

CLIMB
d/b/a CLIMB WYOMING

FINANCIAL REPORT

SEPTEMBER 30, 2012

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION**

To the Board of Directors
CLIMB d/b/a CLIMB Wyoming
Cheyenne, Wyoming

We have audited the accompanying statements of financial position of CLIMB d/b/a CLIMB Wyoming as of September 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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. 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 the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 the Organization as of September 30, 2012 and 2011, 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information 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 audits 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.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
March 12, 2013

CLIMB
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STATEMENTS OF FINANCIAL POSITION
September 30, 2012 and 2011

ASSETS	2012	2011
Current Assets		
Cash	\$ 339,808	\$ 570,957
Certificates of deposit	956,269	835,068
Contracts receivable	39,571	-
Grants receivable	492,885	283,443
Pledges receivable, net of doubtful accounts (2012 \$8,170; 2011 \$327)	118,143	95,365
Prepaid contracted services	5,949	3,260
Prepaid rent and insurance	17,772	17,520
	1,970,397	1,805,613
Noncurrent Assets		
Cash held for permanent endowment (Note 3)	300,000	-
Certificates of deposit	-	111,489
Pledges receivable	152,385	1,200
Furniture and equipment, net of accumulated depreciation (2012 \$99,160; 2011 \$96,798)	28,438	22,877
	480,823	135,566
Total assets	\$ 2,451,220	\$ 1,941,179
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 68,697	\$ 17,991
Deferred revenue	15,500	-
Total liabilities	84,197	17,991
Net Assets		
Unrestricted	1,652,519	1,622,687
Temporarily restricted (Note 3)	414,504	300,501
Permanently restricted (Note 3)	300,000	-
Total net assets	2,367,023	1,923,188
Total liabilities and net assets	\$ 2,451,220	\$ 1,941,179

See Notes to Financial Statements.

CLIMB

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STATEMENTS OF ACTIVITIES

Years Ended September 30, 2012 and 2011

	2012				2011		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Additions to Net Assets							
Federal grant revenue	\$ 2,759,797	\$ -	\$ -	\$ 2,759,797	\$ 3,361,918	\$ -	\$ 3,361,918
State and local grant revenue	227,362	-	-	227,362	112,331	-	112,331
Foundation and corporate grant revenue	-	71,792	-	71,792	3,000	30,075	33,075
Individual and corporate donation income	531,124	292,961	300,000	1,124,085	225,068	152,323	377,391
Contracted services income	39,571	-	-	39,571	-	-	-
Interest income	9,824	-	-	9,824	18,627	-	18,627
Miscellaneous income	3,181	-	-	3,181	1,393	1,642	3,035
	3,570,859	364,753	300,000	4,235,612	3,722,337	184,040	3,906,377
Net Assets Released from Restrictions	250,750	(250,750)	-	-	213,468	(213,468)	-
Total revenue and additions	3,821,609	114,003	300,000	4,235,612	3,935,805	(29,428)	3,906,377
Expenses and Reductions in Net Assets							
Program services	3,210,917	-	-	3,210,917	3,137,956	-	3,137,956
Management and support	276,799	-	-	276,799	267,220	-	267,220
Fundraising	304,061	-	-	304,061	269,779	-	269,779
Total expenses and reductions	3,791,777	-	-	3,791,777	3,674,955	-	3,674,955
Net increase (decrease) in net assets	29,832	114,003	300,000	443,835	260,850	(29,428)	231,422
Net Assets, beginning of year	1,622,687	300,501	-	1,923,188	1,361,837	329,929	1,691,766
Net Assets, end of year	\$ 1,652,519	\$ 414,504	\$ 300,000	\$ 2,367,023	\$ 1,622,687	\$ 300,501	\$ 1,923,188

See Notes to Financial Statements.

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STATEMENTS OF CASH FLOWS
Years Ended September 30, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Net increase in net assets	\$ 443,835	\$ 231,422
Adjustments to reconcile net increase in net assets to net cash provided by (used in) operating activities:		
Donations restricted for permanent endowments	(300,000)	-
Depreciation	18,477	18,488
Change in operating assets and liabilities:		
Prepaid expenses	(2,941)	(6,887)
Receivables	(422,976)	(90,724)
Accounts payable and accrued expenses	50,706	2,367
Deferred revenue	15,500	(2,000)
Net cash provided by (used in) operating activities	(197,399)	152,666
Cash Flows from Investing Activities		
Cash held for permanent endowment	(300,000)	-
Purchase of certificates of deposit	(844,780)	(117,538)
Redemption of certificates of deposit	835,068	206,070
Purchase of property and equipment	(24,038)	(24,108)
Net cash provided by (used in) investing activities	(333,750)	64,424
Cash Flows from Financing Activities		
Donations restricted for permanent endowments	300,000	-
Increase in cash	(231,149)	217,090
Cash		
Beginning	570,957	353,867
Ending	\$ 339,808	\$ 570,957

See Notes to Financial Statements.

CLIMB
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NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: CLIMB d/b/a CLIMB Wyoming (the “Organization”) is a non-profit corporation which operates solely for charitable purposes of training and placing low-income single mothers in jobs that successfully support their families. The Organization achieves this mission through CLIMB Wyoming programs that provide employer driven job skills training and placement, life skills training, counseling and the support necessary to ensure self-sufficiency and long-term success.

Basis of presentation: The Organization has adopted the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification (ASC), as the basis of presentation of its financial statements. This Topic, being ASC 958, establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. It also requires the Organization to distinguish between contributions received for each net asset category in accordance with donor imposed conditions. A description of the three net asset categories follows:

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

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

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

A summary of significant accounting policies follows:

Income taxes: The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Organization are deductible as allowed under Section 170 of the Code.

Management evaluated the Organization’s tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustments to the financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. Federal, state or local tax authorities except for the last three years filed.

Cash: The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

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NOTES TO FINANCIAL STATEMENTS

Pledges receivable: Pledges receivable represents amounts committed by donors that have not been received by the Organization. Pledges receivable, that are expected to be collected within one year, are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using an interest rate of 4% for the years ended September 30, 2012 and 2011. Amortization of the discount is included in donation income. The unamortized discount was \$20,015 and \$253 as of September 30, 2012 and 2011, respectively.

Gross pledges receivable, prior to the discount and allowance for doubtful accounts, as of September 30, 2012 and 2011 are due in:

	<u>2012</u>	<u>2011</u>
Less than one year	\$ 126,313	\$ 95,692
One to five years	172,400	1,453
	<u><u>\$ 298,713</u></u>	<u><u>\$ 97,145</u></u>

Depreciation: The Organization follows the policy of charging to operating expenses annual amounts of depreciation which allocates the cost of furniture and equipment over their estimated useful lives. The Organization employs the straight-line method of determining the annual charge for depreciation. Furniture and equipment are depreciated over their useful lives of three to seven years. Expenditures for repairs and maintenance are expensed when incurred.

Grant revenue: Grant revenue is recognized when earned through expenditure. Grant revenue is deferred when amounts received from grant and contract sponsors have not yet been earned under the terms of the agreement.

Gifts and contributions: Unconditional donor promises to give cash and other assets are reported at fair value at the date that there is sufficient verifiable evidence documenting that a promise was made by the donor and received by the Organization. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that sufficiently 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 are reported on the statement of activities as net assets released from restrictions.

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 may differ from those estimates.

Subsequent events: Events occurring subsequent to the statement of financial position date have been evaluated for financial statement impact or disclosure through March 12, 2013, the date the financial statements were available to be issued.

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NOTES TO FINANCIAL STATEMENTS

Note 2. Related Party Transactions

During the years ended September 30, 2012 and 2011, the Organization contracted with related parties for office space in the amounts of \$130,301 and \$129,333, respectively, and for consulting services in the amounts of \$185,952 and \$123,109, respectively. During the years ended September 30, 2012 and 2011, the Organization received donations from related parties totaling \$7,508 and \$3,967, respectively, and had pledges receivable from related parties at year end totaling \$13,954 and \$3,004, respectively.

Note 3. Restricted Funds and Endowment

The Organization 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.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors. Net assets released from restrictions amounted to \$250,750 and \$213,468 during the years ended September 30, 2012 and 2011, respectively. As of September 30, 2012 and 2011, temporarily restricted net assets of \$414,504 and \$300,501, respectively, are available for donor specified CLIMB Wyoming programs, geographic locations, or expenditure classes.

During the year ended September 30, 2012, the Organization received a \$300,000 donor-restricted endowment, which is classified within permanently restricted net assets. As of September 30, 2012, these permanent endowment funds are temporarily being held as cash until suitable investment opportunities are identified. In accordance with the endowment agreement, the income earned by the permanent endowment shall be used for initiatives that address the operational priorities and mission of the Organization.

The changes in endowment net asset composition by type of funds during the year ended September 30, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ -	\$ -
Investment return:				
Interest income	-	-	-	-
Contributions	-	-	300,000	300,000
Appropriation for expenditures	-	-	-	-
Releases	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>

NOTES TO FINANCIAL STATEMENTS

The Organization has interpreted Wyoming's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent any explicit donor stipulation to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets: a) the original value of gifts donated to the permanent endowment, b) the original value of subsequent gifts to the permanent endowment, and c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund;
2. The purposes of the Organization and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Organization; and
7. The investment policies of the Organization.

Endowment return objectives, risk parameters and spending policy: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. It is the Organization's policy to appropriate actual earnings on endowment investments.

Note 4. Economic Dependence

During the years ended September 30, 2012 and 2011, the Organization was highly dependent on grant revenue and contracted services revenue received from the State of Wyoming through grants and contracts provided by the Departments of Family Services and Work Force Services. Revenue from these sources accounted for approximately 61% and 78% of total revenue for the years ended September 30, 2012 and 2011, respectively.

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NOTES TO FINANCIAL STATEMENTS

Note 5. Lease Commitments

The Organization leases office space and a phone system under various leases which expire through May 31, 2016. The total minimum lease commitment at September 30, 2012 under these leases is as follows:

2013	\$	258,910
2014		137,102
2015		82,919
2016		34,275
	\$	<u>513,206</u>

The total rent expense included in the statement of activities for the years ended September 30, 2012 and 2011 is \$357,448 and \$304,391, respectively.

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SCHEDULES OF FUNCTIONAL EXPENSES
Years Ended September 30, 2012 and 2011

	2012				2011			
	Program Services	Management and Support	Fundraising	Total	Program Services	Management and Support	Fundraising	Total
Program coordination and salary	\$ 1,316,080	\$ 164,510	\$ 164,510	\$ 1,645,100	\$ 1,213,781	\$ 151,723	\$ 151,723	\$ 1,517,227
Facility	329,279	41,160	41,160	411,599	300,042	37,505	37,505	375,052
Participant wage reimbursement	293,297	-	-	293,297	393,939	-	-	393,939
Participant tuition	265,365	-	-	265,365	228,659	-	-	228,659
Participant and employer recruitment	184,564	-	-	184,564	141,801	-	-	141,801
Employer payroll taxes	135,400	16,925	16,925	169,250	123,237	15,405	15,405	154,047
Mental health provider	135,286	-	-	135,286	131,975	-	-	131,975
Participant incentives	121,957	-	-	121,957	117,045	-	-	117,045
Employee benefits	90,363	11,295	11,295	112,953	66,736	8,342	8,342	83,420
Contracted services	75,248	19,736	2,200	97,184	64,769	17,388	1,866	84,023
Participant group life skills training	65,554	-	-	65,554	70,586	-	-	70,586
Fundraising expense	-	-	55,358	55,358	-	-	27,572	27,572
Staff development and training	41,744	6,660	5,218	53,622	112,005	14,897	14,001	140,903
Participant career clothing	51,845	-	-	51,845	57,804	-	-	57,804
Office supplies	27,150	3,394	3,394	33,938	40,747	5,093	5,093	50,933
Staff travel	19,006	9,218	-	28,224	12,626	12,895	-	25,521
Depreciation expense	14,781	1,848	1,848	18,477	14,790	1,849	1,849	18,488
Insurance	12,069	1,509	1,509	15,087	10,909	1,364	1,364	13,637
Graduate services	13,704	-	-	13,704	9,956	-	-	9,956
Participant recognition events	6,730	-	-	6,730	5,995	-	-	5,995
Participant transportation assistance	6,579	-	-	6,579	10,129	-	-	10,129
Repair and maintenance	4,348	544	544	5,436	6,068	759	759	7,586
GED instruction	313	-	-	313	2,998	-	-	2,998
Substance abuse evaluation and collaborative treatment	255	-	-	255	1,359	-	-	1,359
Bad debt expense	-	-	100	100	-	-	4,300	4,300
	\$ 3,210,917	\$ 276,799	\$ 304,061	\$ 3,791,777	\$ 3,137,956	\$ 267,220	\$ 269,779	\$ 3,674,955