

**CAUSE EFFECTIVE, INC.**

**Financial Statements  
for the year ended  
June 30, 2017**

**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, 2017 and June 30, 2016 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, 2017 and June 30, 2016 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.

*Carole O'Leary McGinty & Donnelly LLP*

September 20, 2017

## CAUSE EFFECTIVE, INC.

## Statement of Financial Position

## Assets

	June 30	
	2017	2016
Cash and cash equivalents	\$ 108,214	\$ 17,856
Cash and cash equivalents – operating reserve	105,000	70,000
Grants and contract receivables	98,903	141,880
Prepaid expenses and other assets	20,097	19,186
Property, equipment and leasehold improvements, net	26,805	37,232
<b>Total assets</b>	<b>\$ 359,019</b>	<b>\$ 286,154</b>

## Liabilities and Net Assets

## Liabilities

Accounts payable and accrued expenses	\$ 19,080	\$ 18,409
Deferred revenue	50,250	69,582
Annualized rent obligation	31,393	30,881
Security deposit payable	3,150	2,300
<b>Total liabilities</b>	<b>103,873</b>	<b>121,172</b>

## Net assets

Unrestricted	26,278	36,982
Unrestricted – operating reserve	105,000	70,000
<b>Total unrestricted</b>	<b>131,278</b>	<b>106,982</b>
Temporarily restricted	123,868	58,000
<b>Total net assets</b>	<b>255,146</b>	<b>164,982</b>
<b>Total liabilities and net assets</b>	<b>\$ 359,019</b>	<b>\$ 286,154</b>

# CAUSE EFFECTIVE, INC.

## Statement of Activities For the Years Ended June 30, 2017 and June 30, 2016

	2017				2016			
	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	\$ 204,465	\$ -	\$ 293,500	\$ 497,965	\$ 150,157	\$ -	\$ 112,000	\$ 262,157
In-kind contributions	67,013	-	-	67,013	49,631	-	-	49,631
Program service revenue	475,348	-	-	475,348	486,743	-	-	486,743
Subtenant	33,975	-	-	33,975	26,046	-	-	26,046
Other	283	-	-	283	238	-	-	238
Net assets released from restrictions	227,632	-	(227,632)	-	120,000	-	(120,000)	-
Total public support and revenue	1,008,716	-	65,868	1,074,584	832,815	-	(8,000)	824,815
<b>Expenses</b>								
Program services	718,792	-	-	718,792	618,664	-	-	618,664
Management and general	217,739	-	-	217,739	178,815	-	-	178,815
Fundraising	35,451	-	-	35,451	48,171	-	-	48,171
Total expenses before depreciation and amortization	971,982	-	-	971,982	845,650	-	-	845,650
Increase (decrease) in net assets before depreciation and amortization	36,734	-	65,868	102,602	(12,835)	-	(8,000)	(20,835)
Depreciation and amortization	11,926	-	-	11,926	10,771	-	-	10,771
Rent amortization	512	-	-	512	3,008	-	-	3,008
Increase (decrease) in net assets before transfer	24,296	-	65,868	90,164	(26,614)	-	(8,000)	(34,614)
Transfer to/from operating reserve fund	(35,000)	35,000	-	-	20,000	(20,000)	-	-
Increase (decrease) in net assets	(10,704)	35,000	65,868	90,164	(6,614)	(20,000)	(8,000)	(34,614)
Net assets, beginning of year	36,982	70,000	58,000	164,982	43,596	90,000	66,000	199,596
Net assets, end of year	\$ 26,278	\$ 105,000	\$ 123,868	\$ 255,146	\$ 36,982	\$ 70,000	\$ 58,000	\$ 164,982

See notes to financial statements.

(with summarized comparative information for the year ended June 30, 2016)

See notes to financial statements.

## CAUSE EFFECTIVE, INC.

## Statement of Cash Flows

	Year Ended June 30	
	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ 90,164	\$ (34,614)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Annualized rent obligation	512	3,008
Depreciation and amortization	11,926	10,771
(Increase) decrease in assets		
Grants and contract receivables	42,977	(74,932)
Prepaid expenses and other assets	(911)	8,490
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	671	(5,855)
Deferred revenue	(19,332)	(1,118)
Security deposit	<u>850</u>	<u>(1,800)</u>
Net cash provided by (used in) operating activities	<u>126,857</u>	<u>(96,050)</u>
<b>Cash flows from investing activities</b>		
Purchases of property, equipment and leasehold improvements	<u>(1,499)</u>	<u>(14,067)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>125,358</b>	<b>(110,117)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>87,856</u></b>	<b><u>197,973</u></b>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 213,214</u></b>	<b><u>\$ 87,856</u></b>
<b>Consists of:</b>		
Operating	\$ 108,214	\$ 17,856
Operating reserve	<u>105,000</u>	<u>70,000</u>
Total	<u>\$ 213,214</u>	<u>\$ 87,856</u>

See notes to financial statements.

**CAUSE EFFECTIVE, INC.****Notes to Financial Statements****June 30, 2017****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, 2017****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, 2017, 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 \$67,013 and \$49,631 during the 2017 and 2016 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, 2017

**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 20, 2017, 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, 2017 and June 30, 2016:

	<u>2017</u>	<u>2016</u>
Office equipment and furniture	\$ 127,108	\$ 125,609
Leasehold improvements	<u>91,527</u>	<u>91,527</u>
Sub-total	218,635	217,136
Less: Accumulated depreciation and amortization	<u>191,830</u>	<u>179,904</u>
Total	<u>\$ 26,805</u>	<u>\$ 37,232</u>

**Note 4 – Tax-deferred annuity plan**

The Organization maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. During the 2017 and 2016 fiscal years, the Organization made no contribution to the Plan.

## CAUSE EFFECTIVE, INC.

Notes to Financial Statements (continued)  
June 30, 2017**Note 5 – Temporarily restricted net assets**

The transactions in the temporarily restricted net assets during the year ended June 30, 2017 were as follows:

	Balance at June 30, 2016	Additions	Net Assets Released from Restrictions	Balance at June 30, 2017
Office equipment and software	\$ -	\$ 9,000	\$ -	\$ 9,000
Capacity building	42,000	274,500	(209,632)	106,868
Technical assistance	<u>16,000</u>	<u>10,000</u>	<u>(18,000)</u>	<u>8,000</u>
Total	<u>\$ 58,000</u>	<u>\$ 293,500</u>	<u>\$ (227,632)</u>	<u>\$ 123,868</u>

**Note 6 – 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, 2017, future minimum rental payments under this lease are as follows:

<u>Fiscal Year</u>	<u>Total</u>
2018	\$ 88,276
2019	90,925
2020	93,653
2021	96,462
2022	<u>57,242</u>
Total	<u>\$ 426,558</u>

**Note 7 – 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 \$34,850 in the 2018 fiscal year, \$25,050 in the 2019 fiscal year, and \$2,000 in the 2020 fiscal year.

**Note 8 – 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.