,702
Total liabilities and net assets	\$ 260,236

The accompanying notes are an integral part of the financial statements.

THE COMMUNITY EMPOWERMENT FUND
STATEMENT OF ACTIVITIES
Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions	\$ 63,153	\$ 2,750	\$ 65,903
Grants (note 7)	56,722	104,500	161,222
Interest income	40	-	40
Other income	10,694	-	10,694
Net assets released from restriction (note 13)	70,800	(70,800)	-
Total support and revenue	<u>201,409</u>	<u>36,450</u>	<u>237,859</u>
Expenses			
Program services	136,032	-	136,032
Management and general (note 7)	9,692	-	9,692
Fundraising	12,608	-	12,608
Total expenses	<u>158,332</u>	<u>-</u>	<u>158,332</u>
Change in net assets	43,077	36,450	79,527
Net assets, beginning of year	<u>88,233</u>	<u>46,942</u>	<u>135,175</u>
Net assets, end of year	<u>\$ 131,310</u>	<u>\$ 83,392</u>	<u>\$ 214,702</u>

The accompanying notes are an integral part of the financial statements.

THE COMMUNITY EMPOWERMENT FUND
STATEMENT OF CASH FLOWS
Year Ended December 31, 2014

	<u>2014</u>
Operating activities	
Change in net assets	\$ 79,527
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	507
Changes in operating assets and liabilities:	
Accounts receivable	(26,420)
Inventory	(259)
Prepaid expenses and other assets	(702)
Members' deposits	<u>9,505</u>
Net cash provided by operating activities	62,157
Net increase in cash and cash equivalents	62,157
Cash and cash equivalents, beginning of year	<u>164,496</u>
Cash and cash equivalents, end of year	<u><u>\$ 226,653</u></u>

The accompanying notes are an integral part of the financial statements.

THE COMMUNITY EMPOWERMENT FUND
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

	Program Services						Support Services			
	Advocate Program	Savings Program	Savings Accounts	Opportunity Classes	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses	
										Savings
Salaries & related benefits	\$ 61,481	\$ 24,192	\$ -	\$ 11,743	\$ 97,416	\$ 4,730	\$ 9,760	\$ 14,490	\$ 111,906	
Contracted services	4,200	5,100	-	-	9,300	1,092	-	1,092	10,392	
Supplies & materials	2,290	881	26	989	4,186	275	664	939	5,125	
Reimbursible expenses	6,071	-	-	-	6,071	-	-	-	6,071	
Printing and copying	478	179	153	20	830	138	659	797	1,627	
Postage	120	42	-	-	162	26	462	488	650	
Rent and occupancy	4,601	2,792	-	100	7,493	389	647	1,036	8,529	
Travel and transportation	612	666	-	42	1,320	52	82	134	1,454	
Insurance	207	126	-	-	333	444	31	475	808	
Staff development	206	83	-	100	389	112	20	132	521	
Online services	42	25	408	-	475	247	6	253	728	
Other	387	234	401	-	1,022	245	58	303	1,323	
Miscellaneous	30	-	15	-	45	67	-	67	112	
Licenses & Fees	-	-	-	-	-	-	100	100	100	
Savings matches	-	-	4,309	-	4,309	-	-	-	4,309	
Depreciation	274	167	-	-	441	25	41	66	507	
In-kind	1,375	-	-	-	1,375	-	-	-	1,375	
Professional fees	537	328	-	-	865	1,850	80	1,930	2,795	
Totals	\$ 82,911	\$ 34,815	\$ 5,312	\$ 12,994	\$ 136,032	\$ 9,692	\$ 12,608	\$ 22,302	\$ 158,332	

The accompanying notes are an integral part of the financial statements.

THE COMMUNITY EMPOWERMENT FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 1 – Nature of activities and significant accounting policies

The Community Empowerment Fund (the “Fund”) is a private non-profit organization incorporated under the laws of North Carolina in 2009. The Fund provides savings opportunities, financial education, and assertive support to unemployed and underemployed individuals in Orange and Durham Counties. The Fund has offices in Chapel Hill and Durham, North Carolina.

Basis of accounting - The Fund uses the accrual basis of accounting; therefore, revenues are recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Basis of presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in Accounting Standards Codification (ASC) Topic 958-205, *Not-for-profit Entities – Presentation of Financial Statements*. Under ASC Topic 958-205, the Fund is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets are defined as follows:

Unrestricted net assets – Unrestricted net assets include resources which are available for the support of the Fund’s operating activities.

Temporarily restricted net assets – Temporarily restricted net assets include resources that have been donated to the Fund subject to restrictions as defined by the donor. These restrictions are met either by the actions of the Fund and/or the passage of time. When a restriction expires as a result of the action of the Fund and/or passage of time, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Permanently restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained in perpetuity and invested for the purpose of producing present and future income, which may be expended. The Fund has no permanently restricted net assets.

Revenue recognition - Public sector support, in the form of government grants and contracts, is recognized as revenue when allowable costs are incurred in accordance with grant terms. Accordingly, costs incurred but not yet reimbursed are reflected as grants receivable in the accompanying statement of financial position. Refundable advances represent the portion of payments received that have not yet been expended.

THE COMMUNITY EMPOWERMENT FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 1 – Nature of activities and significant accounting policies (continued)

Revenue recognition (cont.) - Contributions and gifts are recognized as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor 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. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Gifts and contributions not designated for specific purposes by the donor are recorded as unrestricted revenue when received.

Accounts receivable – Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Fund provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of the parties to meet their obligations. Receivables are considered impaired if payments are not received in accordance with the contractual terms. It is the Fund's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management has determined that no allowance is required at December 31, 2014.

Inventory - Inventory, which consists primarily of computers donated to the organization for purchase by members, is valued at the lower of cost or market determined on the first-in, first-out method. Donated items are recorded at estimated fair value at the date of donation.

Property and equipment – Property and equipment are stated at cost if purchased or fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years. Additions and betterments of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes - The Fund is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes has been made in the accompanying statements.

Uncertain tax positions – The Fund files IRS Form 990. Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by the Fund in its tax returns that might be uncertain. The Fund recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management of the Fund does not believe the financial statements include any uncertain tax positions and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The statute of limitations for the Fund's Forms 990 for years ending December 31, 2011 through December 31, 2013 remains open at December 31, 2014.

THE COMMUNITY EMPOWERMENT FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 1 – Nature of activities and significant accounting policies (continued)

Expense allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2 – Cash and cash equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consists of cash and other highly liquid resources with an original maturity of three months or less when purchased.

The Fund maintains cash balances in banks. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2014 the Fund held no uninsured cash balances.

Cash and cash equivalents are comprised of the following as of December 31:

	<u>2014</u>
Cash in banks	<u>\$ 226,653</u>
Total	<u><u>\$ 226,653</u></u>

Note 3 – Property and equipment, net

Property and equipment consists of the following as of December 31:

	<u>2014</u>
Equipment	\$ 2,570
Less accumulated depreciation	<u>(759)</u>
Property and equipment, net	<u><u>\$ 1,811</u></u>

Depreciation expense was \$507 for the year ended December 31, 2014.

Note 4 – Non-current assets

Non-current assets consist of security deposits made by the Fund on behalf of its members. These security deposits are refundable at an unspecified future date.

THE COMMUNITY EMPOWERMENT FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 5 – Refundable advance

The Fund records grant awards accounted for as exchange transactions as refundable advances until related services are performed, at which time they are recorded as unrestricted revenue. The activity in the refundable advance account was as follows for the year ended December 31,

	<u>2014</u>
Beginning balance	\$ 1,000
Grant awards received	1,000
Grant expenditures	<u>(1,000)</u>
Ending balance	<u>\$ 1,000</u>

Note 6 – Members’ deposits

Member’s deposits consist of amounts due to members for savings account deposits held on their behalf by the Fund. Members may make withdrawals of these funds with two days notice.

Note 7 – Grants

During the year ended December 31, 2014, the Fund received grant support from the following sources:

	<u>2014</u>
Live to Give Charitable Trust	\$ 30,000
Sloan Family Foundation	24,000
Duke University Office of Durham and Regional Affairs	20,000
Triangle Community Foundation	17,500
PNC Foundation	8,000
Stewards Fund	15,000
CFED	6,000
Other	<u>40,722</u>
	<u>\$ 161,222</u>

Note 8 – Support and revenue

Numerous volunteers donate significant amounts of time to the Fund’s program services. Although no amounts have been reflected in the financial statements, management estimates the fair value of those services to be approximately \$434,000 for the year ended December 31, 2014.

THE COMMUNITY EMPOWERMENT FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 9 – Lease commitments

During 2014, the Fund leased its office space under operating lease agreements. Rent expense under the office and equipment leases totaled \$8,529 for the year ended December 31, 2014.

The Fund's Chapel Hill Office was leased under an agreement that expired in July 31, 2014. The lease called for monthly payments of annual rent of \$6,300 payable in monthly installments of \$525. A new lease was executed for a period of one year from August 1, 2014 at monthly rent of \$625 per month.

In October 2014, the Fund entered into a lease agreement for office space in Durham, North Carolina. The lease commenced on October 15, 2014 and extends to October 31, 2015, with an option for an additional term of one year with a 3% escalation in rent. Rent is \$450 per month under the lease.

Future minimum payments, by year and in aggregate, under operating leases with remaining terms of one year or more are as follows at December 31, 2014:

Year Ending December 31	Amount
2015	8,530
	<u>\$ 8,530</u>

Subsequent to year end, the Fund entered into a lease for a new Chapel Hill office location. Future minimum rents under this lease are expected to be:

Year Ending December 31	Amount
2015	\$ 17,000
2016	24,000
2017	7,000
	<u>\$ 48,000</u>

Note 10 – Contingencies

The Fund receives grant funds. Such funds are subject to final approval by the grantor agencies and deficiencies, if any, are the responsibility of the Fund.

The Fund has the usual obligations of a contractor for performance in connection with contracts for work performed and to be performed. Management does not anticipate any significant losses in connection with these grants.

THE COMMUNITY EMPOWERMENT FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 11 – Board designated net assets

As of December 31, 2014, the Board of Directors designated \$40,080 of unrestricted net assets to support the mission of the Fund. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

Note 12 – Temporarily restricted net assets

Temporarily restricted net assets are available for the following at December 31, 2014:

Grants	\$ 73,660
Matching reserves	<u>9,732</u>
Total temporarily restricted net assets	<u><u>\$ 83,392</u></u>

Note 13 – Net assets released from restrictions

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes of the grant awards or by passage of time. Net assets released from restrictions consisted of the following during the year ended December 31, 2014:

Programs	\$ 56,650
Capacity building	4,500
Savings matches	1,317
Durham Program Coordinator salary	<u>8,333</u>
	<u><u>\$ 70,800</u></u>

Note 14 – Subsequent events

In April 2015, as described in Note 9, the Fund entered into a lease for new office space in Chapel Hill, North Carolina.

The Fund has evaluated events from the date of the statement of financial position through July 2, 2015, the date the report is available to be issued which is the date of the auditor's report. The Fund has not evaluated subsequent events after that date.