

CAUSE EFFECTIVE, INC.

**Financial Statements
for the years ended
June 30, 2022 and June 30, 2021**

Independent Auditor's Report

To the Board of Directors
Cause Effective, Inc.

Opinion

We have audited the accompanying financial statements of Cause Effective, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2022 and June 30, 2021 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and June 30, 2021 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Condon O'Leary McSherry & Donnelly LLP

November 17, 2022

CAUSE EFFECTIVE, INC.

Statement of Financial Position

Assets

	June 30	
	2022	2021
Cash and cash equivalents	\$ 207,667	\$ 101,178
Cash and cash equivalents – operating reserve	200,000	105,000
Grants and contract receivables	138,566	175,437
Employee retention credit receivable	-	57,316
Prepaid expenses and other	16,568	14,229
Property, equipment and leasehold improvements, net	5,061	12,499
Total assets	\$ 567,862	\$ 465,659

Liabilities and Net Assets

Liabilities

Deferred government grant	\$ -	\$ 131,462
Accounts payable and accrued expenses	20,134	20,976
Deferred revenue	61,650	37,750
Total liabilities	81,784	190,188

Net assets

Without donor restrictions	331,802	174,103
With donor restrictions	154,276	101,368
Total net assets	486,078	275,471
Total liabilities and net assets	\$ 567,862	\$ 465,659

See notes to financial statements.

CAUSE EFFECTIVE, INC.

Statement of Activities

For the Years Ended June 30, 2022 and June 30, 2021

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
		Total		Total
Public support and revenue				
Grants and contributions	\$ 172,640	\$ 816,140	\$ 219,393	\$ 514,393
Government grant	131,462	131,462	169,103	169,103
In-kind contributions	48,610	48,610	77,941	77,941
Program services	340,925	340,925	249,597	249,597
Interest	30	30	15	15
Other	3,750	3,750	-	-
Net assets released from restrictions	590,592	(590,592)	303,094	(303,094)
Total public support and revenue	<u>1,288,009</u>	<u>1,340,917</u>	<u>1,019,143</u>	<u>1,011,049</u>
Expenses				
Program services	852,673	852,673	603,253	603,253
Management and general	298,655	298,655	330,298	330,298
Fundraising	72,194	72,194	31,439	31,439
Total expenses before depreciation and amortization and rent credits	<u>1,223,522</u>	<u>1,223,522</u>	<u>964,990</u>	<u>964,990</u>
Increase (decrease) in net assets before other additions (deduction)	64,487	117,395	54,153	(8,094)
Other additions (deduction)				
Depreciation and amortization	(2,086)	(2,086)	(5,878)	(5,878)
Rent credits	-	-	22,568	22,568
Employee retention credit	95,298	95,298	77,961	77,961
Increase (decrease) in net assets	157,699	210,607	148,804	(8,094)
Net assets, beginning of year	174,103	275,471	25,299	109,462
Net assets, end of year	\$ 331,802	\$ 486,078	\$ 174,103	\$ 101,368
				\$ 275,471

See notes to financial statements.

CAUSE EFFECTIVE, INC.

**Statement of Functional Expenses
Year Ended June 30, 2022**

(with summarized comparative information for the year ended June 30, 2021)

	2022						2021	
	Program Services			Supporting Activities			Total	Total
	Consulting	Training and Publications	Total Program Services	Management and General	Fund-raising	Supporting Services		
Salaries	\$ 468,443	\$ 119,083	\$ 587,526	\$ 171,716	\$ 55,246	\$ 226,962	\$ 814,488	\$ 619,316
Payroll taxes and employee benefits	69,778	17,738	87,516	25,578	8,229	33,807	121,323	100,821
Consultants	59,170	1,021	60,191	32,404	-	32,404	92,595	48,150
Recruitment and staff development	16,880	3,814	20,694	14,768	1,909	16,677	37,371	1,592
Printing, postage and delivery	2,749	3,424	6,173	2,294	1,329	3,623	9,796	5,018
Travel and related	1,171	603	1,774	1,351	287	1,638	3,412	962
Office supplies	475	2	477	1,286	42	1,328	1,805	3,103
Communications	9,178	2,085	11,263	2,216	851	3,067	14,330	15,380
Dues and subscriptions	2,274	-	2,274	1,712	554	2,266	4,540	3,402
Occupancy	5,492	1,396	6,888	2,013	648	2,661	9,549	41,378
Insurance	1,125	286	1,411	412	133	545	1,956	2,225
Professional fees	-	48,610	48,610	29,261	-	29,261	77,871	102,513
Repairs and maintenance, rental	7,477	1,880	9,357	7,564	2,180	9,744	19,101	14,913
Other	6,949	1,570	8,519	6,080	786	6,866	15,385	6,217
Total expenses before depreciation and amortization (credits)	651,161	201,512	852,673	298,655	72,194	370,849	1,223,522	964,990
Depreciation and amortization	-	-	-	2,086	-	2,086	2,086	5,878
Rent credits	-	-	-	-	-	-	-	(22,568)
Total expenses	\$ 651,161	\$ 201,512	\$ 852,673	\$ 300,741	\$ 72,194	\$ 372,935	\$ 1,225,608	\$ 948,300

See notes to financial statements.

CAUSE EFFECTIVE, INC.

**Statement of Functional Expenses
Year Ended June 30, 2021**

	2021		
	Program Services	Supporting Activities	
	Training and Publications	Total Program Services	Total Supporting Services
Salaries	\$ 342,327	\$ 444,806	\$ 174,510
Payroll taxes and employee benefits	50,813	65,926	34,895
Consultants	30,769	31,300	16,850
Recruitment and staff development	719	881	81
Printing, postage and delivery	1,408	3,162	681
Travel and related	330	500	81
Office supplies	817	821	2,282
Communications	9,851	12,089	913
Dues and subscriptions	1,704	1,704	415
Occupancy	22,871	29,718	1,477
Insurance	1,230	1,598	79
Professional fees	-	-	-
Repairs and maintenance, rental	5,837	7,305	1,702
Other	2,808	3,443	2,775
	<u>471,484</u>	<u>603,253</u>	<u>361,737</u>
Total expenses before depreciation and amortization (credit)	131,769	603,253	31,439
Depreciation and amortization	-	-	5,878
Rent credits	-	-	(22,568)
Total expenses	<u>\$ 471,484</u>	<u>\$ 603,253</u>	<u>\$ 345,047</u>
		<u>\$ 313,608</u>	<u>\$ 948,300</u>

See notes to financial statements.

CAUSE EFFECTIVE, INC.

Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Increase in net assets	\$ 210,607	\$ 140,710
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Loss on write-off of leasehold improvements	6,901	-
Annualized rent obligation	-	(22,568)
Depreciation and amortization	2,086	5,878
Forgiveness of deferred government grant	(131,462)	(128,603)
(Increase) decrease in assets		
Grants and contract receivables	36,871	(151,836)
Employee retention credit receivable	57,316	(57,316)
Prepaid expenses and other	(2,339)	5,109
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(842)	3,025
Deferred revenue	23,900	32,275
Security deposit	-	(2,000)
Net cash provided by (used in) operating activities	<u>203,038</u>	<u>(175,326)</u>
Cash flows (used in) investing activities		
Purchases of property, equipment and leasehold improvements	<u>(1,549)</u>	<u>(1,358)</u>
Cash flows from financing activities		
Proceeds from deferred government grant	<u>-</u>	<u>131,462</u>
Net increase (decrease) in cash and cash equivalents	201,489	(45,222)
Cash and cash equivalents, beginning of year	<u>206,178</u>	<u>251,400</u>
Cash and cash equivalents, end of year	<u>\$ 407,667</u>	<u>\$ 206,178</u>
Consists of:		
Operating	\$ 207,667	\$ 101,178
Operating reserve	<u>200,000</u>	<u>105,000</u>
Total	<u>\$ 407,667</u>	<u>\$ 206,178</u>

See notes to financial statements.

CAUSE EFFECTIVE, INC.**Notes to Financial Statements
June 30, 2022 and 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 funds 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 policiesNet assets

The Organization classifies its net assets in two categories as follows:

Without donor restrictionsOperating

Net assets are without donor restrictions 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. During the 2022 fiscal year, the Board approved to transfer \$95,000 from operating net assets to the operating reserve fund.

CAUSE EFFECTIVE, INC.**Notes to Financial Statements (continued)****June 30, 2022 and 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, 2022, 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. Improvements that extend the life of an asset are capitalized, and repairs and maintenance are charged to expense as incurred.

During the 2022 fiscal year, in connection with terminating the Organization's office space lease agreement, the Organization wrote-off leasehold improvements with a cost basis of \$95,526 and accumulated depreciation of \$88,625 resulting in a loss on write-off of \$6,901.

CAUSE EFFECTIVE, INC.

Notes to Financial Statements (continued)
June 30, 2022 and June 30, 2021**Note 2 – Summary of significant accounting policies (continued)**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. During the 2022 and 2021 fiscal years, the fair market value of such services totaled \$46,110 and \$75,941, respectively, have been included in the financial statements.

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.

Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure through November 17, 2022, which is the date the financial statements were available to be issued.

CAUSE EFFECTIVE, INC.

**Notes to Financial Statements (continued)
June 30, 2022 and 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, 2022 and June 30, 2021 that are available for general use within one year of the statement of financial position date:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 207,667	\$ 101,178
Receivables	<u>138,566</u>	<u>232,753</u>
Total	<u>\$ 346,233</u>	<u>\$ 333,931</u>

The Organization has an operating reserve fund (see note 2) of \$200,000 and \$105,000, as of June 30, 2022 and June 30, 2021, respectively which are not included in the above amounts.

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, 2022 and June 30, 2021:

	<u>2022</u>	<u>2021</u>
Office equipment and furniture	\$ 138,430	\$ 136,881
Leasehold improvements	<u>-</u>	<u>95,526</u>
Sub-total	138,430	232,407
Less: accumulated depreciation and amortization	<u>133,369</u>	<u>219,908</u>
Net	<u>\$ 5,061</u>	<u>\$ 12,499</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”). 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, 2022 and 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 2021. 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 recorded \$131,462 as a government grant in the 2022 statement of activities.

Note 6 – Line of credit

The Organization has a \$100,000 revolving line of credit. Borrowings on this line of credit bear interest at Bank's Prime Rate plus 3.25%. As of June 30, 2022, there were no outstanding borrowings on the line of credit.

Note 7 – 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, 2022 were as follows:

	Balance at June 30, <u>2021</u>	<u>Additions</u>	Net Assets Released from <u>Restrictions</u>	Balance at June 30, <u>2022</u>
Capacity building	\$ 10,000	\$ 416,000	\$ (338,092)	\$ 87,908
Technical assistance	<u>91,368</u>	<u>227,500</u>	<u>(252,500)</u>	<u>66,368</u>
Total	<u>\$ 101,368</u>	<u>\$ 643,500</u>	<u>\$ (590,592)</u>	<u>\$ 154,276</u>

	Balance at June 30, <u>2020</u>	<u>Additions</u>	Net Assets Released from <u>Restrictions</u>	Balance at June 30, <u>2021</u>
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>

CAUSE EFFECTIVE, INC.**Notes to Financial Statements (continued)
June 30, 2022 and June 30, 2021****Note 8 – Tax-deferred annuity plan**

During the 2022 fiscal year, the Organization established a contributory defined contribution retirement plan under Section 403(b) of the Internal Revenue Code (the “Code”) covering all qualified employees. Participants may elect to defer up to 100% of their annual compensation, subject to an annual limitation provided by the Code. The Organization does not provide any matching contributions to the Plan.

Note 9 – Employee retention credit

In response to the coronavirus emergency, the Coronavirus Aid, Relief and Economic Security Act and subsequent legislations (the “Acts”) were signed into law. The Acts provided, among other things, a refundable credit of certain qualified wages per eligible employee for wages paid or incurred from March 13, 2020 through September 30, 2021. In connection therewith, such credits for the years ended June 30, 2022 and June 30, 2021 totaled \$95,298 and \$77,961, respectively, and are recorded as other additions on the statement of activities

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.