

CLIMB
d/b/a CLIMB WYOMING

FINANCIAL REPORT

SEPTEMBER 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of CLIMB d/b/a CLIMB Wyoming (the "Organization"), which comprise the statements of financial position as of September 30, 2013 and 2012, 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. 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 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 Organization as of September 30, 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 Matter

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

McBee, Hearne & Paiz, LLP

Cheyenne, Wyoming
January 30, 2014

CLIMB
d/b/a CLIMB Wyoming

STATEMENTS OF FINANCIAL POSITION
September 30, 2013 and 2012

ASSETS	2013	2012
Current Assets		
Cash	\$ 307,091	\$ 339,808
Certificates of deposit	747,896	956,269
Contracts receivable	-	39,571
Grants receivable	336,504	492,885
Other receivables	442	-
Pledges receivable, net of doubtful accounts (2013 \$20,086; 2012 \$8,170)	204,004	118,143
Prepaid contracted services	16,873	5,949
Prepaid rent and insurance	20,528	17,772
	1,633,338	1,970,397
Noncurrent Assets		
Cash held for permanent endowment (Note 3)	151,681	300,000
Investments held for permanent endowment (Notes 3 and 4)	146,704	-
Pledges receivable	481,783	152,385
Furniture and equipment, net of accumulated depreciation (2013 \$111,895; 2012 \$99,160)	60,000	28,438
	840,168	480,823
Total assets	\$ 2,473,506	\$ 2,451,220
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 138,657	\$ 68,697
Deferred revenue	32,500	15,500
Total liabilities	171,157	84,197
Net Assets		
Unrestricted	1,284,448	1,652,519
Temporarily restricted (Note 3)	717,901	414,504
Permanently restricted (Note 3)	300,000	300,000
Total net assets	2,302,349	2,367,023
Total liabilities and net assets	\$ 2,473,506	\$ 2,451,220

See Notes to Financial Statements.

CLIMB
d/b/a CLIMB Wyoming

STATEMENTS OF ACTIVITIES
Years Ended September 30, 2013 and 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Additions to Net Assets								
Federal grant revenue	\$ 2,754,913	\$ -	\$ -	\$ 2,754,913	\$ 2,759,797	\$ -	\$ -	\$ 2,759,797
State and local grant revenue	87,328	-	-	87,328	227,362	-	-	227,362
Foundation and corporate grant revenue	25,000	106,500	-	131,500	-	71,792	-	71,792
Individual and corporate donation income	330,756	644,493	-	975,249	531,124	292,961	300,000	1,124,085
Contracted services income	-	-	-	-	39,571	-	-	39,571
Interest income	7,343	-	-	7,343	9,824	-	-	9,824
Realized and unrealized (losses)								
on investments	(2,694)	-	-	(2,694)	-	-	-	-
Miscellaneous income	3,289	365	-	3,654	3,181	-	-	3,181
	3,205,935	751,358	-	3,957,293	3,570,859	364,753	300,000	4,235,612
Net Assets Released from Restrictions	447,961	(447,961)	-	-	250,750	(250,750)	-	-
Total revenue and additions	3,653,896	303,397	-	3,957,293	3,821,609	114,003	300,000	4,235,612
Expenses and Reductions in Net Assets								
Program services	3,156,007	-	-	3,156,007	3,210,917	-	-	3,210,917
Management and support	566,106	-	-	566,106	276,799	-	-	276,799
Fundraising	299,854	-	-	299,854	304,061	-	-	304,061
Total expenses and reductions	4,021,967	-	-	4,021,967	3,791,777	-	-	3,791,777
Net increase (decrease) in net assets	(368,071)	303,397	-	(64,674)	29,832	114,003	300,000	443,835
Net Assets, beginning of year	1,652,519	414,504	300,000	2,367,023	1,622,687	300,501	-	1,923,188
Net Assets, end of year	\$ 1,284,448	\$ 717,901	\$ 300,000	\$ 2,302,349	\$ 1,652,519	\$ 414,504	\$ 300,000	\$ 2,367,023

See Notes to Financial Statements.

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STATEMENTS OF CASH FLOWS
Years Ended September 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Net increase (decrease) in net assets	\$ (64,674)	\$ 443,835
Adjustments to reconcile net increase (decrease) in net assets to net cash (used in) operating activities:		
Donations restricted for permanent endowments	-	(300,000)
Depreciation	25,001	18,477
Realized and unrealized loss on investments	2,694	-
Change in operating assets and liabilities:		
Prepaid expenses	(13,680)	(2,941)
Receivables	(219,749)	(422,976)
Accounts payable and accrued expenses	69,960	50,706
Deferred revenue	17,000	15,500
Net cash (used in) operating activities	(183,448)	(197,399)
Cash Flows from Investing Activities		
Cash invested (held) for permanent endowment	148,319	(300,000)
Purchase of investments - permanent endowment	(149,398)	-
Purchase of certificates of deposit	(747,896)	(844,780)
Redemption of certificates of deposit	956,269	835,068
Purchase of property and equipment	(56,563)	(24,038)
Net cash provided by (used in) investing activities	150,731	(333,750)
Cash Flows from Financing Activities		
Donations restricted for permanent endowments	-	300,000
(Decrease) in cash	(32,717)	(231,149)
Cash		
Beginning	339,808	570,957
Ending	\$ 307,091	\$ 339,808

See Notes to Financial Statements.

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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, 2013 and 2012. Amortization of the discount is included in donation income. The unamortized discount was \$39,917 and \$20,015 as of September 30, 2013 and 2012, respectively.

Gross pledges receivable, prior to the discount and allowance for doubtful accounts, as of September 30, 2013 and 2012 are due in:

	2013	2012
Less than one year	\$ 224,090	\$ 126,313
One to five years	521,700	172,400
	<u>\$ 745,790</u>	<u>\$ 298,713</u>

Investments: The Organization accounts for its investments under Statement of Financial Accounting Board Codification Topic 958, *Accounting for Certain Investments Held by Not-for-Profit Organizations* (Codification Topic 958). Under Topic 958, investments in marketable securities with readily determinable fair values are valued at their fair market values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Certificates of deposit are carried at cost.

Fair value measurements: Statement of Financial Accounting Standards Board Codification Topic 820 establishes a framework for fair value measurement and disclosure. It requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The Organization has valued its investments utilizing the Level 1 approach.

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.

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NOTES TO FINANCIAL STATEMENTS

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 January 30, 2014, the date the financial statements were available to be issued.

Note 2. Related Party Transactions

During the years ended September 30, 2013 and 2012, the Organization contracted with related parties for office space in the amounts of \$112,649 and \$130,301, respectively, and for consulting services in the amounts of \$42,949 and \$185,952, respectively. During the years ended September 30, 2013 and 2012, the Organization received donations from related parties totaling \$2,625 and \$7,508, respectively, and had pledges receivable from related parties at year end totaling \$8,704 and \$13,954, 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 \$447,961 and \$250,750 during the years ended September 30, 2013 and 2012, respectively. As of September 30, 2013 and 2012, temporarily restricted net assets of \$717,901 and \$414,504, respectively, are available for donor specified CLIMB Wyoming programs, geographic locations, or expenditure classes.

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NOTES TO FINANCIAL STATEMENTS

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, 2013 and 2012, these permanent endowment funds of \$151,681 and \$300,000, respectively, are temporarily being held as cash until suitable investment opportunities are identified and the remaining \$146,704 and \$0, respectively, have been invested in equity securities and mutual funds. 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 years ended September 30, 2013 and 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2013				
Endowment net assets, beginning of year	\$ -	\$ -	\$ 300,000	\$ 300,000
Investment return:				
Interest/dividend income	1,079	-	-	1,079
Realized and unrealized (losses)	(2,694)	-	-	(2,694)
Contributions	-	-	-	-
Appropriation for expenditures	-	-	-	-
Releases	-	-	-	-
Endowment net assets, end of year	\$ (1,615)	\$ -	\$ 300,000	\$ 298,385
2012				
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	\$ -	\$ -	\$ 300,000	\$ 300,000

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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 the event the donor-restricted endowment fund experiences losses that exceed any accumulation of temporarily restricted net assets, such losses are recorded as a reduction in unrestricted net assets after all related temporarily restricted net assets have been eliminated. 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. Investments

The cost and fair values of marketable securities are as follows at December 31, 2013:

	Cost	Fair Value
Marketable securities:		
Equity securities	\$ 48,971	\$ 47,750
Mutual funds	100,259	98,954
Total marketable securities	\$ 149,230	\$ 146,704

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NOTES TO FINANCIAL STATEMENTS

Note 5. Economic Dependence

During the years ended September 30, 2013 and 2012, 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 62% and 61% of total revenue for the years ended September 30, 2013 and 2012, respectively.

Note 6. 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, 2013 under these leases is as follows:

2014	\$ 267,592
2015	140,519
2016	48,675
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	\$ 456,786
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The total rent expense included in the statement of activities for the years ended September 30, 2013 and 2012 is \$359,691 and \$357,448, respectively.

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d/b/a CLIMB Wyoming

SCHEDULES OF FUNCTIONAL EXPENSES
Years Ended September 30, 2013 and 2012

	2013				2012			
	Program Services	Management and Support	Fundraising	Total	Program Services	Management and Support	Fundraising	Total
Program coordination and salary	\$ 1,187,801	\$ 382,640	\$ 166,323	\$ 1,736,764	\$ 1,316,080	\$ 164,510	\$ 164,510	\$ 1,645,100
Facility	363,620	44,984	23,067	431,671	329,279	41,160	41,160	411,599
Participant tuition	316,507	-	-	316,507	265,365	-	-	265,365
Participant wage reimbursement	312,779	-	-	312,779	293,297	-	-	293,297
Employer payroll taxes	128,033	35,612	16,397	180,042	135,400	16,925	16,925	169,250
Participant incentives	145,690	-	-	145,690	121,957	-	-	121,957
Employee benefits	104,769	25,605	6,166	136,540	90,363	11,295	11,295	112,953
Mental health provider	124,945	-	-	124,945	135,286	-	-	135,286
Participant and employer recruitment	99,668	284	356	100,308	184,564	-	-	184,564
Contracted services	49,658	30,672	19,916	100,246	75,248	19,736	2,200	97,184
Staff development and training	43,447	20,622	13,257	77,326	41,744	6,660	5,218	53,622
Participant group life skills training	68,106	-	-	68,106	65,554	-	-	65,554
Staff travel	44,344	6,038	5,117	55,499	19,006	9,218	-	28,224
Office supplies	34,487	10,627	4,578	49,692	27,150	3,394	3,394	33,938
Participant career clothing	43,386	-	-	43,386	51,845	-	-	51,845
Fundraising expense	-	-	40,274	40,274	-	-	55,358	55,358
Depreciation expense	17,850	5,013	2,138	25,001	14,781	1,848	1,848	18,477
Insurance	14,771	2,782	-	17,553	12,069	1,509	1,509	15,087
Participant license and certification	14,108	-	-	14,108	-	-	-	-
Graduate services	10,394	-	-	10,394	13,704	-	-	13,704
Participant screenings	9,313	-	-	9,313	-	-	-	-
Participant transportation assistance	8,114	-	-	8,114	6,579	-	-	6,579
Repair and maintenance	6,270	1,227	304	7,801	4,348	544	544	5,436
Participant recognition events	5,595	-	-	5,595	6,730	-	-	6,730
Bad debt expense	-	-	1,961	1,961	-	-	100	100
GED instruction	1,850	-	-	1,850	313	-	-	313
Substance abuse evaluation and collaborative treatment	502	-	-	502	255	-	-	255
	\$ 3,156,007	\$ 566,106	\$ 299,854	\$ 4,021,967	\$ 3,210,917	\$ 276,799	\$ 304,061	\$ 3,791,777