

THE RESOURCE & POLICY EXCHANGE, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2008
With Comparative Totals for 2007

THE RESOURCE & POLICY EXCHANGE, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Resource & Policy Exchange, Inc.
Delhi, New York

We have audited the accompanying statements of financial position of the Resource & Policy Exchange, Inc. ("RPX") (a non-profit organization) as of June 30, 2008 and 2007 and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2008. These financial statements are the responsibility of RPX's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from RPX's 2007 financial statements and in our report dated February 13, 2008, we expressed an unqualified opinion on these financial statements.

We conducted our audits 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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes addressing the accounting principles used and the significant estimates made by the 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 RPX as of June 30, 2008 and 2007, and the changes in net assets and its cash flows for the year ended June 30, 2008 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 November 18, 2008, on our consideration of RPX'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 this report is to describe the scope of our testing of internal control over financial reporting and compliance, the results of that testing, and not to provide an opinion on the internal control over financial reporting or 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 RPX 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 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.

Gruva, Jureifel & Scott, LLP

Oneonta, New York
November 18, 2008

THE RESOURCE & POLICY EXCHANGE, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2008 and 2007

| <u>ASSETS</u> | <u>2008</u> | <u>2007</u> |
|--|------------------|------------------|
| Assets: | | |
| Cash | \$ 87,767 | \$ 14,991 |
| Organizational expense, net of amortization of 2008 - \$574; 2007 - \$451 | <u>41</u> | <u>164</u> |
| Total assets | <u>\$ 87,808</u> | <u>\$ 15,155</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ - | \$ 6,000 |
| Note payable | <u>3,720</u> | <u>3,720</u> |
| Total current liabilities | <u>3,720</u> | <u>9,720</u> |
| Net assets: | | |
| Unrestricted | 3,741 | 3,392 |
| Temporarily restricted | <u>80,347</u> | <u>2,043</u> |
| Total net assets | <u>84,088</u> | <u>5,435</u> |
| Total liabilities and net assets | <u>\$ 87,808</u> | <u>\$ 15,155</u> |

See accompanying notes.

THE RESOURCE & POLICY EXCHANGE, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2008
With comparative totals for 2007

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> |
|--|---------------------|-----------------------------------|
| Public support and revenue: | | |
| Government grants - Cash | \$ - | \$ 151,830 |
| - Goods | - | 173,100 |
| Contributions | 4,493 | 210,284 |
| Interest | 563 | - |
| Total public support and revenue | <u>5,056</u> | <u>535,214</u> |
| Net assets released from restrictions: | | |
| Satisfaction of purpose restrictions | <u>456,910</u> | <u>(456,910)</u> |
| Total support, revenue and reclassifications | <u>461,966</u> | <u>78,304</u> |
| Functional expenses: | | |
| Program expenses | 448,867 | - |
| Management and general | 12,750 | - |
| Total functional expenses | <u>461,617</u> | <u>-</u> |
| Change in net assets | 349 | 78,304 |
| Net assets, beginning of year, as previously stated | 3,392 | 2,043 |
| Prior period adjustment | <u>-</u> | <u>-</u> |
| Net assets, beginning of year, restricted | <u>3,392</u> | <u>2,043</u> |
| Net assets, end of year | <u>\$ 3,741</u> | <u>\$ 80,347</u> |

See accompanying notes.

| 2008 Total | 2007 Total |
|---------------|---------------|
| \$ 151,830 | \$ 112,030 |
| 173,100 | 300,000 |
| 214,777 | 22,509 |
| 563 | 242 |
| 540,270 | 434,781 |
| - | - |
| 540,270 | 434,781 |
| 448,867 | 417,881 |
| 12,750 | 12,181 |
| 461,617 | 430,062 |
| 78,653 | 4,719 |
| 5,435 | 6,716 |
| - | (6,000) |
| 5,435 | 716 |
| \$ 84,088 | \$ 5,435 |

THE RESOURCE & POLICY EXCHANGE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2008
 With comparative totals for 2007

| | 2008 | | |
|------------------------------|--------------------------|-------------------------|------------------------|
| | Kyrgyzstan Program | Ecuador Program | Other Programs |
| Grant and contract expenses: | | | |
| Food and supplies | \$ 363,365 | \$ - | \$ 1,520 |
| Shipping and transportation | 19,574 | 13,078 | - |
| Salaries | 10,235 | 31,135 | - |
| Travel and meetings | 3,715 | 6,245 | - |
| Operating expenses: | | | |
| Rent and utilities | - | - | - |
| Office supplies | - | - | - |
| Postage and phone | - | - | - |
| Miscellaneous | - | - | - |
| Professional fees | - | - | - |
| Website development | - | - | - |
| Total before amortization | <u>396,889</u> | <u>50,458</u> | <u>1,520</u> |
| Amortization | <u>-</u> | <u>-</u> | <u>-</u> |
| Total functional expenses | <u><u>\$ 396,889</u></u> | <u><u>\$ 50,458</u></u> | <u><u>\$ 1,520</u></u> |

See accompanying notes.

| <u>Program Total</u> | <u>Management and General</u> | <u>2008 Total</u> | <u>2007 Total</u> |
|--------------------------|-----------------------------------|-----------------------|-----------------------|
| \$ 364,885 | \$ - | \$ 364,885 | \$ 319,840 |
| 32,652 | - | 32,652 | 63,305 |
| 41,370 | - | 41,370 | 24,534 |
| 9,960 | - | 9,960 | 10,507 |
| - | 6,000 | 6,000 | 6,000 |
| - | 1,165 | 1,165 | 1,245 |
| - | 1,658 | 1,658 | 942 |
| - | 502 | 502 | 1,266 |
| - | 2,700 | 2,700 | 1,100 |
| - | 602 | 602 | 1,200 |
| <u>448,867</u> | <u>12,627</u> | <u>461,494</u> | <u>429,939</u> |
| - | 123 | 123 | 123 |
| <u>\$ 448,867</u> | <u>\$ 12,750</u> | <u>\$ 461,617</u> | <u>\$ 430,062</u> |

THE RESOURCE & POLICY EXCHANGE, INC.

STATEMENTS OF CASH FLOWS

Years ended June 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|---|------------------|------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 78,653 | \$ 4,719 |
| Adjustment to reconcile change in net assets to net cash provided by operating activities: | | |
| Amortization | 123 | 123 |
| Decrease in liabilities: | | |
| Decrease in accounts payable | <u>(6,000)</u> | <u>-</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>72,776</u> | <u>4,842</u> |
| | | |
| NET INCREASE IN CASH | 72,776 | 4,842 |
| | | |
| Cash, beginning of year | <u>14,991</u> | <u>10,149</u> |
| | | |
| CASH, END OF YEAR | <u>\$ 87,767</u> | <u>\$ 14,991</u> |

See accompanying notes.

THE RESOURCE & POLICY EXCHANGE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 NATURE OF ACTIVITIES

The Resource & Policy Exchange, Inc.'s ("RPX's") mission is to equalize standards of health care, information access and participation in government around the world. This mission is accomplished by supporting and strengthening the activities of nonprofit organizations in developing regions.

RPX provides international support in the form of technical and material resources, such as professional healthcare training, emergency food supplies, or carefully targeted medicines. As a principle differentiator, RPX operates through local partners and without establishing international offices or hiring expatriate staff. This approach has been shown to strengthen local capacity, promote local ownership, diminish administrative costs, and increase program sustainability.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, RPX 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.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 reported in the Statement of Activities as net assets released from restrictions.

Functional Allocation of Expenses

The cost of providing RPX's programs has been summarized on a functional basis in the Statement of Functional Expenses. Expenses that can be identified with a specific program and/or support services are allocated directly according to their natural expense classification.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

THE RESOURCE & POLICY EXCHANGE, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Income Taxes

RPX is a nonprofit organization exempt from Federal and New York State income taxes under the Internal Revenue Code Section 501(c)(3) and the regulations there-under.

NOTE 3 ECONOMIC DEPENDENCY

Federal and state grants comprise approximately 95% and 94% of total receipts in 2008 and 2007, respectively. Should funding be reduced or eliminated, there would be a severe impact to RPX.

NOTE 4 NOTES PAYABLE

Notes payable at June 30, 2008 consists of a note to Matthew Krzyston, a related party, in the original amount of \$3,720. The note was issued on June 30, 2006, replacing an earlier note and providing additional working capital for RPX. No interest has been accrued for 2008 and there is no stated payment due date.

NOTE 5 FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

Cash

RPX maintains its cash accounts with several financial institutions located in upstate New York. Total cash balances are insured up to \$100,000 by the Federal Deposit Insurance Corporation. At June 30, 2008 and 2007 there were no uninsured balances.

NOTE 6 RELATED PARTY TRANSACTIONS

The RPX's administrative office is located in the home of its executive director, Matthew Krzyston, and the office equipment used by RPX is also owned by him. The executive director was paid \$12,000 for 2008 and \$6,000 for 2007 for office rental and utilities.

NOTE 7 PRIOR PERIOD ADJUSTMENT

Accounts payable balances were understated in 2007, by \$6,000 due to a rent payment being recorded incorrectly. This amount has been corrected in these financial statements. The results of this correction is an increase in accounts payable balance of \$6,000 and a decrease of temporarily restricted net assets of \$6,000 for the year 2007.

* * * * *

THE RESOURCE & POLICY EXCHANGE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2008

| <u>FEDERAL GRANTOR/PROGRAM TITLE</u> | <u>CFDA NUMBER</u> | <u>Award or Grantor's Number</u> | <u>Non-Cash Food & Supplies</u> | <u>Disbursements/ Expenditures</u> | <u>Total</u> |
|--|--------------------|----------------------------------|-------------------------------------|------------------------------------|--------------|
| <u>US AGENCY FOR INTERNATIONAL DEVELOPMENT</u> | | | | | |
| Food for Peace Development Assistance Program | 98.007 | FFP-G-00-08-00036-00 | \$ 173,100 | \$ 96,164 | \$ 269,264 |

See accompanying notes.

THE RESOURCE & POLICY EXCHANGE, INC.

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of RPX and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basis financial statements. Grants as shown on the balance sheet do not necessarily have the same period, as shown on those reported on the schedule of expenditures of Federal awards.

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

Board of Directors
The Resource & Policy Exchange, Inc.
Delhi, New York

We have audited the financial statements of The Resource & Policy Exchange, Inc. ("RPX"), as of June 30, 2008 and for the year then ended, and have issued our report thereon dated November 18, 2008. 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 RPX's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RPX's internal control over reporting. Accordingly, we do not express an opinion on the effectiveness of RPX's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects RPX's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of RPX's financial statements that is more than inconsequential will not be prevented or detected by RPX's internal control.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by RPX's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RPX's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors of The Resource & Policy Exchange, Inc., federal awarding agencies and pass-through agencies, management and others within RPX, and is not intended to be and should not be used by anyone other than these specified parties.

Gruva, Jureifel & Scott, LLP

Oneonta, New York
November 18, 2008

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Board of Directors
The Resource & Policy Exchange, Inc.
Delhi, New York

Compliance

We have audited the compliance of The Resource & Policy Exchange, Inc. ("The RPX") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. RPX's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of RPX's management. Our responsibility is to express an opinion on RPX's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about RPX's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination of RPX's compliance with those requirements.

In our opinion, RPX complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of RPX is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered RPX's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of RPX's internal control over compliance in accordance with OMB Circular A-133.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within The Resource & Policy Exchange, Inc., the federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gruva, Jurcicel & Scott, LLP

Oneonta, New York
November 18, 2008

THE RESOURCE & POLICY EXCHANGE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

A. Summary of Audit Results

1. The Resource & Policy Exchange, Inc. ("RPX") is not required to have an audit of financial statements performed in accordance with *Government Auditing Standards* or in accordance with OMB Circular A-133, but has elected to be held to these higher standards.
2. The auditor's report expresses an unqualified opinion on the financial statements of RPX.
3. No reportable conditions relating to the audit of the financial statements are reported in the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
4. No instances of noncompliance material to the financial statements of RPX were disclosed during the audit.
5. No significant deficiencies relating to the audit of the major federal award programs are reported in the report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.
6. The auditors' report on compliance of the major federal award programs for RPX expresses an unqualified opinion.
7. Audit findings relative to the major federal award programs for RPX are reported in Part C of this schedule.
8. The program tested as major programs were Food and Peace Development Assistance Program, CFDA #98.007.
9. The threshold for distinguishing Types A & B programs was \$300,000.
10. RPX was determined to be a low-risk auditee.

B. Findings – Financial Statements Audit

-NONE-

C. Findings and Questioned Costs - Major Federal Award Programs Audit

US Agency for International Development

Food for Peace Development Assistance Program, CFDA #98.007

-NONE-

THE RESOURCE & POLICY EXCHANGE, INC.

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2008

-NONE-