

FINANCIAL STATEMENTS TOGETHER WITH  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**NON-PROFIT ASSISTANCE CORPORATION**

For the years ended December 31, 2008 and 2007

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors

**Non-Profit Assistance Corporation:**

We have audited the accompanying statements of financial position of Non-Profit Assistance Corporation (“N-PAC”), a wholly controlled entity of the Structured Employment Economic Development Corporation, as of December 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of N-PAC’s management. 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 as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of N-PAC’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Non-Profit Assistance Corporation as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*GRANT THORNTON LLP*

New York, New York  
June 30, 2009

Non-Profit Assistance Corporation

**STATEMENTS OF FINANCIAL POSITION**

As of December 31, 2008 and 2007

ASSETS	<u>2008</u>	<u>2007</u>
Assets:		
Cash and cash equivalents	\$ 623,980	\$ 3,347,008
Grants receivable (Note C)	712,157	962,048
Other receivables (Note D)	560,400	655,672
Security deposits and other assets	<u>6,200</u>	<u>14,986</u>
Total assets	<u>\$ 1,902,737</u>	<u>\$ 4,979,714</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Liabilities:		
Accounts payable and accrued expenses	\$ 658,453	\$ 962,781
Refundable contract advances (Note E)	1,522,721	2,092,594
Loans payable (Note F)	-	300,000
Due to related organizations (Note G)	<u>99,166</u>	<u>2,576,416</u>
Total liabilities	<u>2,280,340</u>	<u>5,931,791</u>
Commitments and contingencies		
Net assets (deficit):		
Unrestricted	<u>(377,603)</u>	<u>(952,077)</u>
Total net assets (deficit)	<u>(377,603)</u>	<u>(952,077)</u>
Total liabilities and net assets (deficit)	<u>\$ 1,902,737</u>	<u>\$ 4,979,714</u>

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

Non-Profit Assistance Corporation

**STATEMENTS OF ACTIVITIES**

For the years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Support and revenue:		
Grants and contracts (Note H)	\$ 6,453,551	\$ 5,717,458
Other revenue	58,000	-
Total support and revenue	<u>6,511,551</u>	<u>5,717,458</u>
Expenses:		
Program services:		
Workforce operation	5,937,077	5,830,748
Asset building	-	17,091
Supporting services:		
Management and general	-	105
Total expenses	<u>5,937,077</u>	<u>5,847,944</u>
Change in net assets	<u>574,474</u>	<u>(130,486)</u>
Net assets (deficit) - unrestricted, beginning of year	<u>(952,077)</u>	<u>(821,591)</u>
Net assets (deficit) - unrestricted, end of year	<u>\$ (377,603)</u>	<u>\$ (952,077)</u>

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

Non-Profit Assistance Corporation

**STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended December 31, 2008

	Program Services Workforce Development	Management and General	Total
Salaries	\$ 731,204	\$ -	\$ 731,204
Employee benefits and payroll taxes	<u>177,445</u>	<u>-</u>	<u>177,445</u>
Total employee compensation	908,649	-	908,649
Program grant expenses	4,778,466	-	4,778,466
Professional fees	32,438	-	32,438
Occupancy	98,740	-	98,740
Insurance	4,053	-	4,053
Recruitment and temporary personnel	8,653	-	8,653
Supplies and equipment rental	30,086	-	30,086
Printing and publication	769	-	769
Postage and deliveries	6,172	-	6,172
Travel and related	533	-	533
Telephone	13,032	-	13,032
Legal and accounting	24,588	-	24,588
Interest	5,798	-	5,798
Other	<u>25,100</u>	<u>-</u>	<u>25,100</u>
Total expenses	<u>\$ 5,937,077</u>	<u>\$ -</u>	<u>\$ 5,937,077</u>

*The accompanying notes are an integral part of this statement.*

Non-Profit Assistance Corporation

**STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended December 31, 2007

	Program Services			Management and General	Total
	Workforce Development	Asset Building	Total Program Services		
Salaries	\$ 715,065	\$ -	\$ 715,065	\$ -	\$ 715,065
Employee benefits and payroll taxes	173,910	-	173,910	-	173,910
Total employee compensation	888,975	-	888,975	-	888,975
Program grant expenses	4,735,939	15,000	4,750,939	-	4,750,939
Professional fees	1,500	-	1,500	-	1,500
Occupancy	94,426	1,249	95,675	-	95,675
Insurance	5,419	72	5,491	-	5,491
Recruitment and temporary personnel	6,789	-	6,789	-	6,789
Supplies and equipment rental	9,444	101	9,545	-	9,545
Printing and publication	3,973	-	3,973	-	3,973
Postage and deliveries	6,498	32	6,530	-	6,530
Travel and related	5,938	-	5,938	-	5,938
Telephone	13,495	159	13,654	-	13,654
Repairs and maintenance	13,389	177	13,566	-	13,566
Legal and accounting	16,681	217	16,898	-	16,898
Information system development	5,462	71	5,533	-	5,533
Interest	20,848	-	20,848	-	20,848
Other	1,972	13	1,985	105	2,090
Total expenses	<u>\$ 5,830,748</u>	<u>\$ 17,091</u>	<u>\$ 5,847,839</u>	<u>\$ 105</u>	<u>\$ 5,847,944</u>

*The accompanying notes are an integral part of this statement.*

Non-Profit Assistance Corporation

**STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ 574,474	\$ (130,486)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Changes in:		
Grants receivable	249,891	91,152
Other receivables	95,272	575,006
Security deposits and other assets	8,786	(14,386)
Accounts and accrued expenses payable	(304,328)	(1,256,224)
Refundable contract advances	(569,873)	254,835
Due to related organizations	(2,477,250)	1,629,238
Net cash (used in) provided by operating activities	<u>(2,423,028)</u>	<u>1,149,135</u>
Cash flows from financing activities:		
Payments on loans payable	(300,000)	-
Proceeds from loans payable	-	300,000
Net cash (used in) provided by financing activities	<u>(300,000)</u>	<u>300,000</u>
Net (decrease) increase in cash and cash equivalents	<u>(2,723,028)</u>	<u>1,449,135</u>
Cash and cash equivalents, beginning of year	<u>3,347,008</u>	<u>1,897,873</u>
Cash and cash equivalents, end of year	<u>\$ 623,980</u>	<u>\$ 3,347,008</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 7,666</u>	<u>\$ 17,039</u>

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

Non-Profit Assistance Corporation

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2008 and 2007

**NOTE A - ORGANIZATION**

The Non-Profit Assistance Corporation ("N-PAC"), a wholly controlled entity of the Structured Employment Economic Development Corporation ("Seedco"), is a not-for-profit organization which implements workforce development programs designed by Seedco in partnership with faith and community-based organizations. As part of its work, N-PAC develops and manages the infrastructure of these programs, including centralized data management and program administration.

N-PAC is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*1. Basis of Accounting*

The accompanying financial statements have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Accordingly, net assets of N-PAC are classified based upon the existence or absence of donor-imposed restrictions, as follows:

Unrestricted - net assets from resources that are not subject to donor restrictions and are, therefore, available for operating purposes.

Temporarily Restricted - net assets that are subject to donor-imposed stipulations that will be met by either the actions of N-PAC or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted - net assets that are subject to donor-imposed stipulations requiring the corpus of the gift to be retained in perpetuity. Generally, donors of such resources allow the use of income for general or specific purposes.

At December 31, 2008 and 2007, N-PAC did not have any temporarily or permanently restricted net assets.

Non-Profit Assistance Corporation

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2008 and 2007

**NOTE B (continued)**

2. *Cash and Cash Equivalents*

For financial reporting purposes, N-PAC considers short-term investments having a maturity at the date of purchase of three months or less to be cash equivalents. Substantially all of N-PAC's cash and cash equivalents at year-end were held in various financial institutions. To minimize risk, N-PAC maintains its cash deposits in high-credit quality institutions.

3. *Grant and Other Receivables*

Receivables are evaluated for collectability and, if appropriate, an allowance for doubtful accounts is recorded. For the years ended December 31, 2008 and 2007, an allowance was not deemed necessary.

4. *Grant Revenue*

Grants to N-PAC represent contractual agreements that are based upon performance and/or cost-reimbursements, which require the performance of certain services and/or attainment of certain milestones before revenue can be recognized.

5. *Concentration of Credit and Market Risks*

Financial instruments that potentially expose N-PAC to concentrations of credit risk consist primarily of cash maintained in bank accounts which, at times, may exceed federally insured limits. However, management believes that N-PAC does not face a significant risk of loss on these accounts due to the failure of such financial institutions.

6. *Functional Allocation of Expenses*

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

7. *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 the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Non-Profit Assistance Corporation

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE B (continued)

8. *Income Taxes*

In July 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes – an interpretation of FASB No. 109” (“FIN 48”). FIN 48 prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Only tax positions meeting the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption of this interpretation. FIN 48 also provides guidance on accounting for derecognition, interest and penalties, and classification and disclosure of matters related to uncertainty in income taxes. FIN 48 will require adjustment to the opening balance of net assets for the cumulative effect of the difference in the net amount of assets and liabilities for all open tax positions not meeting the more-likely-than-not recognition threshold at the effective date, which for certain nonpublic entities is for fiscal years beginning after December 15, 2008. N-PAC is assessing the impact, if any, which the adoption of FIN 48 will have on its financial position, changes in net assets, and cash flows. However, as per FASB Staff Position (“FSP”) FIN 48-3, “Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises,” N-PAC has elected to defer the effective date of FIN 48 until fiscal year 2010.

NOTE C - GRANTS RECEIVABLE

At December 31, 2008 and 2007, grants receivable consisted of the following:

	<u>2008</u>	<u>2007</u>
City of New York Human Resources Administration - Back to Work Program	\$ 227,684	\$ 349,794
City of New York Department of Small Business Services - Special Population - Limited English Proficiency	286,011	439,736
State of New York Department of Labor - Wage Subsidy Program	43,047	-
State of New York Office of Temporary and Disability Assistance – Wage Subsidy Program	155,415	-
State of New York Department of Labor - Family Loan Program	-	172,518
	<u>\$ 712,157</u>	<u>\$ 962,048</u>

Non-Profit Assistance Corporation

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2008 and 2007

**NOTE D - OTHER RECEIVABLES**

N-PAC advances funds to community-based organizations (“CBOs”) that work with N-PAC on various programs. Advances to CBOs are reduced as services are performed. At December 31, 2008 and 2007, there were advances to CBOs for the following programs:

	<u>2008</u>	<u>2007</u>
Back to Work Program	\$ 547,762	\$ 547,762
Individual Development Account Program	12,638	83,797
Employment Service Program	-	18,221
Earn Benefits	-	5,892
	<u>\$ 560,400</u>	<u>\$ 655,672</u>

**NOTE E - REFUNDABLE CONTRACT ADVANCES**

In accordance with a memorandum of agreement with the United Way of New York City (“United Way”), the United Way acts as a fiscal agent for participation in the programs of N-PAC and assumes some of the risk for the performance of CBOs. The United Way’s exposure under the agreement for non-performance of services by the CBOs is \$1,000,000. Other funding agencies also provide advances to operate various programs. At December 31, 2008 and 2007, N-PAC had the following refundable contract advances:

	<u>2008</u>	<u>2007</u>
United Way of New York City	\$ 341,065	\$ 910,938
United States Department of Health and Human Services - Individual Development Account Program	121,422	121,422
City of New York Human Resources Administration - Back to Work Program	<u>1,060,234</u>	<u>1,060,234</u>
	<u>\$ 1,522,721</u>	<u>\$ 2,092,594</u>

**NOTE F - LOANS PAYABLE**

N-PAC established a line of credit with Citibank for \$750,000, with interest payable at the bank’s prime rate plus 1%. At December 31, 2007, the amount owed from drawdowns under this line of credit totaled \$300,000. This line of credit was repaid and terminated in 2008.

Non-Profit Assistance Corporation

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2008 and 2007

**NOTE G - RELATED ORGANIZATIONS**

Seedco provides various program implementation and office support services to N-PAC. For the years ended December 31, 2008 and 2007, the total amount due to Seedco for services provided amounted to \$99,166 and \$2,576,416 in 2008 and 2007, respectively.

**NOTE H - GRANTS AND CONTRACTS REVENUE**

During 2008, N-PAC earned revenue from agreements with the following funding agencies:

	<u>2008</u>	<u>2007</u>
City of New York Human Resources Administration - Back to Work Program	\$ 5,981,555	\$ 4,009,932
City of New York Department of Small Business Services - Special Population - Limited English Proficiency	136,198	1,216,767
State of New York Department of Labor - Wage Subsidy Program	145,271	67,887
State of New York Office of Temporary & Disability Assistance - Wage Subsidy Program	<u>190,527</u>	<u>422,872</u>
	<u>\$ 6,453,551</u>	<u>\$ 5,717,458</u>

**NOTE I - COMMITMENTS AND CONTINGENCIES**

N-PAC receives most of its revenues from federal, state and local governments. Any significant reduction in the level of this income could have an adverse effect on the programs that N-PAC provides. These contractual agreements are on a performance and/or cost-reimbursement basis, which requires performance of certain services and/or attainment of certain milestones before revenue may be recognized. Pursuant to N-PAC's contractual relationships with certain governmental funding sources, certain government grants may be subject to audit by the respective funding sources. Management does not believe that any disallowance from any potential future audits will have a material impact on the accompanying financial statements and, as a result, no provision for such disallowances has been reflected in the accompanying financial statements.