

**NORTHEAST COMMUNITY COUNCIL, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)**

NORTHEAST COMMUNITY COUNCIL, INC.
TABLE OF CONTENTS
SEPTEMBER 30, 2014

<u>DESCRIPTION</u>	<u>PAGE(S)</u>
Independent Auditors' Report.....	1-2
Financial Statements:	
Statement of Financial Position (With Comparative Totals for 2013)	3
Statement of Activities (With Comparative Totals for 2013).....	4
Statement of Functional Expenses (With Comparative Totals for 2013).....	5
Statement of Cash Flows (With Comparative Totals for 2013)	6
Notes to the Financial Statements (With Comparative Totals for 2013).....	7-13

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Northeast Community Council, Inc.
P.O. Box 35
South Center Street
Millerton, New York 12546

We have audited the accompanying financial statements of Northeast Community Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities 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.

Auditors' 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.

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POUGHKEEPSIE • PORT JERVIS • FISHKILL

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Community Council, Inc., as of September 30, 2014, 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.

Report on Summarized Comparative Information

We have previously audited the Northeast Community Council, Inc.'s September 30, 2013, financial statements, and our report dated June 9, 2014, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sedall & Company, CPA's

Poughkeepsie, New York
February 25, 2015

NORTHEAST COMMUNITY COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

ASSETS		
	2014	2013
Current Assets:		
Cash and Cash Equivalents	\$ 158,372	\$ 35,952
Grants Receivable	85,204	82,129
Promises to Give	76,885	79,010
Total Current Assets	320,461	197,091
Non-Current Assets:		
Promises to Give	-	75,490
Property, Plant and Equipment, Less Accumulated Depreciation of \$209,032 and \$223,409, respectively	127,055	134,367
Total Non-Current Assets	127,055	209,857
Total Assets	\$ 447,516	\$ 406,948
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 17,119	\$ 7,082
Accrued Expenses	20,501	19,060
Line of Credit	45,180	38,707
Cash Flow Loan	11,990	11,990
Total Current Liabilities	94,790	76,839
Net Assets:		
Unrestricted Net Assets	150,946	104,597
Temporarily Restricted Net Assets	201,780	225,512
Total Net Assets	352,726	330,109
Total Liabilities and Net Assets	\$ 447,516	\$ 406,948

NORTHEAST COMMUNITY COUNCIL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	2014			2013
	UNRESTRICTED	TEMPORARILY RESTRICTED		TOTAL
	TOTAL			TOTAL
Revenues, Gains and Other Support:				
Contracts and Grants	\$ 498,979	\$ 51,317	\$ 550,296	\$ 620,542
Contributions	142,816	51,335	194,151	105,918
Rental Income	1,707	-	1,707	1,392
Program Income	29,745	-	29,745	26,436
Special Events, Net of Direct Expenses of \$9,801 and \$17,079, respectively	26,229	-	26,229	26,075
Other Income	28,670	-	28,670	11,380
Total Revenues	728,146	102,652	830,798	791,743
Net Assets Released from Restrictions:				
Satisfaction of Time/Program Restrictions	126,384	(126,384)	-	-
Total Net Assets Released From Restriction	126,384	(126,384)	-	-
Total Revenue, Gains and Other Support	854,530	(23,732)	830,798	791,743
Expenses:				
Program Services:				
Youth Programs	348,059	-	348,059	309,826
Family Support	46,222	-	46,222	15,295
Community and Senior Services	179,381	-	179,381	55,890
Public and Community Events	8,128	-	8,128	140,298
Supporting Services:				
Fundraising	45,071	-	45,071	62,668
Management and General	181,320	-	181,320	91,572
Total Expenses	808,181	-	808,181	675,549
Increase (Decrease) in Net Assets	46,349	(23,732)	22,617	116,194
Net Assets at Beginning of Year	104,597	225,512	330,109	213,915
Net Assets at End of Year	\$ 150,946	\$ 201,780	\$ 352,726	\$ 330,109

**NORTHEAST COMMUNITY COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)**

	<u>Program Services</u>				<u>Total Programs</u>	<u>Support Services</u>		<u>Total 2014</u>	<u>Total 2013</u>
	<u>Youth Programs</u>	<u>Family Support</u>	<u>Community/ Senior Services</u>	<u>Other Programs and Events</u>		<u>Fundraising</u>	<u>Management & Administration</u>		
Salaries	\$ 213,390	\$ 22,581	\$ 82,986	\$ 5,044	\$ 324,001	\$ 27,356	\$ 85,462	\$ 436,819	\$ 367,490
Fringe Benefits	39,747	4,206	15,457	939	60,349	5,095	15,918	81,362	71,922
Total Personnel and Related Costs	<u>253,137</u>	<u>26,787</u>	<u>98,443</u>	<u>5,983</u>	<u>384,350</u>	<u>32,451</u>	<u>101,380</u>	<u>518,181</u>	<u>439,412</u>
Advertising	-	-	-	-	-	-	4,194	4,194	3,700
Bank Charges and Administrative Fees	-	-	-	-	-	-	9,596	9,596	5,595
Program Leaders and Teachers	4,804	508	1,868	114	7,294	-	-	7,294	12,103
Insurance	6,092	645	2,369	144	9,250	781	2,440	12,471	13,619
Office Equipment	3,379	358	1,314	80	5,131	433	1,353	6,917	6,131
Internet	1,459	154	568	35	2,216	187	585	2,988	2,919
Meetings and Travel	-	-	-	-	-	1,382	4,318	5,700	2,281
Miscellaneous	7,421	785	2,886	175	11,267	951	2,972	15,190	12,871
Postage	-	-	-	-	-	599	1,870	2,469	2,334
Printing	5,045	534	1,962	119	7,660	647	2,021	10,328	4,198
Professional Fees	-	-	-	-	-	4,350	40,312	44,662	21,213
Program Activities	4,244	9,841	45,675	-	59,760	-	-	59,760	53,335
Space Expense	12,798	1,354	4,977	303	19,432	1,641	5,126	26,199	30,135
Community Service Projects	2,173	230	845	52	3,300	-	-	3,300	5,625
Staff Training	1,365	144	531	32	2,072	175	546	2,793	2,564
Supplies	27,987	2,961	10,883	662	42,493	227	710	43,430	28,459
Telephone	1,224	129	476	29	1,858	157	490	2,505	2,142
Vehicle and Transportation	8,425	892	3,276	199	12,792	-	-	12,792	8,768
Total Expenses Before Depreciation	<u>339,553</u>	<u>45,322</u>	<u>176,073</u>	<u>7,927</u>	<u>568,875</u>	<u>43,981</u>	<u>177,913</u>	<u>790,769</u>	<u>657,404</u>
Depreciation	8,506	900	3,308	201	12,915	1,090	3,407	17,412	18,145
Total Expenses	<u>\$ 348,059</u>	<u>\$ 46,222</u>	<u>\$ 179,381</u>	<u>\$ 8,128</u>	<u>\$ 581,790</u>	<u>\$ 45,071</u>	<u>\$ 181,320</u>	<u>\$ 808,181</u>	<u>\$ 675,549</u>

See independent auditors' report

NORTHEAST COMMUNITY COUNCIL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 22,617	\$ 116,194
Adjustments to Reconcile Change in Net Assets to Cash Provided (Used) by Operating Activities:		
Depreciation	17,412	18,145
(Increase) Decrease in Promises to Give	77,615	(154,500)
(Increase) Decrease in Grants Receivable	(3,075)	(1,895)
Increase (Decrease) in Accounts Payable	10,037	(11,339)
Increase (Decrease) in Accrued Expenses	1,441	4,426
Net Cash Provided (Used) by Operating Activities	<u>126,047</u>	<u>(28,969)</u>
Cash Flows from Investing Activities:		
Purchases of Fixed Assets	<u>(10,100)</u>	<u>(1,880)</u>
Net Cash Provided (Used) for Investing Activities	<u>(10,100)</u>	<u>(1,880)</u>
Cash Flows from Financing Activities:		
Borrowings from Line of Credit and Cash Flow Loan	15,300	27,400
(Repayments of) Line of Credit and Cash Flow Loan	<u>(8,827)</u>	<u>(18,142)</u>
Net Cash Provided by Financing Activities	<u>6,473</u>	<u>9,258</u>
Net Increase (Decrease) in Cash and Cash Equivalents	122,420	(21,591)
Cash and Cash Equivalents, Beginning of Year	<u>35,952</u>	<u>57,543</u>
Cash and Cash Equivalents, End of Year	<u>\$ 158,372</u>	<u>\$ 35,952</u>
Other Supplemental Information:		
Interest Paid	<u>\$ 2,823</u>	<u>\$ 1,572</u>

NORTHEAST COMMUNITY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

Note 1 - Summary of Significant Accounting Policies

A. Nature of Activities

Northeast Community Council, Inc. ("Council") is a not-for-profit organization that was incorporated in New York on December 17, 1990. Its purpose is to provide social, recreational, cultural and educational programs to the local community, including the Village of Millerton and the Town of North East, New York. The Council offers programs such as, after school and evening programs for children and teens, morning programs for babies, toddlers and their parents, and programs for seniors that promote their health and well-being.

B. Basis of Accounting

The accompanying financial statements of the Council have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

C. Net Assets

Net Assets of the Council and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of the Council and/or passage of time.

Permanently restricted net assets - Net assets that are subject to donor-imposed stipulations that must be maintained permanently by the Council. The Council does not have any permanently restricted net assets.

D. Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. Fair value approximates carrying amounts.

E. Grants Receivable

The Council uses the direct write-off method to write off uncollectible accounts receivable. The expense is recognized only when a specific account is determined to be uncollectible. Accordingly, there is no allowance for doubtful accounts and all accounts are current as of the statement date. The effect of using the direct write-off method approximates that of the allowance method.

NORTHEAST COMMUNITY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
SEPTEMBER 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

Note 1 - Summary of Significant Accounting Policies (Continued)

F. Fixed Assets

Fixed assets acquired by the Council are considered to be owned by the Council. However, state-funding sources may maintain equitable interest in certain property purchased with grant monies as well as reserving the right to determine the use of any proceeds from the sale of these assets.

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property, plant, and equipment are carried at cost, if purchased, or at fair market value on the date of acquisition, if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets.

Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Building	25 years
Vehicles	5 years
Furniture and Equipment	5 years
Improvements	15 years

G. Revenue Recognition

All contribution revenue is considered to be available for unrestricted use in the current year unless specifically restricted by the donor. Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When the 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.

Program fees are recognized as revenue when earned. Grant and contract revenue is recognized when the allowable expenses have been incurred. Advance payments for contracts or grants are accounted for as refundable advances until the related expenses are incurred, at which time they are recognized as revenue.

H. Grant Revenue

The Council conducts activity under grants received from various state, local and private sources. Revenue is recognized when grant conditions are fulfilled, such as when program expenses for the grant are incurred.

NORTHEAST COMMUNITY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
SEPTEMBER 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

Note 1 - Summary of Significant Accounting Policies (Continued)

I. Donated Materials and Services

When received, donated materials or equipment are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt. No amounts have been reflected in the financial statements for donated services. The Council pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Council with specific assistance programs, campaign solicitations, and various committee assignments.

J. Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Council.

K. Advertising

Advertising costs are expensed as incurred.

L. Income Taxes

Income taxes are not provided for in the financial statements, as the Council is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Council is not classified as a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170 (b)(1)(A)(vi). The Council's Form 990, "Return of an Organization Exempt from Income Tax", for the fiscal years September 30, 2013, 2012 and 2011, are subject to examination by the Internal Revenue Service, for generally up to three years after they have been filed.

The Council's accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor any exposure to unrelated business income tax.

M. Use of Estimates

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

NORTHEAST COMMUNITY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
SEPTEMBER 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

Note 1 - Summary of Significant Accounting Policies (Continued)

N. Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 25, 2015.

The Council authorized repayment of the remaining cash flow loan balance for \$12,500 on October 7, 2014. See Note 6 for the full disclosure.

Note 2 – Concentration of Credit Risk for Cash

The Council maintains several accounts at local banks. The combined balances in these accounts may periodically exceed the federal insured limit. Management believes that credit risk related to these deposits is minimal.

Note 3 – Promises to Give

Promises to give consisted of the following at September 30;

	<u>2014</u>	<u>2013</u>
Unconditional Promise to Give	\$ 78,395	\$ 159,000
Less: Unamortized Discount	<u>(1,510)</u>	<u>(4,500)</u>
Net Unconditional Pledge Receivable	<u>\$ 76,885</u>	<u>\$ 154,500</u>
Amounts Due in:		
Less than one year	\$ 78,395	\$ 82,000
One to five years	<u>-</u>	<u>77,000</u>
	<u>\$ 78,395</u>	<u>\$ 159,000</u>

Promises to give are discounted using an adjusted risk interest rate of 2% and consisted of a three year pledge to be used for the Council's after school program.

No allowance is considered necessary due to the fact that the Council's primary pledge receivable is from a reputable donor who has contributed to the Council for many years with no history of non-payment.

NORTHEAST COMMUNITY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
SEPTEMBER 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

Note 4 – Property, Plant and Equipment

Property, Plant and Equipment consisted of the following at September 30th:

	2014	2013
Land	\$ 45,000	\$ 45,000
Building	75,000	75,000
Improvements	154,391	154,391
Vehicles	43,487	45,053
Furniture and Equipment	18,209	38,332
	336,087	357,776
Less: Accumulated Depreciation	(209,032)	(223,409)
Total	\$ 127,055	\$ 134,367

Depreciation expense amounted to \$17,412 and \$18,145 for the years ended September 30, 2014 and 2013, respectively.

Note 5 – Line of Credit

The Council has an unsecured line of credit with a local bank. The line of credit limit was \$50,000 with a variable interest rate of 7.86% as of September 30, 2014. As of September 30, 2014 and 2013, the outstanding balance on the line of credit was \$45,180 and \$38,707, respectively. The balance through February 25, 2015, the date that the financial statements were available to be issued, was \$43,221.

Note 6 – Cash Flow Loan

In June 2012, the Council was approved for a cash flow loan of \$25,000 from the Dyson Foundation. The loan was subject to a service charge of 2% of its principal amount of \$25,000 to be withheld when the loan was made. The loan was initially to be repaid by November 10, 2012; however, Dyson agreed to extend the payment deadline. As of September 30, 2014 and 2013, the outstanding balance on the loan was \$11,990. The loan was repaid in full as of October 11, 2014.

NORTHEAST COMMUNITY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
SEPTEMBER 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

Note 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following:

	<u>9/30/2013</u>	<u>Additions</u>	<u>Releases</u>	<u>9/30/2014</u>
After School Program	\$ 217,932	\$ -	\$ (75,833)	\$ 142,099
After School Program - Contributions	-	46,335	(9,734)	36,601
CFHV - Food Access	-	21,000	(10,500)	10,500
Programs - Contributions	-	5,000	-	5,000
Northeast Dutchess Transit	7,580	30,317	(30,317)	7,580
	<u>\$ 225,512</u>	<u>\$ 102,652</u>	<u>\$ (126,384)</u>	<u>\$ 201,780</u>

Note 8 – Operating Lease

The Council leased a copier under an agreement with monthly payments of \$131 ending September 2013. The Council entered into a new lease agreement with monthly payments of \$117 covering October 2013 through December 2018. Copier lease expense for the years ended September 30, 2014 and 2013 amounted to \$5,125 and \$1,700, respectively.

Future minimum lease payments at September 30, 2014, are as follows for the years ending September 30:

2015	\$ 1,404
2016	1,404
2017	1,404
2018	1,404
2019	351
Thereafter	-
	<u>\$ 5,967</u>

Note 9 - Concentration of Revenue

The Council received approximately 43% of its revenue and support from local, state, and federal agencies. A significant reduction in governmental support could have a significant effect on the Council's programs and services.

NORTHEAST COMMUNITY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
SEPTEMBER 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

Note 10 - Contingent Liabilities

Pursuant to the Council's contractual relationships with certain funding sources, outside agencies have the right to examine the books and records of the Council's transactions relating to these contracts. The accompanying financial statements do not include any provision for possible disallowances; particularly due to non-compliance with restrictions or grant terms. In the opinion of management, any actual disallowances would be minimal.

Note 11 – Prior-Year Information

The statements of activities and functional expenses include certain prior year summarized comparative information in total but not by net asset classification or program. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the fiscal year ended September 30, 2013, from which the summarized information was derived.