

NATIONAL EXECUTIVE SERVICE CORPS

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED DECEMBER 31, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
National Executive Services Corps

We have audited the accompanying financial statements of National Executive Services Corps, a non-profit organization (the "Organization"), which comprise the statements of financial position of as of December 31, 2014, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements. The 2013 financial statements of National Executive Services Corps were audited by other accountants who have ceased operations and whose report dated October 28, 2014 stated that the financial statements presented fairly, in all material respects, the financial position of National Executive Services Corps as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 audit.

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 audit. We conducted our audit 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 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 National Executive Services Corps as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

L.M. Cohen & Co.

August 20, 2015

**NATIONAL EXECUTIVE SERVICE CORPS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash	\$ 189,954	\$ 149,812
Accounts receivable, net	56,135	54,924
Prepaid expenses	28,378	8,481
Loans receivable	<u>12,648</u>	<u>13,841</u>
Total current assets	287,115	227,058
Property and equipment, net	9,879	23,324
Donated artwork held for sale	25,350	25,350
Other assets	<u>48,115</u>	<u>48,111</u>
Total assets	<u>\$ 370,459</u>	<u>\$ 323,843</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 42,296	\$ 48,061
Deferred rent	<u>10,514</u>	<u>8,214</u>
Total current liabilities	<u>52,810</u>	<u>56,275</u>
Net Assets		
Unrestricted	273,549	230,468
Temporarily restricted	<u>44,100</u>	<u>37,100</u>
Total net assets	<u>317,649</u>	<u>267,568</u>
Total liabilities and net assets	<u>\$ 370,459</u>	<u>\$ 323,843</u>

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

**NATIONAL EXECUTIVE SERVICE CORPS
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014**

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Contributions	\$ 22,182	\$ 20,000	\$ 42,182
Consulting fees	453,329	-	453,329
Gain on sale on contributed investments	419	-	419
Placement fees	131,811	-	131,811
Special event revenue, net of direct costs of \$39,478	135,760	-	135,760
Volunteer time contributed	1,777,275	-	1,777,275
Net assets released from donor restrictions	13,000	(13,000)	-
	<hr/>	<hr/>	<hr/>
Total public support and revenue	2,533,776	7,000	2,540,776
Operating expenses			
Program services	2,094,294	-	2,094,294
Management and general	328,741	-	328,741
Fund raising	67,660	-	67,660
	<hr/>	<hr/>	<hr/>
Increase in net assets	43,081	7,000	50,081
	<hr/>	<hr/>	<hr/>
Net assets beginning of the year	230,468	37,100	267,568
	<hr/>	<hr/>	<hr/>
Net assets at end of year	<u>\$ 273,549</u>	<u>\$ 44,100</u>	<u>\$ 317,649</u>

**NATIONAL EXECUTIVE SERVICE CORPS
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013**

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Contributions	\$ 72,002	\$ -	\$ 72,002
Consulting fees	290,910	-	290,910
Placement fees	80,335	-	80,335
Special event revenue, net of direct costs of \$37,301	172,909	-	172,909
Volunteer time contributed	1,509,190	-	1,509,190
Net assets released from donor restrictions	63,000	(63,000)	-
	<u>2,188,346</u>	<u>(63,000)</u>	<u>2,125,346</u>
Total public support and revenue			
	2,188,346	(63,000)	2,125,346
Operating expenses			
Program services	1,864,590	-	1,864,590
Management and general	334,000	-	334,000
Fund raising	66,518	-	66,518
	<u>1,864,590</u>	<u>-</u>	<u>1,864,590</u>
Decrease in net assets	<u>(76,762)</u>	<u>(63,000)</u>	<u>(139,762)</u>
Net assets beginning of the year	<u>307,230</u>	<u>100,100</u>	<u>407,330</u>
Net assets at end of year	<u>\$ 230,468</u>	<u>\$ 37,100</u>	<u>\$ 267,568</u>

NATIONAL EXECUTIVE SERVICE CORPS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<i>Cash Flows from Operating Activities</i>		
Net increase (decrease) in net assets	\$ 50,081	\$ (139,762)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Deferred rent	2,300	5,801
Depreciation	13,445	12,541
Provision for doubtful accounts	3,445	(1,500)
Changes in operating assets and liabilities:		
Accounts receivable	(4,656)	(2,190)
Prepaid expenses	(19,897)	3,670
Loans receivable	1,193	-
Others assets	(4)	-
Accounts payable and accrued expenses	(5,765)	10,283
Interest income of certificate of deposit	-	(16)
	<u>40,142</u>	<u>(111,173)</u>
<i>Cash Flows from Investing Activities</i>		
Purchase of property and equipment	<u>-</u>	<u>(6,718)</u>
Net increase (decrease) in cash	40,142	(117,891)
Cash at beginning of year	<u>149,812</u>	<u>267,703</u>
Cash at end of year	<u><u>\$ 189,954</u></u>	<u><u>\$ 149,812</u></u>

**NATIONAL EXECUTIVE SERVICE CORPS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

National Executive Services Corps, (the "Organization") is a not-for-profit corporation, incorporated on July 18, 1977. It was formed to make a meaningful contribution to communities by strengthening the management of nonprofit organization, schools and government agencies, so that they can deliver more effectively and efficiently on their own missions. The Organization services the five boroughs of New York City, Nassau, Suffolk, Rockland and Westchester Counties; Central and Southwestern Connecticut; and New Jersey. The Organization also belongs to a national network of more than 25 independent Executive Service Corps affiliates across the country.

Basis of Presentation

In accordance with ASC No. 958-205, "*Financial Statements of Not-for-Profit Organizations*," net assets and revenues, expenses, gains and losses are classified on the basis of the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- 1) Unrestricted net assets include assets, revenues and gains that are available for support of the Organization's general operations.
- 2) Temporarily restricted net assets include contributions that are donor restricted for uses which have not yet been fulfilled either in time or by purpose. When a time restriction ends or a 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 restriction.
- 3) Permanently restricted net assets represent endowments which are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income be used for specified or general purposes.

Accounts Receivable

Accounts receivable is based on receivables related to amounts billed to clients, and presented on the statement of financial position net of the allowance for doubtful accounts. The allowance is determined by a variety of factors, including the age of the receivables, current economic conditions, historical losses and other information management obtains regarding the financial condition of clients.

**NATIONAL EXECUTIVE SERVICE CORPS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and Equipment

The Organization capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchases of property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated assets to a specific purpose. Depreciation is provided by the straight line method over the useful lives of the related assets.

Deferred Occupancy Costs

The Company leases space in New York, New York. Rent payments escalate over the life of the lease. In accordance with generally accepted accounting principles, rent expense is recognized on a straight-line basis over the lease term. Differences between the amounts expensed and paid are presented as deferred occupancy costs.

Income Tax Status

The Organization is a not-for-profit organization that is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code; the entity is also exempt from state and local income taxes. Accordingly, no provision for income taxes has been made in the financial statements.

The Organization has concluded that there are no uncertain tax positions that would require recognition in the financial statements. If the Organization were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Organization's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors. Generally, federal, state and local authorities may examine the Organization's tax returns for three years from the date of filing; consequently, the respective tax returns for years prior to 2010 are no longer subject to examination by tax authorities.

Volunteer Services

Volunteer consultants carry out a major portion of the Organizations activities. The Organization recognizes as revenue and expenses a value for the donated services of its volunteer consultants. The donated services have been valued at \$225 per hour for consultants and \$20 for interns for the years ended December 31, 2014 and 2013. The donated services have been valued at the management's estimates of the fair value of those services.

**NATIONAL EXECUTIVE SERVICE CORPS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Functional Expenses

The cost of providing the various programs and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates.

NOTE 2 - LOANS RECEIVABLE

As of December 31, 2014 and 2013, the balance of the loan receivables is \$12,648 and \$13,841, respectively. These amounts are due from employees, and are noninterest bearing with no specified repayment terms.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows for the years ended June 30:

	Estimated Useful Lives – Years	2014	2013
Computer equipment	5	\$ 144,075	\$ 144,075
Furniture and fixtures	3	34,973	34,973
Leasehold improvements	10	15,506	15,506
		<u>194,554</u>	<u>194,554</u>
Total			
Less: Accumulated depreciation		<u>184,675</u>	<u>171,231</u>
Property and equipment, net		<u>\$ 9,879</u>	<u>\$ 23,323</u>

NOTE 4 - ARTWORK

Artwork held for sale, contributed to the Organization, is stated at lower of cost (estimated market value at the date of contribution) or current market value.

**NATIONAL EXECUTIVE SERVICE CORPS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 5 - RENTAL AND LEASE INFORMATION

In May of 2007, the Organization leased a space for their office space. The lease expires July, 2017. Rent expense for the years ended December 31, 2014 and 2013 was approximately \$109,000 and \$114,000, respectively.

Future minimum annual rent payments are approximately as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2015	\$ 124,000
2016	128,000
2017	<u>76,000</u>
	<u>\$ 328,000</u>

In October of 2014, the Organization renewed a sublease agreement with a tenant through September 13, 2015, which call for monthly rental payments of approximately \$3,900 per month.

As of December 31, 2014 and 2013, the Organization had a standby letter of credit with HSBC in the amount of \$46,244 as security for the leased premises. The letter of credit is secured by an account held at HSBC in the amount of \$48,115 and \$48,111 for the years ended December 31, 2014 and 2013, respectively. The account is included within the accompanying statements of financial position as other assets.

NOTE 6 - EMPLOYEE PLAN

The Organization sponsors a 403(b) plan that is available to all employees. Employee participants may contribute amounts subject to annual IRS limitations. The Organization does not contribute to this plan.

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent events occurring through August 20, 2015, the date the financial statements were available to be issued, and there were no material subsequent events requiring disclosure.

**NATIONAL EXECUTIVE SERVICE CORPS
SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
<i>General and Administrative Expenses</i>				
Compensation and fringe benefits	\$ 314,002	\$ 77,796	\$ 43,972	\$ 435,770
Payroll taxes	26,175	6,485	3,666	36,326
Bad debt	3,445	-	-	3,445
Computer and software maintenance	930	5,545	150	6,625
Depreciation and amortization expense	8,870	3,683	892	13,445
Equipment rental and service contracts	6,500	4,474	500	11,474
Insurance expense	5,200	2,000	898	8,098
Marketing expense	550	195	351	1,096
Office supplies	481	6,224	144	6,849
Other office expense	1,007	13,604	3,460	18,071
Outside services	1,463	11,495	1,500	14,458
Professional fees	450	6,355	1,325	8,130
Rent and utilities	96,500	5,294	7,316	109,110
Repairs and maintenance	-	75	-	75
Telephone, postage, shipping and supplies	14,319	5,089	2,247	21,655
Travel, meetings and conferences	14,854	2,700	1,239	18,793
Volunteer time expended	1,599,548	177,727	-	1,777,275
	<u>1,599,548</u>	<u>177,727</u>	<u>-</u>	<u>1,777,275</u>
 Total general and administrative expenses	 <u>\$ 2,094,294</u>	 <u>\$ 328,741</u>	 <u>\$ 67,660</u>	 <u>\$ 2,490,695</u>

**NATIONAL EXECUTIVE SERVICE CORPS
SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
<i>General and Administrative Expenses</i>				
Compensation and fringe benefits	\$ 303,986	\$ 86,086	\$ 42,610	\$ 432,682
Payroll taxes	24,519	5,330	5,050	34,899
Bad debt	(946)	(387)	(100)	(1,433)
Computer and software maintenance	5,802	2,373	615	8,790
Depreciation and amortization expense	8,277	3,386	878	12,541
Equipment rental and service contracts	7,557	3,092	801	11,450
Insurance expense	5,234	2,141	555	7,930
Marketing expense	-	2,523	-	2,523
Office supplies	4,167	1,705	442	6,314
Other office expense	21,653	8,858	2,297	32,808
Outside services	24,610	10,068	2,610	37,288
Professional fees	-	16,400	-	16,400
Rent and utilities	69,172	28,298	7,336	104,806
Repairs and maintenance	3,297	1,348	350	4,995
Telephone, postage, shipping and supplies	15,326	6,270	1,625	23,221
Travel, meetings and conferences	13,665	5,590	1,449	20,704
Volunteer time expended	1,358,271	150,919	-	1,509,190
	<u>\$ 1,864,590</u>	<u>\$ 334,000</u>	<u>\$ 66,518</u>	<u>\$ 2,265,108</u>
Total general and administrative expenses	<u>\$ 1,864,590</u>	<u>\$ 334,000</u>	<u>\$ 66,518</u>	<u>\$ 2,265,108</u>