

**CAUSE EFFECTIVE, INC.**

**Financial Statements  
for the year ended  
June 30, 2018**

**Independent Auditor's Report**

To the Board of Directors  
Cause Effective, Inc.

We have audited the accompanying financial statements of Cause Effective, Inc. which comprise the statement of financial position as of June 30, 2018 and June 30, 2017 and the related statements of activities, functional expenses 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.

***Auditor's 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 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 Cause Effective, Inc. as of June 30, 2018 and June 30, 2017 and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Condon O'Meara McGinty & Donnelly LLP*

September 12, 2018

## CAUSE EFFECTIVE, INC.

## Statement of Financial Position

## Assets

	June 30	
	2018	2017
Cash and cash equivalents	\$ 149,347	\$ 108,214
Cash and cash equivalents – operating reserve	105,000	105,000
Grants and contract receivables	128,986	98,903
Prepaid expenses and other	29,059	20,097
Property, equipment and leasehold improvements, net	21,350	26,805
<b>Total assets</b>	<b>\$ 433,742</b>	<b>\$ 359,019</b>

## Liabilities and Net Assets

## Liabilities

Accounts payable and accrued expenses	\$ 34,251	\$ 19,080
Deferred revenue	85,800	50,250
Annualized rent obligation	30,234	31,393
Security deposit payable	3,400	3,150
<b>Total liabilities</b>	<b>153,685</b>	<b>103,873</b>

## Net assets

Unrestricted	20,183	26,278
Unrestricted – operating reserve	105,000	105,000
<b>Total unrestricted</b>	<b>125,183</b>	<b>131,278</b>
Temporarily restricted	154,874	123,868
<b>Total net assets</b>	<b>280,057</b>	<b>255,146</b>
<b>Total liabilities and net assets</b>	<b>\$ 433,742</b>	<b>\$ 359,019</b>

**CAUSE EFFECTIVE, INC.**

**Statement of Activities**  
**For the Years Ended June 30, 2018 and June 30, 2017**

	2018				2017			
	Unrestricted	Unrestricted Operating Reserve Fund	Temporarily Restricted	Total	Unrestricted	Unrestricted Operating Reserve Fund	Temporarily Restricted	Total
<b>Public support and revenue</b>								
Grants and contributions	\$ 153,493	\$ -	\$ 329,000	\$ 482,493	\$ -	\$ 293,500	\$ -	\$ 497,965
In-kind contributions	25,637	-	-	25,637	-	-	-	67,013
Program service revenue	473,444	-	-	473,444	-	-	-	475,348
Subtenant	42,230	-	-	42,230	-	-	-	33,975
Other	547	-	-	547	-	-	-	283
Net assets released from restrictions	297,994	-	(297,994)	-	-	(227,632)	-	-
Total public support and revenue	993,345	-	31,006	1,024,351	-	65,868	-	1,074,584
<b>Expenses</b>								
Program services	767,486	-	-	767,486	-	-	-	718,792
Management and general	184,090	-	-	184,090	-	-	-	217,739
Fundraising	39,888	-	-	39,888	-	-	-	35,451
Total expenses before depreciation and amortization	991,464	-	-	991,464	-	-	-	971,982
Increase in net assets before depreciation and amortization	1,881	-	31,006	32,887	-	65,868	-	102,602
Depreciation and amortization	10,035	-	-	10,035	-	-	-	11,926
Rent amortization	(2,059)	-	-	(2,059)	-	-	-	512
Increase (decrease) in net assets before transfer	(6,095)	-	31,006	24,911	-	65,868	-	90,164
Transfer to/from operating reserve fund	-	-	-	-	35,000	-	-	-
Increase (decrease) in net assets	(6,095)	-	31,006	24,911	(10,704)	65,868	-	90,164
Net assets, beginning of year	26,278	105,000	123,868	255,146	36,982	70,000	58,000	164,982
Net assets, end of year	\$ 20,183	\$ 105,000	\$ 154,874	\$ 280,057	\$ 26,278	\$ 105,000	\$ 123,868	\$ 255,146

See notes to financial statements.

CAUSE EFFECTIVE, INC.

Statement of Functional Expenses

Year Ended June 30, 2018

(with summarized comparative information for the year ended June 30, 2017)

	2018				2017	
	Program Services		Supporting Services			
	Workshops and Publications	Total Program Services	Management and General	Fund-raising	Total Supporting Services	Total
Salaries	\$ 334,985	\$ 61,784	\$ 396,769	\$ 112,016	\$ 24,039	\$ 532,824
Payroll taxes and employee benefits	60,280	11,028	71,308	19,248	3,948	94,504
Consultants	139,603	-	139,603	-	-	139,603
Printing, postage and delivery	1,588	260	1,848	1,437	1,415	2,852
Travel and related	3,277	1,945	5,222	6,579	40	6,619
Office supplies	3,512	581	4,093	1,054	226	1,280
Communications	10,854	1,388	12,242	2,514	562	3,076
Dues and subscriptions	2,003	-	2,003	1,168	708	1,876
Occupancy	65,190	12,023	77,213	21,800	4,679	26,479
Insurance	1,867	344	2,211	624	134	758
Professional fees	35,275	5,180	40,455	9,505	2,136	11,641
Repairs and maintenance, rental	8,814	1,510	10,324	4,813	1,853	6,666
Other	3,785	410	4,195	3,332	148	3,480
Total expenses before depreciation and amortization	671,033	96,453	767,486	184,090	39,888	223,978
Depreciation and amortization	-	-	-	10,035	-	10,035
Rent amortization	-	-	-	(2,059)	-	(2,059)
Total expenses	\$ 671,033	\$ 96,453	\$ 767,486	\$ 192,066	\$ 39,888	\$ 231,954
						\$ 999,440
						\$ 984,420

See notes to financial statements.

## CAUSE EFFECTIVE, INC.

## Statement of Cash Flows

	Year Ended June 30	
	2018	2017
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 24,911	\$ 90,164
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Annualized rent obligation	(1,159)	512
Depreciation and amortization	10,035	11,926
(Increase) decrease in assets		
Grants and contract receivables	(30,083)	42,977
Prepaid expenses and other assets	(8,962)	(911)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	15,171	671
Deferred revenue	35,550	(19,332)
Security deposit	250	850
Net cash provided by operating activities	<u>45,713</u>	<u>126,857</u>
<b>Cash flows from investing activities</b>		
Purchases of property, equipment and leasehold improvements	<u>(4,580)</u>	<u>(1,499)</u>
<b>Net increase in cash and cash equivalents</b>	<b>41,133</b>	<b>125,358</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>213,214</u></b>	<b><u>87,856</u></b>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 254,347</u></b>	<b><u>\$ 213,214</u></b>
<b>Consists of:</b>		
Operating	\$ 149,347	\$ 108,214
Operating reserve	<u>105,000</u>	<u>105,000</u>
Total	<u>\$ 254,347</u>	<u>\$ 213,214</u>

See notes to financial statements.

**CAUSE EFFECTIVE, INC.****Notes to Financial Statements****June 30, 2018****Note 1 – Nature of organization**

Cause Effective, Inc. (the “Organization”) was organized as a nonprofit corporation under the Not-For-Profit Corporation Law of New York State in 1981. The Organization’s mission is to strengthen the nonprofit sector by helping nonprofits build sustainable communities of supporters. The Organization fulfills its mission by providing management assistance to nonprofit organizations in the New York City region and nationally to help them diversify funding, raise more money from individuals, activate boards of directors, and get the greatest value from special events and anniversaries so they can achieve long-term community change. The Organization’s programs are classified into three functions: consulting, training and publications. Consulting is provided on a one-to-one basis through management audits, ad hoc advice, guidance, referrals and in-depth hands on assistance. Training is provided through workshops and presentations to groups of nonprofit organizations. Publications include creation, sales and distribution of manuals and other written materials.

**Note 2 – Summary of significant accounting policies****Net assets**

The Organization’s net assets consist of the following:

**Unrestricted**

Unrestricted net assets consist of amounts that can be spent at the discretion of the Organization to support operations. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

**Unrestricted – Operating Reserve Fund**

Board designated net assets consist of amounts held in the general fund to be used to assure adequate cash flow to meet future extraordinary events or any funding reduction that may cause hardship or budgetary constraints to the Organization. In 2015, the Board of Directors designated certain unrestricted net assets for special purposes: \$90,000 as an operating reserve fund to be used for short-term (under 2-month) cash flow purposes at the discretion of the Executive Director (Finance Committee approves any re-allocation of operating reserve assets of \$25,000 or more) and to be available, with Board approval, for special projects and to help strengthen the infrastructure of the Organization. During 2016, \$20,000 was temporarily transferred from the operating reserve fund to unrestricted net assets. During 2017, \$35,000 (\$20,000 and \$15,000) was transferred from unrestricted net assets to the operating reserve fund.

**Temporarily restricted net assets**

Temporarily restricted net assets include contributions received with donor stipulations that limit the use of the donated assets for a specific purpose or relate to future periods. When a donor time restriction expires or the 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.

## CAUSE EFFECTIVE, INC.

## Notes to Financial Statements (continued)

June 30, 2018

**Note 2 – Summary of significant accounting policies (continued)**Cash equivalents

Cash equivalents include highly liquid investments with maturities of 90 days or less. The Organization's cash equivalents consist of money market funds.

Grants and contract receivables

Grants and contract receivables consist primarily of contracts for consulting work to be performed. Generally, the Organization does not require collateral for these accounts receivable.

Allowance for doubtful accounts

As of June 30, 2018, the Organization does not have an allowance for doubtful accounts for any receivables that may not be collectible. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

Property, equipment and leasehold improvements

Property, equipment and leasehold improvements that exceed \$1,000 will be capitalized and recorded at cost or, if donated, at estimated fair value at date of receipt. Depreciation is computed by the straight-line method over the estimated useful lives of the asset ranging from 5 to 10 years. Leasehold improvements are amortized over the shorter of the lease term or estimated useful life of the assets. Improvements that extend the life of an asset are capitalized, and repairs and maintenance are charged to expense as incurred.

Donated services

Donated legal services are reflected in the financial statements at the estimated fair market value at the time of donation. The fair market value of such services totaling \$25,637 and \$67,013 during the 2018 and 2017 fiscal years, respectively, has been included in the financial statements.

Annualized rent

The total amount of rental payments due over the lease term is charged to rent expense on a straight-line basis over the term of the lease. The difference between rent expense and the amount paid is credited or charged to "Annualized rent obligation".

Functional expenses

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



## CAUSE EFFECTIVE, INC.

## Notes to Financial Statements (continued)

June 30, 2018

**Note 2 – Summary of significant accounting policies (continued)**Concentrations of credit risk

The Organization's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents and grants and contract receivables. The Organization places its cash and cash equivalents with what it believes to be quality financial institutions. The Organization routinely assesses the financial strength of its cash portfolio. The Organization's management monitors the collectability of grants and contract receivables. The Organization believes no significant concentrations of credit risk exist with respect to its cash and cash equivalents and grants and contract receivables.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure through September 12, 2018, which is the date the financial statements were available to be issued.

**Note 3 – Property, equipment and leasehold improvements**

Property, equipment and leasehold improvements consisted of the following as of June 30, 2018 and June 30, 2017:

	<u>2018</u>	<u>2017</u>
Office equipment and furniture	\$ 129,689	\$ 127,108
Leasehold improvements	<u>93,526</u>	<u>91,527</u>
Sub-total	223,215	218,635
Less: Accumulated depreciation and amortization	<u>201,865</u>	<u>191,830</u>
Total	<u>\$ 21,350</u>	<u>\$ 26,805</u>

**Note 4 – Line of credit**

During August 2018, the Organization entered into a revolving \$100,000 line of credit. Borrowings on this line of credit bear interest at Bank's Prime Rate plus 3.25%.

## CAUSE EFFECTIVE, INC.

Notes to Financial Statements (continued)  
June 30, 2018**Note 5 – Tax-deferred annuity plan**

The Organization maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. During the 2018 and 2017 fiscal years, the Organization made no contribution to the Plan.

**Note 6 – Temporarily restricted net assets**

The transactions in the temporarily restricted net assets during the year ended June 30, 2018 were as follows:

	Balance at June 30, 2017	Additions	Net Assets Released from Restrictions	Balance at June 30, 2018
Office equipment and software	\$ 9,000	\$ -	\$ 9,000	\$ -
Capacity building	106,868	304,000	265,994	144,874
Technical assistance	8,000	25,000	23,000	10,000
Total	<u>\$ 123,868</u>	<u>\$ 329,000</u>	<u>\$ 297,994</u>	<u>\$ 154,874</u>

**Note 7 – Commitments and contingencies**

The Organization leases office space under a lease that expires January 31, 2022 at an annual rate of \$75,208 with annual escalations of 3% each year. As of June 30, 2018, future minimum rental payments under this lease are as follows:

<u>Fiscal Year</u>	<u>Total</u>
2019	\$ 90,925
2020	93,653
2021	96,462
2022	<u>57,242</u>
Total	<u>\$ 338,282</u>

**Note 8 – Subtenant rental income**

The Organization has three sublease agreements with three tenants, which is updated annually. The stipulated future minimum rental payments to be received are \$33,150 in the 2019 fiscal year, and \$2,000 in the 2020 fiscal year.

**CAUSE EFFECTIVE, INC.****Notes to Financial Statements (continued)****June 30, 2018****Note 9 – Tax status**

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, the Organization has been determined to be a publicly supported organization and not a private foundation within the meaning of Section 509(a)(1) and 170(b)(1)(A)(vi) of the Code. The Organization qualifies for the maximum charitable contribution deductions for the donors.