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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The Resource & Policy Exchange, Inc.

We have audited the accompanying statement of financial position of The Resource & Policy Exchange, Inc. (a non-profit organization) as of June 30, 2005, and the related statements of activities, functional expenses, and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Resource & Policy Exchange, Inc. as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2007, on our consideration of The Resource & Policy Exchange, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal

control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of The Resource & Policy Exchange, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Thomas F. Kelley, CPA, PC". The signature is written in dark ink and is positioned above the typed name.

Thomas F. Kelley, CPA, PC
Delhi, NY
January 11, 2007

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS

To the Board of Trustees of
The Resource & Policy Exchange, Inc.

We have audited the financial statements of The Resource & Policy Exchange, Inc (a non-profit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated January 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.'


Internal Control over Financial Reporting

In planning and performing our audit, we considered The Resource & Policy Exchange, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Resource & Policy Exchange, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct

and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

A handwritten signature in cursive script that reads "Thomas F. Kelley, CPA, PC". The signature is written in dark ink and is positioned above the typed name.

Thomas F. Kelley, CPA, PC
Delhi, NY
January 12, 2007

The Resource and Policy Exchange, Inc.
Statement of Activities
For The Year Ended June 30, 2005

	<u>Unrestricted</u>	<u>Restricted</u>	<u>TOTAL</u>
Revenue			
Contributed support			
Federal Grants			
EC IFRP	\$0.00	\$51,000.00	\$51,000.00
Total Federal Grants		51,000.00	51,000.00
Individual and business contributions	3,164.00	0.00	3,164.00
Total Contributed support	3,164.00	51,000.00	54,164.00
Bank Interest	121.44	0.00	121.44
Total revenue	<u>3,285.44</u>	<u>51,000.00</u>	<u>54,285.44</u>
Expenses			
Operating expenses			
Amortization expense	123.00	0.00	123.00
Interest expense	38.42	0.00	38.42
Bank Service Charges	12.02	0.00	12.02
Total Expenses	<u>173.44</u>	<u>0.00</u>	<u>173.44</u>
Change in net assets	3,112.00	51,000.00	54,112.00
Net assets as of beginning of year	<u>1,365.45</u>	<u>0.00</u>	<u>1,365.45</u>
Net assets as of end of year	<u>\$4,477.45</u>	<u>\$51,000.00</u>	<u>\$55,477.45</u>

The Resource and Policy Exchange, Inc.
Statement of Financial Position
June 30, 2005

Assets

Current assets:

Checking and savings accounts

DNB Checking \$1,771.83

DNB Savings 53,974.42

Total checking and savings accounts 55,746.25

Total current assets 55,746.25

Other assets

Organizational expenses 615.00

Accumulated amortization -205.00

Other assets, net 410.00

Total assets \$ 56,156.25

Liabilities and Net Assets

Liabilities

Current Liabilities

Note Payable - M. Krzyston 678.80

Total Current Liabilities 678.80

Total Liabilities \$ 678.80

Net assets:

Restricted net assets 51,000.00

Unrestricted net assets 4,477.45

Total net assets 55,477.45

Total liabilities and net assets \$56,156.25

See notes and accountant's report

The Resource and Policy Exchange, Inc.
Statement of Cash Flows
For The Year Ended June 30, 2005

Operating activities

Change in net assets	\$54,112.00
Adjustments to reconcile change in net assets to net cash provided by operations	
Amortization	123.00
Note payable - M. Krzyston	38.42
Net cash provided by operating activities	<u>161.42</u>
Net increase in cash and cash equivalents	54,273.42
Cash and cash equivalents at beginning of year	<u>1,472.83</u>
Cash and cash equivalents at end of year	<u><u>\$55,746.25</u></u>

See notes and accountant's report

The Resource & Policy Exchange, Inc.
Schedule of Expenditures of Federal Awards
Year ended June 30, 2005

Effective March 1, 2005, The Resource and Policy Exchange, Inc. received one Federal grant:

Grantor: U.S. Agency for International Development

Award No.: FFP-G-00-05-00062-00

Purpose: Receipt, transportation, delivery and distribution of food to vulnerable populations in Ecuador.

Amount: \$102,000

Revenue in the amount of \$51,000 from U.S.A.I.D. was received under this grant on March 18, 2005. Distributions were not made from these funds until the fiscal year ending June 30, 2006.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Resource and Policy Exchange, Inc. (RPX) is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The organization is dedicated to equalizing standards of health care, information access, and participation in government around the world.

Support and Revenue

Contributions from business and individuals are generally available for unrestricted use.

Grants and other contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. The majority of the organization's funding is from such sources, notably the U.S. Agency for International Development. Funds from such grants are administered in compliance with the program-specific grant agreements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's 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.

Cash and Cash Equivalents

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

Note 2: Notes Payable

Notes payable at June 30, 2005 consists of a note to Matthew Krzyston, a related party, in the original amount of \$615. The note was issued on October 23, 2003 in connection with the fees required to form the Corporation. The note incurs interest at 6% per annum. Interest is accrued and there is no due date.