

Audited Financial Statements

Center for Neighborhood Enterprise

Years Ended December 31, 2013 and 2012

Audited Financial Statements
CENTER FOR NEIGHBORHOOD ENTERPRISE
Years Ended December 31, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Center for Neighborhood Enterprise
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of Center for Neighborhood Enterprise (the Center), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Center for Neighborhood Enterprise as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of revenues and expenses by program and the indirect cost rate calculation are presented for the purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2014, on our consideration of the Center for Neighborhood Enterprise's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.



Charleston, West Virginia
July 11, 2014

CENTER FOR NEIGHBORHOOD ENTERPRISE

STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 1,580,269	\$ 1,768,702
Contributions receivable	5,000	75,000
Grants receivable	61,121	16,866
Other receivables	4,743	1,002
Prepaid expenses and deposits	23,635	39,404
Property and equipment, net	<u>11,216</u>	<u>16,201</u>
Total assets	<u>\$ 1,685,984</u>	<u>\$ 1,917,175</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 10,192	\$ 990
Accrued expenses	151,780	143,242
Refundable advance	616,601	575,153
Deferred rent	<u>55,315</u>	<u>94,570</u>
Total liabilities	<u>833,888</u>	<u>813,955</u>
Net assets:		
Unrestricted	773,178	949,220
Temporarily restricted	<u>78,918</u>	<u>154,000</u>
Total net assets	<u>852,096</u>	<u>1,103,220</u>
Total liabilities and net assets	<u>\$ 1,685,984</u>	<u>\$ 1,917,175</u>

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

CENTER FOR NEIGHBORHOOD ENTERPRISE

STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support:			
Federal grants	\$ 544,379	\$ -	\$ 544,379
Local grants	2,201,149	-	2,201,149
Contributions:			
Foundations	632,000	5,000	637,000
Corporations	25,275	-	25,275
Individuals	73,020	-	73,020
Interest and dividends	4,389	-	4,389
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>80,082</u>	<u>(80,082)</u>	<u>-</u>
Total revenues and other support	<u>3,560,294</u>	<u>(75,082)</u>	<u>3,485,212</u>
Expenses:			
Program service	3,596,544	-	3,596,544
Management and general	10,070	-	10,070
Fundraising	<u>129,722</u>	<u>-</u>	<u>129,722</u>
Total expenses	<u>3,736,336</u>	<u>-</u>	<u>3,736,336</u>
Change in net assets	(176,042)	(75,082)	(251,124)
Net assets, beginning of year	<u>949,220</u>	<u>154,000</u>	<u>1,103,220</u>
Net assets, end of year	<u>\$ 773,178</u>	<u>\$ 78,918</u>	<u>\$ 852,096</u>

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

CENTER FOR NEIGHBORHOOD ENTERPRISE

STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support:			
Federal grants	\$ 858,387	\$ -	\$ 858,387
Local grants	2,483,359	-	2,483,359
Contributions:			
Foundations	634,000	150,000	784,000
Corporations	17,013	-	17,013
Individuals	43,973	4,000	47,973
Interest and dividends	3,282	-	3,282
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>5,000</u>	<u>(5,000)</u>	<u>-</u>
Total revenues and other support	<u>4,045,014</u>	<u>149,000</u>	<u>4,194,014</u>
Expenses:			
Program service	4,197,076	-	4,197,076
Management and general	13,249	-	13,249
Fundraising	<u>31,549</u>	<u>-</u>	<u>31,549</u>
Total expenses	<u>4,241,874</u>	<u>-</u>	<u>4,241,874</u>
Change in net assets	(196,860)	149,000	(47,860)
Net assets, beginning of year	<u>1,146,080</u>	<u>5,000</u>	<u>1,151,080</u>
Net assets, end of year	<u>\$ 949,220</u>	<u>\$ 154,000</u>	<u>\$ 1,103,220</u>

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

CENTER FOR NEIGHBORHOOD ENTERPRISE

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ (251,124)	\$ (47,860)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	4,985	4,985
(Increase) decrease in operating assets:		
Grants receivable	(44,255)	384,288
Contributions receivable	70,000	(75,000)
Other receivables	(3,741)	1,496
Prepaid expenses and deposits	15,769	(252)
Increase (decrease) in operating liabilities:		
Accounts payable	9,202	(13,626)
Accrued expenses	8,538	3,242
Refundable advance	41,448	568,011
Deferred rent	<u>(39,255)</u>	<u>(24,904)</u>
Net cash provided by (used in) operating activities	<u>(188,433)</u>	<u>800,380</u>
Cash flows provided by investing activities:		
Redemption of certificate of deposit	<u>-</u>	<u>253,600</u>
Net cash provided by investing activities	<u>-</u>	<u>253,600</u>
Net increase (decrease) in cash and cash equivalents	(188,433)	1,053,980
Cash and cash equivalents, beginning of year	<u>1,768,702</u>	<u>714,722</u>
Cash and cash equivalents, end of year	<u>\$ 1,580,269</u>	<u>\$ 1,768,702</u>

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

CENTER FOR NEIGHBORHOOD ENTERPRISE

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESOrganization

The Center for Neighborhood Enterprise (the Center) is a nonprofit organization incorporated in the District of Columbia. Since its founding in 1981, the Center has been dedicated to supporting the efforts of residents of low-income communities throughout the nation to promote community revitalization and supporting the efforts of low-income individuals and families to become self-sufficient and independent. Its mission is to empower neighborhood leaders to promote solutions that reduce crime and violence, restore families, revitalize low-income communities, and create economic enterprise. The Center has offered support for effective grassroots initiatives in the form of training, technical assistance, and linkages to sources of funding or other support.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and money market funds with a financial institution and brokerage firm.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets. The Center reports gifts of cash and other assets as restricted support if they are received with donor 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. Conditional promises to give are recognized as assets when the conditions on which they depend are substantially met. At December 31, 2013 and 2012, the Center was not in receipt of any outstanding conditional promises to give. At December 31, 2013 and 2012, contributions receivable consisted of an amount due from a donor within one year totaling \$5,000 and \$75,000, respectively. No allowance for potential losses was considered necessary at December 31, 2013 and 2012.

Grant Revenue and Refundable Advances

Grant revenue resulting from exchange transactions is recognized when the related costs are incurred. Grants receivable represents amounts due from grantors as a result of qualifying grant expenses that have been incurred, but the Center has not received the related grant funds. Refundable advances consists of grant funds that the Center has received but for which it has not incurred related expenses and/or satisfied the requirements of the grant agreements.

Property and Equipment

Property and equipment are recorded at cost at the date of purchase, or in the case of donated assets, at fair value at the date of receipt. Depreciation is calculated on a straight-line basis over the estimated useful lives of property and equipment, which range from three to five years. Equipment purchased with federal grant monies that cost up to \$5,000 are expensed as allowed by federal cost circulars. Maintenance and repairs are charged to operations as incurred and major improvements are capitalized.

CENTER FOR NEIGHBORHOOD ENTERPRISE

NOTES TO FINANCIAL STATEMENTS
(Continued)**1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)**Net Assets

The Center has classified its net assets and its revenues based on the existence or absence of donor-imposed restrictions. Below is a summary of those classifications:

Unrestricted: Assets and contributions that are not restricted by donors or for which restrictions have expired are unrestricted. In addition, contributions received with donor-imposed restrictions are reported as unrestricted provided the restrictions are met in the same reporting period.

Temporarily Restricted: Assets and contributions for which the donor has imposed restrictions that require the Center to use or expend the donated assets according to the restrictions are temporarily restricted. The restrictions are satisfied either by the passage of time or by actions of the Center.

Expenses

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the various programs, fundraising 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 fundraising activities benefited.

Direct costs associated with specific programs are recorded as direct program expenses. Indirect costs are charged to programs, including U.S. Government contracts, based on an estimate of the final indirect cost rate. Any variance between the estimate and the final negotiated rate is adjusted in the period when finalized. During the years ended December 31, 2013 and 2012, the Center's indirect cost rate was calculated based on indirect costs as a percentage of direct costs less sub-grants, expenses related to contributed services and other excluded costs.

Income Taxes

The Center is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Center qualifies for charitable contributions deductions under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Center is generally no longer subject to examination by income taxing authorities for years ended prior to 2010.

Use of Estimates

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

Subsequent Events

The date to which events occurring after December 31, 2013, have been evaluated for possible adjustment to or disclosure in the financial statements is July 11, 2014, which is the date the financial statements were available to be issued.

CENTER FOR NEIGHBORHOOD ENTERPRISE

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2013	2012
Office equipment	\$ 4,494	\$ 4,494
Furniture and fixtures	29,642	29,642
Leasehold Improvements	49,848	49,848
	83,984	83,984
Less accumulated depreciation and amortization	72,768	67,783
	\$ 11,216	\$ 16,201

3 - LEASES

The Center entered into an operating lease for office space over a ten-year period beginning March 18, 2006. The lease calls for escalation of rent payments of an average 2% annually. At the inception of the lease period, the lease payments were abated for six months. A deferred rent amount was recognized to allocate the benefit of this abated rent period, as well as the escalating rent payments, throughout the term of the lease.

Total rent charged to operations for the years ended December 31, 2013 and 2012, was \$151,780 and \$163,626, respectively. Future minimum rental payments required under the above lease, by year and in the aggregate, as of December 31, 2013, are as follows:

2014	\$ 187,017
2015	190,745
2016	47,919
	\$ 425,681

4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	2013	2012
Media Platform and National Leadership Development Institute	\$ 73,918	\$ 150,000
Violence Free Zone	5,000	-
Strategic Plan Study	-	4,000
	\$ 78,918	\$ 154,000

CENTER FOR NEIGHBORHOOD ENTERPRISE

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - RELEASE OF DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, as follows:

	2013	2012
Purpose restrictions accomplished:		
Media Platform and National Leadership Development Institute	\$ 76,082	\$ -
Strategic Plan Study	4,000	-
Philip Dowd - Website	-	5,000
	\$ 80,082	\$ 5,000

6 - RETIREMENT PLAN

The Center maintains a defined contribution retirement plan (the Plan) under Section 403(b) of the Internal Revenue Code which covers all full-time employees. Employees are eligible to contribute up to the IRS maximum allowable portion of their annual salary. At the end of the second year of service, the Center will begin contributing to the Plan on behalf of the participant. Contributions from the Center range from 3% to 5% of each eligible employee's annual salary based on years of service. Retirement expense for the years ended December 31, 2013 and 2012, was \$27,459 each year.

7 - CONCENTRATIONS

During the years ended December 31, 2013 and 2012, the Center received 78% and 80%, respectively, of its revenue from three grants from the U.S. Government and local governments. During the year ended December 31, 2013 and 2012, 13% and 12%, respectively, of the Center's revenue was derived from one foundation contributor. A grant from the U.S. Government comprising 15% of the 2013 revenue was not renewed in 2014. However, approximately \$370,000 was still available under the grant at December 31, 2013, which has been extended through December 31, 2014.

8 - CREDIT RISK

Financial instruments which potentially subject the Center to concentrations of credit risk consist of cash and cash equivalents. Cash and cash equivalents include demand deposits and money market funds with a financial institution and brokerage firm. To limit concentration of credit risk, the demand deposits are protected under the Federal Depository Insurance Corporation (FDIC) up to \$250,000, and the money market funds are protected under the Securities Investor Protection Corporation (SIPC) up to \$500,000.

SUPPLEMENTARY INFORMATION

CENTER FOR NEIGHBORHOOD ENTERPRISE
SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM

Years Ended December 31, 2013 and 2012

	Program Services		
	Violence Free Zone	Other Programs	Total Program Services
Revenues:			
Federal grant funds	\$ 544,379	\$ -	\$ 544,379
Local grants	2,201,149	-	2,201,149
Contributions, including net assets released from restrictions	300,000	431,295	731,295
Interest and dividend income	-	-	-
 Total revenues	 <u>\$ 3,045,528</u>	 <u>\$ 431,295</u>	 <u>\$ 3,476,823</u>
Expenses:			
Salaries and benefits	\$ 218,065	\$ 259,639	\$ 477,704
Consultants	89,492	50,550	140,042
Computer expenses	-	331	331
Insurance	-	-	-
Office expenses	2,671	455	3,126
Postage and delivery	275	156	431
Printing and publications	284	205	489
Professional fees	-	-	-
Rent	34,973	46,123	81,096
Subgrants and contracts	2,495,422	-	2,495,422
Vouchers	5,017	-	5,017
Ads/Recruitment	-	720	720
Telephone and fax	480	-	480
Depreciation and amortization	-	-	-
Travel and entertainment	12,550	7,049	19,599
Other	9,085	1,493	10,578
Total direct expenses	<u>2,868,314</u>	<u>366,721</u>	<u>3,235,035</u>
 Allocation of indirect costs	 <u>181,374</u>	 <u>180,135</u>	 <u>361,509</u>
 Total expenses	 <u>\$ 3,049,688</u>	 <u>\$ 546,856</u>	 <u>\$ 3,596,544</u>

(Continued)

CENTER FOR NEIGHBORHOOD ENTERPRISE
 SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM
 (Continued)

Years Ended December 31, 2013 and 2012

	Support Services			2013 Total	2012 Total
	Development Campaign (Fundraising)	Management and General	Total Support Services		
Revenues:					
Federal grant funds	\$ -	\$ -	\$ -	\$ 544,379	\$ 858,387
Local grants	-	-	-	2,201,149	2,483,359
Contributions, including net assets released from restrictions	-	4,000	4,000	735,295	848,986
Interest and dividend income	-	4,389	4,389	4,389	3,282
Total revenues	<u>\$ -</u>	<u>\$ 8,389</u>	<u>\$ 8,389</u>	<u>\$ 3,485,212</u>	<u>\$ 4,194,014</u>
Expenses:					
Salaries and benefits	\$ 78,769	\$ 147,481	\$ 226,250	\$ 703,954	\$ 736,863
Consultants	-	111,356	111,356	251,398	286,118
Computer expenses	-	5,163	5,163	5,494	4,158
Insurance	-	6,865	6,865	6,865	6,757
Office expenses	-	2,576	2,576	5,702	5,199
Postage and delivery	58	589	647	1,078	1,351
Printing and publications	38	463	501	990	1,194
Professional fees	-	27,970	27,970	27,970	29,795
Rent	7,855	62,829	70,684	151,780	163,626
Subgrants and contracts	-	-	-	2,495,422	2,942,996
Vouchers	-	-	-	5,017	494
Ads/Recruitment	-	-	-	720	-
Telephone and fax	-	14,065	14,065	14,545	15,175
Depreciation and amortization	-	4,985	4,985	4,985	4,985
Travel and entertainment	135	18,686	18,821	38,420	27,551
Other	-	11,418	11,418	21,996	15,612
Total direct expenses	86,855	414,446	501,301	3,736,336	4,241,874
Allocation of indirect costs	<u>42,867</u>	<u>(404,376)</u>	<u>(361,509)</u>	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 129,722</u>	<u>\$ 10,070</u>	<u>\$ 139,792</u>	<u>\$ 3,736,336</u>	<u>\$ 4,241,874</u>

See Independent Auditor's Report.

CENTER FOR NEIGHBORHOOD ENTERPRISE

INDIRECT COST RATE CALCULATION

Year Ended December 31, 2013

Indirect expenses:	
Salaries and benefits	\$ 147,481
Consultants	106,056
Computer expense	5,163
Insurance	6,865
Office and training expense	2,108
Postage and delivery	589
Printing and publications	463
Professional fees	27,970
Rent	62,829
Telephone and fax	13,811
Board	91
Depreciation and amortization	4,985
Travel and entertainment	18,463
Dues, fees, and subscriptions	1,017
Parking and transportation	7,915
Bank charges	<u>245</u>
Total indirect expenses	<u>\$ 406,051</u>
Direct costs:	
Program services	\$ 3,235,035
Fundraising	86,855
Less bank charges	<u>(1,743)</u>
Total direct costs	3,320,147
Less: subgrant costs	<u>2,495,422</u>
Allowable direct expenses	<u>\$ 824,725</u>
Allowable indirect expenses as a percentage of direct costs	<u>49.23 %</u>

See Independent Auditor's Report.

CENTER FOR NEIGHBORHOOD ENTERPRISE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2013

	CFDA #	Expenditures
U.S. Department of Justice:		
Office of Juvenile Justice and Delinquency Prevention:		
Juvenile Mentoring Program	16.726	\$ 533,255
U.S. Department of Housing and Urban Development:		
Office of Public and Indian Housing:		
Passed through the District of Columbia Housing Authority:		
Moving to Work Demonstration Program	14.881	11,124
Total		\$ 544,379

CENTER FOR NEIGHBORHOOD ENTERPRISE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Center for Neighborhood Enterprise under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Center for Neighborhood Enterprise, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Center for Neighborhood Enterprise.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3 - SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the Center for Neighborhood Enterprise provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Juvenile Mentoring Program	16.726	\$294,646

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Center for Neighborhood Enterprise
Washington, DC

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Center for Neighborhood Enterprise (the Center), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated July 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Gibbons & Kawash, A.C.".

Charleston, West Virginia
July 11, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
Center for Neighborhood Enterprise
Washington, DC

Report on Compliance for Each Major Federal Program

We have audited the Center for Neighborhood Enterprise's (the Center) compliance with the types of compliance requirements described in OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended December 31, 2013. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal programs. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Each Major Federal Program

In our opinion, the Center for Neighborhood Enterprise complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

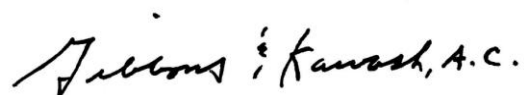
Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures

that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Charleston, West Virginia
July 11, 2014

CENTER FOR NEIGHBORHOOD ENTERPRISE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended December 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes X no

Identification of major programs:

CFDA Number

16.726

Name of Federal Program or Cluster

Juvenile Mentoring Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes _____ no

CENTER FOR NEIGHBORHOOD ENTERPRISE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Year Ended December 31, 2013

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None