

CAUSE EFFECTIVE, INC.

**Financial Statements
for the year ended
June 30, 2021**

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, 2021 and June 30, 2020 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, 2021 and June 30, 2020 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.

Candace O'Leary McGinty & Donnelly LLP

November 18, 2021

CAUSE EFFECTIVE, INC.

Statement of Financial Position

Assets

	June 30	
	2021	2020
Cash and cash equivalents	\$ 101,178	\$ 146,400
Cash and cash equivalents – operating reserve	105,000	105,000
Grants and contract receivables	175,437	23,601
Employee retention credit receivable	57,316	-
Prepaid expenses and other	14,229	19,338
Property, equipment and leasehold improvements, net	12,499	17,019
Total assets	\$ 465,659	\$ 311,358

Liabilities and Net Assets

Liabilities

Deferred grant	\$ 131,462	\$ 128,603
Accounts payable and accrued expenses	20,976	17,951
Deferred revenue	37,750	5,475
Annualized rent obligation	-	22,568
Security deposit payable	-	2,000
Total liabilities	190,188	176,597

Net assets

Without donor restrictions		
Operating (deficit)	69,103	(79,701)
Operating reserve	105,000	105,000
Total without donor restrictions	174,103	25,299
With donor restrictions	101,368	109,462
Total net assets	275,471	134,761
Total liabilities and net assets	\$ 465,659	\$ 311,358

CAUSE EFFECTIVE, INC.

**Statement of Activities
For the Years Ended June 30, 2021 and June 30, 2020**

	2021			2020				
	Without donor Restrictions	Operating Reserve Fund	With donor Restrictions	Total	Without donor Restrictions	Operating Reserve Fund	With donor Restrictions	Total
Public support and revenue								
Grants and contributions	\$ 388,496	-	\$ 295,000	\$ 683,496	\$ 202,295	-	\$ 278,500	\$ 480,795
In-kind contributions	77,941	-	-	77,941	100,811	-	-	100,811
Program services	249,597	-	-	249,597	303,179	-	-	303,179
Subtenant	-	-	-	-	25,300	-	-	25,300
Interest	15	-	-	15	130	-	-	130
Net assets released from restrictions	303,094	-	(303,094)	-	295,427	-	(295,427)	-
Total public support and revenue	<u>1,019,143</u>	<u>-</u>	<u>(8,094)</u>	<u>1,011,049</u>	<u>927,142</u>	<u>-</u>	<u>(16,927)</u>	<u>910,215</u>
Expenses								
Program services	603,253	-	-	603,253	603,315	-	-	603,315
Management and general	330,298	-	-	330,298	335,965	-	-	335,965
Fundraising	31,439	-	-	31,439	30,961	-	-	30,961
Total expenses before depreciation and amortization (credit)	<u>964,990</u>	<u>-</u>	<u>-</u>	<u>964,990</u>	<u>970,241</u>	<u>-</u>	<u>-</u>	<u>970,241</u>
Increase (decrease) in net assets before other additions (deduction)	54,153	-	(8,094)	46,059	(43,099)	-	(16,927)	(60,026)
Other additions (deduction)								
Depreciation and amortization	(5,878)	-	-	(5,878)	(3,978)	-	-	(3,978)
Rent credits	22,568	-	-	22,568	2,059	-	-	2,059
Employee retention credit	77,961	-	-	77,961	-	-	-	-
Increase (decrease) in net assets	<u>148,804</u>	<u>-</u>	<u>(8,094)</u>	<u>140,710</u>	<u>(45,018)</u>	<u>-</u>	<u>(16,927)</u>	<u>(61,945)</u>
Net assets (deficit), beginning of year	<u>(79,701)</u>	<u>105,000</u>	<u>109,462</u>	<u>134,761</u>	<u>(34,683)</u>	<u>105,000</u>	<u>126,389</u>	<u>196,706</u>
Net assets (deficit), end of year	<u>\$ 69,103</u>	<u>\$ 105,000</u>	<u>\$ 101,368</u>	<u>\$ 275,471</u>	<u>\$ (79,701)</u>	<u>\$ 105,000</u>	<u>\$ 109,462</u>	<u>\$ 134,761</u>

See notes to financial statements.

CAUSE EFFECTIVE, INC.

Statement of Functional Expenses

Year Ended June 30, 2021

(with summarized comparative information for the year ended June 30, 2020)

	2021						2020
	Program Services			Supporting Activities			Total
	Consulting	Training and Publications	Total Program Services	Management and General	Fund-raising	Supporting Services	
Salaries	\$ 342,327	\$ 102,479	\$ 444,806	\$ 152,410	\$ 22,100	\$ 174,510	\$ 552,900
Payroll taxes and employee benefits	50,813	15,113	65,926	31,375	3,520	34,895	99,920
Consultants	30,769	531	31,300	16,850	-	16,850	16,423
Printing, postage and delivery	1,408	1,754	3,162	1,175	681	1,856	4,231
Travel and related	330	170	500	381	81	462	8,039
Office supplies	817	4	821	2,210	72	2,282	4,164
Communications	9,851	2,238	12,089	2,378	913	3,291	16,376
Dues and subscriptions	1,704	-	1,704	1,283	415	1,698	3,989
Occupancy	22,871	6,847	29,718	10,183	1,477	11,660	112,781
Insurance	1,230	368	1,598	548	79	627	2,900
Professional fees	-	-	-	102,513	-	102,513	126,402
Repairs and maintenance, rental	5,837	1,468	7,305	5,906	1,702	7,608	14,686
Other	3,527	797	4,324	3,086	399	3,485	7,430
	471,484	131,769	603,253	330,298	31,439	361,737	970,241
Total expenses before depreciation and amortization (credit)	-	-	-	5,878	-	5,878	3,978
Depreciation and amortization	-	-	-	(22,568)	-	(22,568)	(2,059)
Rent credits	-	-	-	-	-	-	-
Total expenses	\$ 471,484	\$ 131,769	\$ 603,253	\$ 313,608	\$ 31,439	\$ 345,047	\$ 972,160

See notes to financial statements.

CAUSE EFFECTIVE, INC.

**Statement of Functional Expenses
Year Ended June 30, 2020**

	2020					
	Program Services			Supporting Activities		
	Consulting	Training and Publications	Total Program Services	Management and General	Fund-raising	Total Supporting Services
Salaries	\$ 265,841	\$ 109,792	\$ 375,633	\$ 158,641	\$ 18,626	\$ 177,267
Payroll taxes and employee benefits	46,619	20,209	66,828	29,513	3,579	33,092
Consultants	10,495	181	10,676	5,747	-	5,747
Printing, postage and delivery	1,187	1,479	2,666	991	574	1,565
Travel and related	2,763	1,422	4,185	3,180	674	3,854
Office supplies	1,097	5	1,102	2,966	96	3,062
Communications	10,489	2,383	12,872	2,532	972	3,504
Dues and subscriptions	1,998	-	1,998	1,504	487	1,991
Occupancy	54,227	22,395	76,622	32,360	3,799	36,159
Insurance	1,394	576	1,970	832	98	930
Professional fees	-	37,455	37,455	88,947	-	88,947
Repairs and maintenance, rental	5,748	1,446	7,194	5,816	1,676	7,492
Other	3,356	758	4,114	2,936	380	3,316
	405,214	198,101	603,315	335,965	30,961	366,926
Total expenses before depreciation and amortization (credit)	-	-	-	3,978	-	3,978
Depreciation and amortization	-	-	-	(2,059)	-	(2,059)
Rent credits	-	-	-	-	-	-
Total expenses	\$ 405,214	\$ 198,101	\$ 603,315	\$ 337,884	\$ 30,961	\$ 368,845
						\$ 972,160

See notes to financial statements.

CAUSE EFFECTIVE, INC.

Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 140,710	\$ (61,945)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Annualized rent obligation	(22,568)	(2,059)
Depreciation and amortization	5,878	3,978
(Increase) decrease in assets		
Grants and contract receivables	(151,836)	136,939
Employee retention credit receivable	(57,316)	-
Prepaid expenses and other	5,109	2,343
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	3,025	(15,445)
Deferred revenue	32,275	(29,375)
Security deposit	(2,000)	(500)
Net cash provided by (used in) operating activities	<u>(46,723)</u>	<u>33,936</u>
Cash flows (used in) investing activities		
Purchases of property, equipment and leasehold improvements	<u>(1,358)</u>	<u>(3,673)</u>
Cash flows from financing activities		
Proceeds from line of credit	-	60,000
Repayment of line of credit	-	(125,000)
Proceeds from deferred grant	131,462	128,603
Forgiveness of deferred grant	<u>(128,603)</u>	<u>-</u>
Net cash provided by financing activities	<u>2,859</u>	<u>63,603</u>
Net increase (decrease) in cash and cash equivalents	(45,222)	93,866
Cash and cash equivalents, beginning of year	<u>251,400</u>	<u>157,534</u>
Cash and cash equivalents, end of year	<u>\$ 206,178</u>	<u>\$ 251,400</u>
Consists of:		
Operating	\$ 101,178	\$ 146,400
Operating reserve	<u>105,000</u>	<u>105,000</u>
Total	<u>\$ 206,178</u>	<u>\$ 251,400</u>

See notes to financial statements.

CAUSE EFFECTIVE, INC.**Notes to Financial Statements
June 30, 2021****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 transform nonprofits by partnering with mission-driven leaders to achieve social change. The Organization works with leadership to develop, employ and expand effective fundraising, governance and organizational strategies to advance equity and justice. 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 and distribution of reports, tools and templates and other written materials.

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

The Organization classifies its net assets in two categories 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 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. During 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. During 2017, \$35,000 was transferred from operating net assets to the operating reserve fund.

CAUSE EFFECTIVE, INC.

Notes to Financial Statements (continued)

June 30, 2021

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 operating net assets and reported on 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, 2021, 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 \$75,941 and \$97,561 during the 2021 and 2020 fiscal years, respectively, has been included in the financial statements.

CAUSE EFFECTIVE, INC.**Notes to Financial Statements (continued)****June 30, 2021****Note 2 – Summary of significant accounting policies (continued)**Annualized rent

The total amount of rental payments due over the lease term was charged to rent expense on a straight-line basis over the term of the lease. The lease was terminated during the 2021 fiscal year.

Functional allocation of expenses

The cost of providing the various program services and supporting activities has been summarized on a functional basis. Costs that are not directly associated with providing specific services have been allocated based upon an estimate of the relative time spent by employee or based upon the square footage of space used for programs and supporting services. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

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.

Risks and uncertainties

As a result of the coronavirus, economic uncertainties exist and the potential impact on the Organization's future financial operations is uncertain at this time.

Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure through November 18, 2021, which is the date the financial statements were available to be issued.

CAUSE EFFECTIVE, INC.

Notes to Financial Statements (continued)
June 30, 2021

Note 3 – Liquidity and availability of financial assets

The Organization’s 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 Organization’s financial assets as of June 30, 2021 and June 30, 2020 that are available for general use within one year of the statement of financial position date:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 101,178	\$ 146,400
Receivables	<u>232,753</u>	<u>23,601</u>
Total	<u>\$ 333,931</u>	<u>\$ 170,001</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 6) that may be drawn upon as necessary during the year.

Note 4 – Property, equipment and leasehold improvements

Property, equipment and leasehold improvements consisted of the following as of June 30, 2021 and June 30, 2020:

	<u>2021</u>	<u>2020</u>
Office equipment and furniture	\$ 136,881	\$ 135,523
Leasehold improvements	<u>95,526</u>	<u>95,526</u>
Sub-total	232,407	231,049
Less: accumulated depreciation and amortization	<u>219,908</u>	<u>214,030</u>
Net	<u>\$ 12,499</u>	<u>\$ 17,019</u>

Note 5 – Deferred grant**2020 Paycheck Protection Program**

During April 2020, the Organization was approved for and received a \$128,603 deferred grant under the Paycheck Protection Program (the “PPP Loan”). The PPP Loan was created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (“SBA”). As disclosed in the PPP Loan documents, principal and interest payments were deferred for the first six months. During the deferral period, interest on the outstanding principal accrued at a fixed rate of 1.0% per annum. During the 2021 fiscal year, the Organization met the requirements and filed an application for PPP Loan forgiveness. On March 17, 2021, the PPP Loan forgiveness application was confirmed by the SBA and as a result, the Organization recorded \$128,603 as a government grant in the 2021 statement of activities.

CAUSE EFFECTIVE, INC.

Notes to Financial Statements (continued)
June 30, 2021**Note 5 – Deferred grant (continued)**2021 Paycheck Protection Program

During February 2021, the Organization received a second draw under the PPP loan, totaling \$131,462 at terms substantially similar to the first draw received during 2020. The Organization met the requirements and filed an application for PPP loan forgiveness. On October 29, 2021, the PPP loan forgiveness application was confirmed by the SBA and, as a result, the Organization will record the \$131,462 as a government grant in the 2022 statement of activities.

Note 6 – Line of credit

During January 2020, 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 30, 2021, there were no outstanding borrowings on the line of credit.

Note 7 – Tax-deferred annuity plan

The Organization maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. During the 2021 and 2020 fiscal years, the Organization made no contribution to the Plan.

Note 8 – Net assets with donor restrictionsNet assets with temporary donor restrictions

The transactions in the net assets with temporary donor restrictions for the year ended June 30, 2021 were as follows:

	Balance at June 30, 2020	<u>Additions</u>	Net Assets Released from <u>Restrictions</u>	Balance at June 30, 2021
Capacity building	\$ 100,500	\$ 150,000	\$ (240,500)	\$ 10,000
Technical assistance	<u>8,962</u>	<u>145,000</u>	<u>(62,594)</u>	<u>91,368</u>
Total	<u>\$ 109,462</u>	<u>\$ 295,000</u>	<u>\$ (303,094)</u>	<u>\$ 101,368</u>

Note 9 – Lease agreement

The Organization leased office space under a lease that was scheduled to expire January 31, 2022 at an annual rate of \$75,208 with annual escalations of 3% each year. The Organization terminated the lease agreement with the landlord effective September 30, 2020 and continues operating remotely. All documents were scanned and office equipment was put in storage.

CAUSE EFFECTIVE, INC.**Notes to Financial Statements (continued)
June 30, 2021****Note 10 – Employee retention credit**

In response to the coronavirus emergency, the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) was signed into law on March 27, 2020. The CARES Act provides, among other things, a refundable payroll tax credit of 50% of the first \$10,000 of qualified wages per eligible employee for wages paid or incurred from March 13, 2020 through December 31, 2020. Effective January 1, 2021, the Consolidated Appropriations Act increased the payroll tax credit from 50% to 70% up to \$10,000 of qualified wages per quarter per employee through June 30, 2021 for eligible employers. In connection therewith, such payroll tax credits through June 30, 2021 totaled \$77,961 of which \$57,316 are recorded as a receivable on the statement of financial position. On March 11, 2021, the American Rescue Plan extended the payroll tax credits through December 31, 2021 for eligible employers. The Infrastructure Investment and Jobs Act signed on November 15, 2021 retroactively terminates the employee retention tax credit to apply only through September 30, 2021, rather than December 31, 2021 as enacted by the American Rescue Plan Act.

Note 11 – 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.