

Audited Financial Statements

Center for Neighborhood Enterprise

Years Ended December 31, 2015 and 2014

Audited Financial Statements
CENTER FOR NEIGHBORHOOD ENTERPRISE
Years Ended December 31, 2015 and 2014

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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 the Center for Neighborhood Enterprise (the Center), which comprise the statements of financial position as of December 31, 2015 and 2014, 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 the Center for Neighborhood Enterprise as of December 31, 2015 and 2014, 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.



Correction of Error

As described in Note 2 to the financial statements, the 2014 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

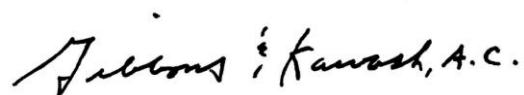
Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of revenues and expenses by program on pages 11-12 and the indirect cost rate calculation on page 13 are presented for purposes of additional analysis and are 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 November 10, 2016, 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
November 10, 2016

CENTER FOR NEIGHBORHOOD ENTERPRISE

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

| <u>ASSETS</u> | <u>2015</u> | <u>2014</u> |
|---------------------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 1,808,817 | \$ 1,842,865 |
| Contributions receivable | 25,000 | 37,000 |
| Grants receivable | 175,376 | 47,635 |
| Other receivables | 2,194 | 3,714 |
| Prepaid expenses and deposits | 39,559 | 39,824 |
| Property and equipment, net | <u>1,247</u> | <u>6,232</u> |
| Total assets | <u>\$ 2,052,193</u> | <u>\$ 1,977,270</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Liabilities: | | |
| Accounts payable | \$ 26,753 | \$ 11,613 |
| Accrued expenses | 190,881 | 172,420 |
| Refundable advance | 366,714 | 398,081 |
| Deferred rent | <u>4,592</u> | <u>31,521</u> |
| Total liabilities | <u>588,940</u> | <u>613,635</u> |
| Net assets: | | |
| Unrestricted | 900,832 | 731,062 |
| Temporarily restricted | <u>562,421</u> | <u>632,573</u> |
| Total net assets | <u>1,463,253</u> | <u>1,363,635</u> |
| Total liabilities and net assets | <u>\$ 2,052,193</u> | <u>\$ 1,977,270</u> |

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

CENTER FOR NEIGHBORHOOD ENTERPRISE

STATEMENT OF ACTIVITIES

Year Ended December 31, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|---------------------|
| Revenues and other support: | | | |
| Federal grants | \$ 471,240 | \$ - | \$ 471,240 |
| Local grants | 2,777,598 | - | 2,777,598 |
| Contributions: | | | |
| Foundations | 538,640 | 152,800 | 691,440 |
| Corporations | 156,470 | - | 156,470 |
| Individuals | 177,402 | - | 177,402 |
| Interest and dividends | 4,196 | - | 4,196 |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | <u>222,952</u> | <u>(222,952)</u> | <u>-</u> |
| Total revenues and other support | <u>4,348,498</u> | <u>(70,152)</u> | <u>4,278,346</u> |
| Expenses: | | | |
| Program service | 4,041,088 | - | 4,041,088 |
| Management and general | 18,549 | - | 18,549 |
| Fundraising | <u>119,091</u> | <u>-</u> | <u>119,091</u> |
| Total expenses | <u>4,178,728</u> | <u>-</u> | <u>4,178,728</u> |
| Change in net assets | 169,770 | (70,152) | 99,618 |
| Net assets, beginning of year | <u>731,062</u> | <u>632,573</u> | <u>1,363,635</u> |
| Net assets, end of year | <u>\$ 900,832</u> | <u>\$ 562,421</u> | <u>\$ 1,463,253</u> |

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

CENTER FOR NEIGHBORHOOD ENTERPRISE

STATEMENT OF ACTIVITIES

Years Ended December 31, 2014

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|---------------------|
| Revenues and other support: | | | |
| Federal grants | \$ 414,233 | \$ - | \$ 414,233 |
| Local grants | 2,603,676 | - | 2,603,676 |
| Contributions: | | | |
| Foundations | 436,067 | 325,510 | 761,577 |
| Corporations | 80,285 | - | 80,285 |
| Individuals | 113,533 | - | 113,533 |
| Interest and dividends | 4,214 | - | 4,214 |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | <u>66,855</u> | <u>(66,855)</u> | <u>-</u> |
| Total revenues and other support | <u>3,718,863</u> | <u>258,655</u> | <u>3,977,518</u> |
| Expenses: | | | |
| Program service | 3,627,707 | - | 3,627,707 |
| Management and general | 1,527 | - | 1,527 |
| Fundraising | <u>136,745</u> | <u>-</u> | <u>136,745</u> |
| Total expenses | <u>3,765,979</u> | <u>-</u> | <u>3,765,979</u> |
| Change in net assets | (47,116) | 258,655 | 211,539 |
| Net assets, beginning of year | <u>778,178</u> | <u>373,918</u> | <u>1,152,096</u> |
| Net assets, end of year | <u>\$ 731,062</u> | <u>\$ 632,573</u> | <u>\$ 1,363,635</u> |

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

CENTER FOR NEIGHBORHOOD ENTERPRISE

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 99,618 | \$ (91,748) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 4,985 | 4,984 |
| (Increase) decrease in operating assets: | | |
| Grants receivable | (127,741) | 13,486 |
| Contributions receivable | 12,000 | (32,000) |
| Other receivables | 1,520 | 1,029 |
| Prepaid expenses and deposits | 265 | (16,189) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 15,140 | 1,421 |
| Accrued expenses | 18,461 | 20,640 |
| Refundable advance | (31,367) | 384,767 |
| Deferred rent | <u>(26,929)</u> | <u>(23,794)</u> |
| Net cash provided by (used in) operating activities | <u>(34,048)</u> | <u>262,596</u> |
| Net increase (decrease) in cash and cash equivalents | (34,048) | 262,596 |
| Cash and cash equivalents, beginning of year | <u>1,842,865</u> | <u>1,580,269</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,808,817</u> | <u>\$ 1,842,865</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. Effective August 2016, the Center registered to conduct business as Woodson Center.

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, 2015 and 2014, the Center was not in receipt of any outstanding conditional promises to give. At December 31, 2015 and 2014, contributions receivable consisted of an amount due from a donor within one year totaling \$25,000 and \$37,000, respectively. No allowance for potential losses was considered necessary at December 31, 2015 and 2014.

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, 2015 and 2014, 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).

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, 2015, have been evaluated for possible adjustment to or disclosure in the financial statements is November 10, 2016 which is the date the financial statements were available to be issued.

CENTER FOR NEIGHBORHOOD ENTERPRISE

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - PRIOR PERIOD ADJUSTMENT

The 2014 financial statements have been restated to reflect adjustments necessary to present net assets in accordance with accounting principles generally accepted in the United States. Management has determined that certain contributions were included in refundable advances but should have been recognized as temporarily restricted contributions. As a result, unrestricted and temporarily restricted net assets, as of January 1, 2014, were increased by \$5,000 and \$295,000, respectively, and refundable advances were reduced by \$300,000. For the year ended December 31, 2014, grant revenue increased and refundable advances decreased, resulting in an increase in the change in net assets previously reported of \$303,000. Temporarily restricted net assets increased by \$603,000 as of December 31, 2014, the net effect of both years.

3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

| | 2015 | 2014 |
|--|----------|----------|
| 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 | 82,737 | 77,752 |
| | \$ 1,247 | \$ 6,232 |

4 - LEASES

The Center entered into an operating lease for office space over a ten-year period beginning March 18, 2006. The lease called 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 will be recognized to allocate the benefit of this abated rent period, as well as the escalating rent payments, throughout the term of the lease.

On February 1, 2016 the Center entered into an operating lease for office space over a five year period. The lease calls for escalation of rent payments by an average of 2.75% annually, and lease payments were abated for the initial three months of the lease. A deferred rent amount will be recognized in 2016 to allocate the benefit of the escalating rent payments and the abatement period throughout the term of the lease.

Total rent charged to operations for the years ended December 31, 2015 and 2014, was \$166,664 and \$175,641, respectively. Future minimum rental payments required under the lease, effective February 1, 2016, by year and in the aggregate, are as follows:

| | |
|------------|--------------|
| 2016 | \$ 171,043 |
| 2017 | 237,512 |
| 2018 | 244,044 |
| 2019 | 250,755 |
| 2020 | 257,651 |
| Thereafter | 154,183 |
| | \$ 1,315,188 |

CENTER FOR NEIGHBORHOOD ENTERPRISE

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - TEMPORARILY RESTRICTED NET ASSETS

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

| | 2015 | 2014 |
|---|-------------------|-------------------|
| Media Platform and National Leadership Development Institute | \$ - | \$ 26,575 |
| Cincinnati R&D | - | 2,711 |
| Milwaukee Violence Free Zone | <u>562,421</u> | <u>603,287</u> |
| | <u>\$ 562,421</u> | <u>\$ 632,573</u> |

6 - 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:

| | 2015 | 2014 |
|---|-------------------|------------------|
| Purpose restrictions accomplished: | | |
| Media Platform and National Leadership Development Institute | \$ 26,575 | \$ 47,343 |
| Cincinnati R&D | 2,711 | 2,799 |
| Violence Free Zone | <u>193,666</u> | <u>16,713</u> |
| | <u>\$ 222,952</u> | <u>\$ 66,855</u> |

7 - 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, 2015 and 2014, was approximately \$27,500 each year.

8 - CONCENTRATIONS

During the years ended December 31, 2015 and 2014, the Center received 11% of its revenue from a grant from the U.S. Government. The Center received 46% and 58% of its revenue from one local government grant in the years ended December 31, 2015 and 2014, respectively. An additional 12% of revenue was received from an additional local grant for the year ended December 31, 2015 versus 5% in the year ended December 31, 2014. During the years ended December 31, 2015 and 2014, 10% and 9%, respectively, of the Center's revenue was derived from one foundation contributor.

9 - 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

Year Ended December 31, 2015
with Comparative Totals for the Year Ended December 31, 2014

| | Program Services | | |
|---|-----------------------|-------------------|------------------------------|
| | Violence Free Zone | Other Programs | Total Program Services |
| Revenues: | | | |
| Federal grant funds | \$ 471,240 | \$ - | \$ 471,240 |
| Local grants | 2,470,704 | 306,894 | 2,777,598 |
| Contributions, including net assets released from restrictions | 290,000 | 562,112 | 852,112 |
| Interest and dividend income | - | - | - |
| | <u>\$ 3,231,944</u> | <u>\$ 869,006</u> | <u>\$ 4,100,950</u> |
| Expenses: | | | |
| Salaries and benefits | \$ 187,148 | 311,889 | \$ 499,037 |
| Consultants | 584,401 | 176,696 | 761,097 |
| Computer expenses | - | - | - |
| Insurance | - | - | - |
| Office expenses | 273 | 386 | 659 |
| Postage and delivery | 777 | 147 | 924 |
| Printing and publications | 343 | 218 | 561 |
| Professional fees | - | - | - |
| Rent | 35,313 | 68,541 | 103,854 |
| Subgrants and contracts | 2,241,518 | - | 2,241,518 |
| Vouchers | 5,750 | 45,000 | 50,750 |
| Ads/Recruitment | - | 604 | 604 |
| Telephone and fax | 220 | 896 | 1,116 |
| Depreciation and amortization | - | - | - |
| Conference and banquets | - | 8,312 | 8,312 |
| Travel and entertainment | 5,811 | 51,517 | 57,328 |
| Other | - | 335 | 335 |
| | <u>3,061,554</u> | <u>664,541</u> | <u>3,726,095</u> |
| Total direct expenses | | | |
| Allocation of indirect costs | <u>230,498</u> | <u>84,495</u> | <u>314,993</u> |
| | <u>\$ 3,292,052</u> | <u>\$ 749,036</u> | <u>\$ 4,041,088</u> |

(Continued)

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

Year Ended December 31, 2015
 with Comparative Totals for the Year Ended December 31, 2014

| | Support Services | | | 2015 Total | 2014 Total |
|---|--|---------------------------|------------------------------|----------------------------|----------------------------|
| | Development Campaign (Fundraising) | Management and General | Total Support Services | | |
| Revenues: | | | | | |
| Federal grant funds | \$ - | \$ - | \$ - | \$ 471,240 | \$ 414,233 |
| Local grants | - | 700 | 700 | 2,778,298 | 2,603,676 |
| Contributions, including net assets released from restrictions | 47,500 | 125,000 | 172,500 | 1,024,612 | 955,395 |
| Interest and dividend income | - | 4,196 | 4,196 | 4,196 | 4,214 |
| Total revenues | <u>\$ 47,500</u> | <u>\$ 129,896</u> | <u>\$ 177,396</u> | <u>\$ 4,278,346</u> | <u>\$ 3,977,518</u> |
| Expenses: | | | | | |
| Salaries and benefits | \$ 83,395 | \$ 127,807 | \$ 211,202 | \$ 710,239 | \$ 722,913 |
| Consultants | - | 86,935 | 86,935 | 848,032 | 290,264 |
| Computer expenses | - | 3,019 | 3,019 | 3,019 | 2,288 |
| Insurance | - | 7,097 | 7,097 | 7,097 | 7,073 |
| Office expenses | 601 | 5,298 | 5,899 | 6,558 | 5,830 |
| Postage and delivery | 69 | 271 | 340 | 1,264 | 1,160 |
| Printing and publications | - | 27 | 27 | 588 | 1,274 |
| Professional fees | - | 21,400 | 21,400 | 21,400 | 29,076 |
| Rent | 11,014 | 51,796 | 62,810 | 166,664 | 175,641 |
| Subgrants and contracts | - | - | - | 2,241,518 | 2,417,123 |
| Vouchers | - | - | - | 50,750 | 2,111 |
| Ads/Recruitment | - | - | - | 604 | 128 |
| Telephone and fax | - | 11,095 | 11,095 | 12,211 | 13,474 |
| Depreciation and amortization | - | 4,985 | 4,985 | 4,985 | 4,984 |
| Conference and banquets | - | - | - | 8,312 | 29,028 |
| Travel and entertainment | 2,703 | 11,261 | 13,964 | 71,292 | 52,577 |
| Other | 111 | 23,749 | 23,860 | 24,195 | 11,035 |
| Total direct expenses | <u>97,893</u> | <u>354,740</u> | <u>452,633</u> | <u>4,178,728</u> | <u>3,765,979</u> |
| Allocation of indirect costs | <u>21,198</u> | <u>(336,191)</u> | <u>(314,993)</u> | - | - |
| Total expenses | <u>\$ 119,091</u> | <u>\$ 18,549</u> | <u>\$ 137,640</u> | <u>\$ 4,178,728</u> | <u>\$ 3,765,979</u> |

See Independent Auditor's Report

CENTER FOR NEIGHBORHOOD ENTERPRISE

INDIRECT COST RATE CALCULATION

Year Ended December 31, 2015

| | |
|---|---------------------|
| Indirect expenses: | |
| Salaries and benefits | \$ 127,807 |
| Consultants | 86,935 |
| Computer expense | 3,019 |
| Insurance | 7,097 |
| Office and training expense | 5,298 |
| Postage and delivery | 268 |
| Printing and publications | 27 |
| Professional fees | 23,234 |
| Rent | 51,796 |
| Telephone and fax | 11,095 |
| Board | 154 |
| Depreciation and amortization | 4,985 |
| Travel and entertainment | 11,261 |
| Dues, fees, and subscriptions | 459 |
| Parking and transportation | 5,771 |
| Bank charges | <u>285</u> |
| Total indirect expenses | <u>\$ 339,491</u> |
| Direct costs: | |
| Program services | \$ 3,726,095 |
| Fundraising | 97,893 |
| Management and general | 15,150 |
| Less bank charges | <u>(531)</u> |
| Total direct costs | 3,838,607 |
| Less: subgrant costs | <u>2,241,518</u> |
| Allowable direct expenses | <u>\$ 1,597,089</u> |
| Allowable indirect expenses as a percentage of direct costs | <u>21.26 %</u> |

See Independent Auditor's Report.

**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, 2015 and 2014, 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 November 10, 2016.

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." with a small dot above the 'i' in "Kawash".

Charleston, West Virginia
November 10, 2016