

The Transition Network, Inc.

Financial Report

December 31, 2012

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Independent Auditors' Report

To the Board of Directors
The Transition Network, Inc.

We have audited the accompanying financial statements of The Transition Network, Inc. ("TTN"), a not-for-profit organization, which comprise the statements of financial position as of December 31, 2012 and 2011, and 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.

Auditors' 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 audits 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 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 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 TTN as of December 31, 2012 and 2011, 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 basic financial statements as a whole. The schedule of functional expenses on page 14 is presented for the purposes of additional analysis and are not a required part of the basic 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 basic 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 basic financial statements as a whole.

Manger & Company

April 5, 2013

The Transition Network, Inc.
Statements of Financial Position
As of December 31, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---------------------------------------|-------------------|-------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 185,359 | \$ 143,475 |
| Investments | 3,522 | - |
| Grants and contributions receivable | 2,703 | - |
| Prepaid expense | 1,510 | 636 |
| Property and equipment, net | 10,122 | 13,014 |
| Total assets | <u>\$ 203,216</u> | <u>\$ 157,125</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 8,256 | \$ 16,912 |
| Deferred revenue | 9,080 | 5,358 |
| Total liabilities | <u>17,336</u> | <u>22,270</u> |
| NET ASSETS | | |
| Unrestricted | 163,772 | 117,642 |
| Temporarily restricted | 22,108 | 17,213 |
| Total net assets | <u>185,880</u> | <u>134,855</u> |
| Total liabilities and net assets | <u>\$ 203,216</u> | <u>\$ 157,125</u> |

See independent auditors' report.

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

The Transition Network, Inc.

Statements of Activities

For the Years Ended December 31, 2012 and 2011

| | 2012 | | | 2011 | | |
|--|--------------|-------------|---------|--------------|-------------|----------|
| | Unrestricted | Temporarily | Total | Unrestricted | Temporarily | Total |
| | | Restricted | | | Restricted | |
| REVENUE AND SUPPORT | | | | | | |
| Memberships dues | 179,226 | 8,035 | 187,261 | 130,245 | 9,320 | 139,565 |
| Program meetings and events | 86,599 | - | 86,599 | 72,904 | - | 72,904 |
| Grants and contributions | 45,077 | 2,703 | 47,780 | 52,066 | 2,705 | 54,771 |
| Donated goods and services | 20,500 | - | 20,500 | 23,552 | - | 23,552 |
| Investment income | 142 | - | 142 | 296 | - | 296 |
| Other income | 3,881 | - | 3,881 | 1,475 | - | 1,475 |
| | 335,425 | 10,738 | 346,163 | 280,538 | 12,025 | 292,563 |
| Net assets released from restrictions: | | | | | | |
| Satisfaction of time restrictions | 2,500 | (2,500) | - | 2,500 | (2,500) | - |
| Satisfaction of program restrictions | 3,343 | (3,343) | - | 13,240 | (13,240) | - |
| Total revenue and support | 341,268 | 4,895 | 346,163 | 296,278 | (3,715) | 292,563 |
| EXPENSES | | | | | | |
| Program services | 253,827 | - | 253,827 | 263,753 | - | 263,753 |
| Supporting services: | | | | | | |
| Management and general | 34,423 | - | 34,423 | 34,869 | - | 34,869 |
| Fundraising | 6,888 | - | 6,888 | 9,944 | - | 9,944 |
| Total expenses | 295,138 | - | 295,138 | 308,566 | - | 308,566 |
| Changes in net assets | 46,130 | 4,895 | 51,025 | (12,288) | (3,715) | (16,003) |
| Net assets, beginning of year | 117,642 | 17,213 | 134,855 | 129,930 | 20,928 | 150,858 |
| Net assets, end of year | 163,772 | 22,108 | 185,880 | 117,642 | 17,213 | 134,855 |

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

The Transition Network, Inc.
Statements of Cash Flows
For the years ended December 31, 2012 and 2011

| | 2012 | 2011 |
|---|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ 51,025 | \$ (16,003) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Amortization expense | 2,892 | 1,446 |
| Unrealized loss from valuation of investments | 56 | - |
| (Gain) from sale of investments | (58) | (104) |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in grants and contributions receivable | (2,703) | 2,500 |
| (Increase) in prepaid expenses and miscellaneous receivables | (874) | (636) |
| (Decrease) increase in accounts payable and accrued expenses | (8,656) | 1,791 |
| Increase in deferred membership dues | 3,722 | 138 |
| Net cash provided by (used in) operating activities | <u>45,403</u> | <u>(10,868)</u> |
| Cash flows from investing activities: | | |
| (Purchase) of property and equipment | - | (14,460) |
| Cost of investments (acquired) redeemed | (7,097) | - |
| Net proceeds from sale of investments | 3,578 | 6,666 |
| Net cash (used) in investing activities | <u>(3,519)</u> | <u>(7,794)</u> |
| Net increase (decrease) in cash | 41,884 | (18,661) |
| Cash and cash equivalents, beginning of year | <u>143,475</u> | <u>162,136</u> |
| Cash and cash equivalents, end of year | <u>\$ 185,358</u> | <u>\$ 143,475</u> |

See independent auditors' report.

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

The Transition Network, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

NOTE 1 - ORGANIZATION

The Transition Network, Inc. ("TTN") is a national not-for-profit organization, established in New York by professional women from various career backgrounds. TTN's mission is to provide a national community for women over 50 as they move through transitions in their lives, and to demonstrate that women as they age are valuable assets to society.

The Caring Collaborative is a program in which members offer health-related assistance and information to other members. Funding for this program came from a grant, dues and donations.

For federal income tax purposes, this is classified as a 501(c)(3) organization and is exempt under Section 501(a) of the Internal Revenue Code and a similar provision of the New York State income tax laws.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of TTN have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The significant accounting policies are described below.

Basis of Presentation

The net assets of TTN are reported as follows:

Unrestricted

Unrestricted net assets are net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations and are available for the general operations of TTN.

Temporarily Restricted

Temporarily restricted net assets include gifts of cash and other assets received with donor imposed stipulations that will be met either by actions of TTN and/or the passage of time.

Contributions with donor-imposed restrictions are reported as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when purpose or time restrictions are met, and recorded in the accompanying financial statements as net assets released from restrictions.

The Transition Network, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

Permanently Restricted

Permanently restricted net assets include funds that have been restricted by donor to be held in perpetuity. TTN had no permanently restricted net assets at December 31, 2012 and 2011.

Cash and Cash Equivalents

TTN considers all money market accounts, certificates of deposit and highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. TTN did not have any debt instruments at December 31, 2012 and 2011.

Fair Value of Financial Instruments

The Transition Network adopted the guidance that established a framework for measuring fair value and expanding its disclosures about fair value measurements. The standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction.

The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The type of investments in Level 1 includes listed equities held in the name of TTN, and exclude listed equities and other securities held indirectly through comingled funds.
- Level 2- Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3 - Pricing inputs are unobservable for the asset or liability and include situations where there is little (if any) market activity for the assets or liability. The inputs into determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

The Transition Network, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

Contributions and Grants Revenue

Contributions and grants received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and / or nature of any donor restrictions. Contributions and grants that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Membership Dues

Membership dues are recognized ratably over the respective membership term, which coincides with TTN's fiscal year.

Deferred dues represent unearned multi-year membership dues payments.

Property and Equipment

The Transition Network capitalizes property and equipment with a cost or fair value exceeds \$1,000 and a useful life of more than one year. Depreciation and amortization of property and equipment is provided on a straight -line method over the expected useful lives of the assets as follows:

| | |
|---------|---------|
| Website | 5 years |
|---------|---------|

Donated Goods and Services

Donated goods are reflected in the financial statements at the estimated fair market value at the time of donation.

Donated services are recognized as contributions in accordance with Financial Accounting Standards, if the services rendered (a) create or enhance non-financial assets or (b) required specialized skills that are performed by people with those skills, and would otherwise be purchased by the organization.

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Transition Network, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

Functional expenses have been allocated between program services and supporting services based on an analysis of personnel time and space utilized for the related activities.

Income Taxes

TTN has adopted Accounting Standards Codification ("ASC") 740 "Income Taxes." ASC 740 requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The adoption of this guidance did not have an impact on TTN's financial statements, as management believes that there are no uncertain tax positions within its financial statements. TTN has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered tax positions.

TTN's Form 990, Return of Organization Exempt from Income Tax, for the years ended December 31, 2011, 2010 and 2009 are subject to examination by the IRS, generally for three years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2012 and 2011 consisted of the following:

| | <u>2012</u> | <u>2011</u> |
|-------------------|-------------------|-------------------|
| Checking accounts | \$ 137,658 | \$ 104,922 |
| Savings account | <u>47,701</u> | <u>38,553</u> |
| Total | <u>\$ 185,359</u> | <u>\$ 143,475</u> |

The Transition Network, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

NOTE 4 - PROPERTY AND EQUIPMENT, NET

A summary of property and equipment is as follows:

| | <u>2012</u> | <u>2011</u> |
|--------------------------------|------------------|------------------|
| Website | \$ 14,460 | \$ 14,460 |
| Less: accumulated depreciation | <u>(4,338)</u> | <u>(1,446)</u> |
| Total | <u>\$ 10,122</u> | <u>\$ 13,014</u> |

Amortization expenses for the years ended December 31, 2012 and 2011 amounted to \$2,892 and \$1,446, respectively.

NOTE 5 - INVESTMENTS

Investments at fair value held by The Transition Network at December 31, 2012 and 2011 consisted of the following:

| | <u>2012</u> | <u>2011</u> |
|-------------------|-----------------|-------------|
| Equities | <u>\$ 3,522</u> | <u>\$ -</u> |
| Total investments | <u>\$ 3,522</u> | <u>\$ -</u> |

Investment income for the year ended December 31, 2012 and 2011 was \$142 and \$296, respectively.

The following table summarizes investments by fair value as of December 31, 2012:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------|-----------------|----------------|----------------|-----------------|
| Equities | <u>\$ 3,522</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,522</u> |
| Total investments | <u>\$ 3,522</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,522</u> |

TTN had no investments at December 31, 2011.

The Transition Network, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

NOTE 6 - DEFERRED REVENUE

Deferred membership dues consisted of the unearned portion of two-year membership dues. The balance of deferred revenue as of December 31, 2012 and 2011 was \$9,080 and \$5,358, respectively.

NOTE 7 - DONATED GOODS AND SERVICES

The value of donated goods and services are included as contribution in the financial statements and the corresponding expenses in the schedules of functional expenses for the years ended December 31, 2012 and 2011 is as follows:

| | <u>2012</u> | <u>2011</u> |
|-------------------------|------------------|------------------|
| Rent and workstations | \$ 20,500 | \$ 20,604 |
| Printing and publishing | - | 500 |
| Legal | - | <u>2,448</u> |
| Total | <u>\$ 20,500</u> | <u>\$ 23,552</u> |

The Transition Network, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available to satisfy the following program or time restriction at December 31, 2012 and 2011:

| | December 31, 2011 | Contributions | Net Assets Released from Restrictions | December 31, 2012 |
|---|----------------------|------------------|---|----------------------|
| Time Restrictions | | | | |
| Annual pledges | \$ 2,500 | \$ 2,703 | \$ (2,500) | \$ 2,703 |
| Purpose Restrictions | | | | |
| Caring Collaborative - NYC Branch Activities | 7,024 | 8,035 | (3,343) | 11,716 |
| Caring Collaborative - National Expansion | 7,689 | - | - | 7,689 |
| Total | <u>14,713</u> | <u>8,035</u> | <u>(3,343)</u> | <u>19,405</u> |
| Balance | <u>\$ 17,213</u> | <u>\$ 10,738</u> | <u>\$ (5,843)</u> | <u>\$ 22,108</u> |

The Transition Network, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

| | December 31, 2010 | Contributions | Net Assets Released from Restrictions | December 31, 2011 |
|---|----------------------|------------------|---|----------------------|
| Time Restrictions | | | | |
| Annual pledges | \$ 2,500 | \$ 2,500 | \$ (2,500) | \$ 2,500 |
| Purpose Restrictions | | | | |
| Website | 4,825 | - | (4,825) | - |
| Caring Collaborative - NYC Branch Activities | 5,971 | 9,320 | (8,415) | 6,876 |
| Caring Collaborative - National Expansion | 7,632 | 205 | - | 7,837 |
| Total | <u>18,428</u> | <u>9,525</u> | <u>(13,240)</u> | <u>14,713</u> |
| Balance | <u>\$ 20,928</u> | <u>\$ 12,025</u> | <u>\$ (15,740)</u> | <u>\$ 17,213</u> |

NOTE 7 - SUBSEQUENT EVENTS

The Transition Network evaluated its December 31, 2012 financial statements for subsequent events through April 5, 2013 the date the financial statements were available to be issued. TTN is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

The Transition Network, Inc.
Schedules of Functional Expenses
For the years ended December 31, 2012 and 2011

| | 2012 | | | 2011 | | | |
|-------------------------------------|-------------------|---|-----------------|-------------------|---|-----------------|-------------------|
| | Program Services | Supporting Services Management and General | Fundraising | Program Services | Supporting Services Management and General | Fundraising | Total Expenses |
| Salaries | \$ 103,222 | \$ 15,738 | \$ 4,111 | \$ 103,819 | \$ 15,667 | \$ 4,030 | \$ 123,516 |
| Payroll taxes and fringe benefits | 13,686 | 4,673 | 680 | 17,021 | 2,692 | 770 | 20,483 |
| Total salaries and related expenses | <u>116,908</u> | <u>20,411</u> | <u>4,791</u> | <u>120,840</u> | <u>18,359</u> | <u>4,800</u> | <u>143,999</u> |
| Other expenses: | | | | | | | |
| Program meetings and events | 84,322 | - | - | 82,119 | - | - | 82,119 |
| Rent and workstations | 17,835 | 2,255 | 410 | 18,544 | 1,030 | 1,030 | 20,604 |
| Credit card processing fees | 9,451 | - | 497 | 5,324 | - | 2,175 | 7,499 |
| Website maintenance | 6,982 | - | - | 4,923 | - | - | 4,923 |
| Accounting and tax preparation | - | 7,200 | - | - | 9,345 | - | 9,345 |
| State/federal filing fees | - | 3,729 | - | - | 2,140 | - | 3,258 |
| Printing and reproduction | 2,061 | - | 762 | 1,118 | - | 1,343 | 4,972 |
| Dues and subscriptions | 2,587 | - | - | 3,629 | - | - | 4,410 |
| Postage and shipping | 1,482 | 99 | 385 | 3,969 | 441 | - | 2,591 |
| Payroll processing fees | 1,419 | 179 | 33 | 1,943 | 130 | 518 | 1,142 |
| Travel and entertainment | 1,427 | - | - | 970 | 137 | 35 | 5,566 |
| Consultants | 1,340 | - | - | 5,566 | - | - | 6,283 |
| Office supplies | 1,123 | 125 | - | 2,537 | 283 | - | 2,820 |
| Insurance | 382 | 425 | - | 820 | 889 | - | 1,709 |
| Bank charges | 488 | - | - | 337 | - | - | 337 |
| Telephone | 189 | - | - | 875 | - | - | 875 |
| Legal fees | - | - | - | 840 | 1,608 | - | 2,448 |
| Miscellaneous | 2,929 | - | - | 1,867 | 333 | - | 2,220 |
| Total | <u>134,027</u> | <u>14,012</u> | <u>2,097</u> | <u>141,684</u> | <u>16,336</u> | <u>5,101</u> | <u>163,121</u> |
| Total expenses before amortization | 250,935 | 34,423 | 6,888 | 262,524 | 34,695 | 9,901 | 307,120 |
| Amortization | 2,892 | - | - | 1,229 | 174 | 43 | 1,446 |
| Total expenses | <u>\$ 253,827</u> | <u>\$ 34,423</u> | <u>\$ 6,888</u> | <u>\$ 263,753</u> | <u>\$ 34,869</u> | <u>\$ 9,944</u> | <u>\$ 308,566</u> |

See independent auditors' report.