

CAUSE EFFECTIVE, INC.

**Financial Statements
for the year ended
June 30, 2019**

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, 2019 and June 30, 2018 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, 2019 and June 30, 2018 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.


November 21, 2019

CAUSE EFFECTIVE, INC.

Statement of Financial Position

Assets

	June 30	
	2019	2018
Cash and cash equivalents	\$ 52,534	\$ 149,347
Cash and cash equivalents – operating reserve	105,000	105,000
Grants and contract receivables	160,540	128,986
Prepaid expenses and other	21,681	29,059
Property, equipment and leasehold improvements, net	<u>17,324</u>	<u>21,350</u>
Total assets	<u>\$ 357,079</u>	<u>\$ 433,742</u>

Liabilities and Net Assets (Deficit)

Liabilities

Line of credit	\$ 65,000	\$ -
Accounts payable and accrued expenses	33,396	34,251
Deferred revenue	34,850	85,800
Annualized rent obligation	24,627	30,234
Security deposit payable	<u>2,500</u>	<u>3,400</u>
Total liabilities	<u>160,373</u>	<u>153,685</u>

Net assets

Without donor restrictions		
Operating (deficit)	(34,683)	20,183
Operating reserve	<u>105,000</u>	<u>105,000</u>
Total without donor restrictions	70,317	125,183
With donor restrictions	<u>126,389</u>	<u>154,874</u>
Total net assets	<u>196,706</u>	<u>280,057</u>
Total liabilities and net assets	<u>\$ 357,079</u>	<u>\$ 433,742</u>

CAUSE EFFECTIVE, INC.

Statement of Activities

For the Years Ended June 30, 2019 and June 30, 2018

	2019				2018			
	Without donor Restrictions		Operating Reserve Fund	With donor Restrictions	Without donor Restrictions		Operating Reserve Fund	With donor Restrictions
	Operating	Total			Operating	Total		
Public support and revenue								
Grants and contributions	\$ 170,994	\$ 407,494	-	236,500	\$ 153,493	\$ 407,494	-	329,000
In-kind contributions	77,052	77,052	-	-	25,637	77,052	-	-
Program services	453,161	453,161	-	-	473,444	473,444	-	-
Subtenant	35,788	35,788	-	-	42,230	42,230	-	-
Other	248	248	-	-	547	547	-	-
Net assets released from restrictions	264,985	-	-	(264,985)	297,994	-	-	(297,994)
Total public support and revenue	1,002,228	973,743	-	(28,485)	993,345	973,743	-	31,006
Expenses								
Program services	757,587	757,587	-	-	767,486	757,587	-	-
Management and general	231,903	231,903	-	-	184,090	231,903	-	-
Fundraising	64,124	64,124	-	-	39,888	64,124	-	-
Total expenses before depreciation and amortization (credit)	1,053,614	1,053,614	-	-	991,464	1,053,614	-	-
Increase (decrease) in net assets before depreciation and amortization (credit)	(51,386)	(79,871)	-	(28,485)	1,881	(79,871)	-	31,006
Depreciation and amortization	8,187	8,187	-	-	10,035	8,187	-	-
Rent amortization (credit)	(4,707)	(4,707)	-	-	(2,059)	(4,707)	-	-
Increase (decrease) in net assets	(54,866)	(83,351)	-	(28,485)	(6,095)	(83,351)	-	31,006
Net assets, beginning of year	20,183	280,057	105,000	154,874	26,278	280,057	105,000	123,868
Net assets, end of year	\$ (34,683)	\$ 196,706	\$ 105,000	\$ 126,389	\$ 20,183	\$ 196,706	\$ 105,000	\$ 154,874
								\$ 280,057

See notes to financial statements.

(with summarized comparative information for the year ended June 30, 2018)

See notes to financial statements.

CAUSE EFFECTIVE, INC.

Statement of Cash Flows

	Year Ended June 30	
	2019	2018
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (83,351)	\$ 24,911
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Annualized rent obligation	(5,607)	(1,159)
Depreciation and amortization	8,187	10,035
(Increase) decrease in assets		
Grants and contract receivables	(31,554)	(30,083)
Prepaid expenses and other assets	7,378	(8,962)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(855)	15,171
Deferred revenue	(50,950)	35,550
Security deposit	(900)	250
Net cash provided by (used in) operating activities	<u>(157,652)</u>	<u>45,713</u>
Cash flows from investing activities		
Purchases of property, equipment and leasehold improvements	<u>(4,161)</u>	<u>(4,580)</u>
Cash flows from financing activities		
Proceeds from line of credit	<u>65,000</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(96,813)	41,133
Cash and cash equivalents, beginning of year	<u>254,347</u>	<u>213,214</u>
Cash and cash equivalents, end of year	<u>\$ 157,534</u>	<u>\$ 254,347</u>
Consists of:		
Operating	\$ 52,534	\$ 149,347
Operating reserve	<u>105,000</u>	<u>105,000</u>
Total	<u>\$ 157,534</u>	<u>\$ 254,347</u>

See notes to financial statements.

CAUSE EFFECTIVE, INC.**Notes to Financial Statements****June 30, 2019****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 reports information regarding its financial position in two classes of net assets, which are as follows:

Without donor restrictions**Operating**

Net assets are without donor restriction and consist of amounts that can be spent at the discretion of the Organization to support operations. All contributions are considered available for use unless specifically restricted by the donor or subject to other legal restrictions.

Operating Reserve Fund

Board designated net assets are without donor restrictions and 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 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 operating net assets.

CAUSE EFFECTIVE, INC.**Notes to Financial Statements (continued)
June 30, 2019****Note 2 – Summary of significant accounting policies (continued)**Net assets (continued)With donor restrictions

Net assets with donor restrictions 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, net assets with donor restrictions are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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, 2019, 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 recorded as professional fees on the statement of functional expenses at the estimated fair market value at the time of donation. The fair market value of such services totaling \$77,052 and \$25,637 during the 2019 and 2018 fiscal years, respectively, has been included in the financial statements.

CAUSE EFFECTIVE, INC.**Notes to Financial Statements (continued)****June 30, 2019****Note 2 – Summary of significant accounting policies (continued)****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.

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 November 21, 2019, which is the date the financial statements were available to be issued.

CAUSE EFFECTIVE, INC.

Notes to Financial Statements (continued)
June 30, 2019

Note 3 – Liquidity and availability of financial assets

The Organizations working capital and cash flows vary primary due to timing of grants and contributions and payments for program service fees. The following is a summary of the Organizations financial assets as of June 30, 2019:

Cash and cash equivalents	\$ 52,534
Grants and contracts receivables	<u>160,540</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 213,074</u>

The Organization has an operating reserve fund (see note 2) of \$105,000.

In addition to the financial assets above, the Organization has available a \$100,000 revolving line of credit (see note 5) that may be drawn upon as necessary during the year. At the June 30, 2019 the Organization had \$65,000 under this line outstanding.

Note 4 – Property, equipment and leasehold improvements

Property, equipment and leasehold improvements consisted of the following as of June 30, 2019 and June 30, 2018:

	<u>2019</u>	<u>2018</u>
Office equipment and furniture	\$ 132,850	\$ 129,689
Leasehold improvements	<u>94,526</u>	<u>93,526</u>
Sub-total	227,376	223,215
Less: Accumulated depreciation and amortization	<u>210,052</u>	<u>201,865</u>
Total	<u>\$ 17,324</u>	<u>\$ 21,350</u>

Note 5 – 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%. As of June 2019, the Organization had an outstanding balance of \$65,000, which was paid in July 2019.

Note 6 – Tax-deferred annuity plan

The Organization maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. During the 2019 and 2018 fiscal years, the Organization made no contribution to the Plan.

CAUSE EFFECTIVE, INC.

Notes to Financial Statements (continued)
June 30, 2019

Note 7 – With donor restrictionsTemporarily restricted net assets

The transactions in the temporarily restricted net assets for the year ended June 30, 2019 were as follows:

	Balance at June 30, <u>2018</u>	<u>Additions</u>	Net Assets Released from <u>Restrictions</u>	Balance at June 30, <u>2019</u>
Capacity building	\$ 144,874	\$ 236,500	\$ (254,985)	\$ 126,389
Technical assistance	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>
Total	<u>\$ 154,874</u>	<u>\$ 236,500</u>	<u>\$ (264,985)</u>	<u>\$ 126,389</u>

Note 8 – 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, 2019, future minimum rental payments under this lease are as follows:

<u>Fiscal Year</u>	<u>Total</u>
2020	\$ 93,653
2021	96,462
2022	<u>57,242</u>
Total	<u>\$ 247,357</u>

Note 9 – Subtenant rental income

The Organization has two sublease agreement with two tenants, which is updated annually. The stipulated future minimum rental payments to be received are \$25,500 in the 2020 fiscal year, and \$4,000 in the 2021 fiscal year.

Note 10 – 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.