

**FINANCIAL STATEMENTS OF
C.I.S. DEVELOPMENT FOUNDATION, INC.
MAY 31, 2015**

C.I.S. DEVELOPMENT FOUNDATION, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
C.I.S. Development Foundation, Inc.

We have audited the accompanying financial statements of C.I.S. Development Foundation Inc. (a nonprofit organization), which comprise the statement of financial position as of May 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' 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 auditors' 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 auditors consider 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 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 C.I.S. Development Foundation, Inc. as of May 31, 2015, 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.


Kotulak & Company, PC

Clifton, NJ
April 6, 2016

CIS Development Foundation, Inc.
Statement of Financial Position
May 31, 2015

	Total Net Assets	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash & Cash Equivalents	\$ 67,401	\$ 67,401	\$ -	\$ -
Prepaid Expenses	1,491	1,491	-	-
<u>TOTAL CURRENT ASSETS</u>	<u>68,892</u>	<u>68,892</u>	<u>-</u>	<u>-</u>
<u>PROPERTY AND EQUIPMENT</u>				
Property and Equipment net of Accumulated Depreciation of \$ 110,137	3,360	3,360	-	-
Inventory of Donated Property	15,192,457	-	15,192,457	-
Security Deposits	1,289	1,289	-	-
<u>TOTAL ASSETS</u>	<u>\$ 15,265,998</u>	<u>\$ 73,541</u>	<u>\$ 15,192,457</u>	<u>\$ -</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES</u>				
Accrued Expenses	\$ 69,606	\$ 69,606	\$ -	\$ -
Accounts Payable	34,049	34,049	-	-
Current Portion of Long Term Debt	4,431	4,431	-	-
Payroll Taxes Payable	990	990	-	-
<u>TOTAL CURRENT LIABILITIES</u>	<u>109,076</u>	<u>109,076</u>	<u>-</u>	<u>-</u>
<u>NET ASSETS</u>				
Unrestricted	(35,536)	(35,536)	-	-
Temporarily Restricted	15,192,458	-	15,192,458	-
Permanently Restricted	-	-	-	-
Total Net Assets	15,156,922	(35,536)	15,192,458	-
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 15,265,998</u>	<u>\$ 73,540</u>	<u>\$ 15,192,458</u>	<u>\$ -</u>

CIS Development Foundation, Inc.
Statement of Activities
For the Year Ended May 31, 2015

	Total Net Assets	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets
<u>REVENUE AND SUPPORT</u>				
Non Cash Contributions	\$ 59,083,135	\$ -	\$ 59,083,135	\$ -
Cash Contributions	1,153,008	1,153,008	-	-
Net Assets Released From Restrictions	-	48,244,780	(48,244,780)	-
<u>TOTAL REVENUE AND SUPPORT</u>	<u>60,236,143</u>	<u>49,397,788</u>	<u>10,838,355</u>	<u>-</u>
<u>EXPENSES</u>				
Program Services	49,211,843	49,211,843	-	-
Management and General	90,780	90,780	-	-
Fund Raising	82,441	82,441	-	-
<u>TOTAL EXPENSES</u>	<u>49,385,064</u>	<u>49,385,064</u>	<u>-</u>	<u>-</u>
<u>CHANGE IN NET ASSETS</u>	<u>10,851,079</u>	<u>12,724</u>	<u>10,838,355</u>	<u>-</u>
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>4,305,843</u>	<u>(48,260)</u>	<u>4,354,103</u>	<u>-</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 15,156,922</u>	<u>\$ (35,536)</u>	<u>\$ 15,192,458</u>	<u>\$ -</u>

CIS Development Foundation, Inc.
Statement of Functional Expenses
For the Year Ended May 31, 2015

	Program	Management and General	Fund Raising	Total
Assistance to Institutions	\$ 48,264,280	\$ -	\$ -	\$ 48,264,280
General fees for donated property admin	322,704	-	-	322,704
Shipping Fees	404,364	-	-	404,364
Depreciation	3,659	1,220	1,220	6,099
Outside Services	-	20,316	-	20,316
Officers' Salaries	67,500	33,750	33,750	135,000
Salaries and Wages	3,000	-	-	3,000
Automobile Expense	5,471	1,732	1,732	8,935
Interest & Bank Charges	-	449	-	449
Professional Fees	-	21,400	-	21,400
Rent:				
Office	4,800	-	-	4,800
Warehouse	100,328	-	-	100,328
Telephone	5,580	1,860	1,860	9,300
Business Development:				
Lodging	-	-	14,493	14,493
Meals	-	-	11,291	11,291
Air Fares	-	-	8,045	8,045
Office Expense	3,550	1,183	1,183	5,916
Payroll Taxes	7,061	2,354	2,353	11,768
Postage & Delivery	639	213	212	1,064
Insurance	18,907	6,303	6,302	31,512
Total Expenses	<u>\$ 49,211,843</u>	<u>\$ 90,780</u>	<u>\$ 82,441</u>	<u>\$ 49,385,064</u>

CIS Development Foundation, Inc.
Statement of Cash Flows
For the Year Ended May 31, 2015

Cash flows from operating activities:

Excess of support and revenue over expenses		\$ 10,851,079
Adjustments to reconcile support and revenue over expenses to cash provided by operating activities:		
Depreciation	\$ 6,099	
(Increase) decrease in prepaid expenses	347	
(Increase) decrease in inventory of donated property	(10,838,354)	
(Increase) decrease in other receivables	887	
Increase (decrease) in accrued expenses	(11,925)	
Increase (decrease) in accounts payable	15,128	
Increase (decrease) in payroll taxes payable	<u>412</u>	
Total adjustments		<u>(10,827,406)</u>
Net cash provided by (used in) operating activities		23,673
Cash flows provided by (used in) financing activities:		
Repayment of long term debt	<u>(6,294)</u>	
Net cash provided by (used in) financing activities		<u>(6,294)</u>
Net increase (decrease) in cash		17,379
Cash - beginning of period		<u>50,022</u>
Cash - end of period		<u><u>\$ 67,401</u></u>

Supplemental disclosures of cash flow information:

Cash paid during the period for:

Interest	\$	206
Income taxes	\$	-

CIS DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2015

Note 1 – Organization

C.I.S. Development Foundation, Inc. (the “Organization”) was incorporated on December 21, 1994 under the laws of the State of New Jersey as a nonprofit organization. The Organization’s primary purpose is to provide charitable aid to citizens and organizations of the Commonwealth of Independent States (C.I.S.) and other former USSR republics. The mission of the Organization is to help in the development of the C.I.S.’s republics by providing them with computers, office equipment, appliances, household items, clothing, etc. The Organization is awarded property from various organizations and receives cash contributions from various individuals and entities.

Note 2 – Summary of Significant Accounting Policies

Basis of Financial Statements

The Organization maintains its accounting books of account on the accrual basis of accounting.

Adoption of Accounting Standards

In accordance with the Generally Accepted Accounting Policies, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are the portions of net assets of a not-for-profit organization that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets are the portions of the net assets of a not-for profit organization resulting from (a) contributions and other inflows of assets the use of which is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization or (b) reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations expired by the passage of time or fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets are the parts of the net assets of a not-for-profit organization resulting from (a) contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization, or (b) reclassifications from (or to) other classes of net assets as a consequence of donor imposed stipulations.

CIS DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2015

Note 2 – (Cont'd)

Restricted net assets are recorded as unrestricted net assets when those restrictions are satisfied in the same reporting period in which the contributions are received. This policy is followed consistently for all such contributions.

Functional Expenses

Generally Accepted Accounting Policies also requires segregation of expenses by functional classification. The Organization classifies expenses not directly related to the provision of program services as general & administrative expenses and fundraising expenses. The costs of providing the program and other activities have been summarized on a functional basis.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments available for current use with an initial maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

The Organization records property and equipment at cost depreciated over their useful lives. Repairs that do not materially extend the lives of assets are expensed as incurred. Depreciation is recorded both on furniture & fixtures with a useful life of seven years and on equipment with a useful life of five years both utilizing the double-declining method. Depreciation is provided for software and hardware using the straight-line method with a useful life of three years. The tax method of depreciation is used which approximates GAAP. The Organization's capitalization policy is to capitalize expenditures equaling or greater than \$1,000.

Revenue Recognition

The Organization recognizes contribution income for non-cash contributions (donated property) in the period they are awarded. The Organization also fully expenses the shipment of donated property on the day the shipment leaves a U.S. port en route to a recipient organization.

CIS DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2015

Note 2 – (Cont'd)

Inventory of Donated Property

The Organization values donated property according to appraisals made available by donors at the time of their donation. Management reviews the donated property for impairment when received and during storage for any damaged or obsolescent items. The major classes of donated property as of May 31, 2015 include: clothing, household items, cleaning supplies, personal care, and medical supplies. The donated property has donor imposed restrictions. See Note 5.

Shipping, Administrative, and Handling Fees

Shipping, administrative, and handling fees are classified as program services expenditures when incurred. The Organization incurs these expenses as it receives, stores in rented warehouse, and ships to recipient organizations its awarded donated property.

Note 3 – Property and Equipment

Property and equipment at May 31, 2015 consisted of the following:

Furniture & Fixtures	\$ 16,611
Equipment	50,025
Transportation Equipment	<u>46,861</u>
Total Gross Assets	\$113,497
Less: Accumulated Depreciation	<u>110,137</u>
Total Net Assets	\$ 3,360

Note 4 – Commitments

The Organization rents space at a warehouse on a month-to-month basis with the monthly rent amount calculated as a percentage of monthly inventory pallet volume. The monthly rent varies according to the change in the monthly volume. The Organization leases office space at 77 Milltown Road, East Brunswick, NJ. The future schedule minimum annual office lease commitments for this office space is as follows:

Years ending May 31,

2016	2,110
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CIS DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2015

Note 5 – Temporarily Restricted Net Assets

The Organization has entered into agreements with its various donors in which temporary restrictions are imposed by those various donors on the non-cash contributions consisting of donated property. The Organization's donated property has donor imposed temporary restrictions as follows: (1) the donated goods will be used solely for the care of the ill, needy or youth and the use of the goods must be related to the purpose of the Organization; (2) the Organization must not promote religious faith as one of its explicit goals and must not have the nomination or election of candidates to political office as an explicit purpose; (3) the goods cannot be transferred in exchange for money, property, or other services and goods cannot be used for fundraisers, raffles or auctions, sold in retail stores or flea markets; (4) and the Organization agrees to provide upon request complete substantiation of its distribution of all product donations and agrees to maintain adequate books and records of these donations.

The Organization recognizes the release of the donor-imposed restrictions on the date when the donated property is shipped from a U.S. port en route to a recipient organization.

If the Organization uses the donated goods for purposes other than intended by the donor, the Organization is subject to removal from the program and is subject to be required to return all such donated goods to the donors.

Also, the Organization receives cash donations from various individual and entity donors, in which temporary restrictions are imposed. These donors may restrict their donations to be used to pay for shipping costs for shipments to only certain regions of the world. These funds were fully expensed and; therefore, these temporary restrictions were released within the same period from when the donations were received by the Organization.

Temporarily restricted net assets as of May 31, 2015 are available for the following purposes:

Awarding of donated property to recipients	\$59,083,135
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As of May 31, 2015, net assets were released from donor-imposed restrictions by incurring expenses satisfying the purposes or time restrictions specified by donors as follows:

Assistance to Institutions	\$48,264,280
Less: Cash paid directly to Institutions	<u>(19,500)</u>
Shipment of donated goods to recipients	48,244,780
Total released from restriction	\$48,244,780

CIS DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2015

Note 6 – Concentrations

The Organization does receive approximately 98% of its revenue and support as non-cash contributions in the form of donated property to be disbursed according to the donor restrictions.

The Organization does have a concentration in the volume of donated property it receives from its various donors. The Organizations top three contributors donated the following approximations of all the non-cash contributions received:

Top Contributor	42%
Second Top Contributor	26%
Third Top Contributor	15%

The Organization predominantly ships its donated property to the countries of Russia and the Baltic region. The Organization also has a concentration in the volume of donated property it ships to its various recipient organizations as part of its program activities. The Organizations top three recipients received the following approximations of all non-cash contributions donated:

Top Recipient	17%
Second Top Recipient	9%
Third Top Recipient	8%

Note 7 – Taxes

The Organization is a non-profit company registered under the section 501 (c) (3) of the Internal Revenue code. As such, there is no provision for income taxes. The Organization did not have any unrelated business taxable income during the year. Professional standards require disclosure of uncertain tax positions. The Organization believes it has not taken any tax position that does not meet the standard of more likely than not to be supported upon Internal Revenue Service audit. The Organization's tax returns are subject to Internal Revenue Service audit for the years ending May 31, 2013, 2014, and 2015.

Note 8 – Risks and Uncertainties

The Organization has obtained insurance covering for its inventory; however, the inventory as stated materially exceeds the coverage amount. The Organization believes this uninsured inventory will not create financial liabilities but could impede the Organization's mission were a significant loss to occur. Such loss would have a significant effect on net assets but not on financial obligations.

Note 9 – Subsequent Events

Subsequent events have been reviewed by management through April 6, 2016, which is the date the financial statements were available to be issued. Nothing came to management's attention requiring disclosure in these financial statements.