

CAUSE EFFECTIVE, INC.

**Financial Statements
for the year ended
June 30, 2020**

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, 2020 and June 30, 2019 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, 2020 and June 30, 2019 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

November 30, 2020

CAUSE EFFECTIVE, INC.

Statement of Financial Position

Assets

	June 30	
	2020	2019
Cash and cash equivalents	\$ 146,400	\$ 52,534
Cash and cash equivalents – operating reserve	105,000	105,000
Grants and contract receivables	23,601	160,540
Prepaid expenses and other	19,338	21,681
Property, equipment and leasehold improvements, net	17,019	17,324
Total assets	\$ 311,358	\$ 357,079

Liabilities and Net Assets

Liabilities

Line of credit	\$ -	\$ 65,000
Deferred grant	128,603	-
Accounts payable and accrued expenses	17,951	33,396
Deferred revenue	5,475	34,850
Annualized rent obligation	22,568	24,627
Security deposit payable	2,000	2,500
Total liabilities	176,597	160,373

Net assets

Without donor restrictions		
Operating (deficit)	(79,701)	(34,683)
Operating reserve	105,000	105,000
Total without donor restrictions	25,299	70,317
With donor restrictions	109,462	126,389
Total net assets	134,761	196,706
Total liabilities and net assets	\$ 311,358	\$ 357,079

CAUSE EFFECTIVE, INC.
Statement of Activities
For the Years Ended June 30, 2020 and June 30, 2019

	2020			2019		
	Without donor Restrictions		Operating Reserve Fund	Without donor Restrictions		Operating Reserve Fund
	Operating	With donor Restrictions		Operating	With donor Restrictions	
	Total	Total	Total	Total	Total	Total
Public support and revenue						
Grants and contributions	\$ 202,295	\$ 278,500	\$ 480,795	\$ 170,994	\$ -	\$ 407,494
In-kind contributions	100,811	-	100,811	77,052	-	77,052
Program services	303,179	-	303,179	453,161	-	453,161
Subtenant	25,300	-	25,300	35,788	-	35,788
Other	130	-	130	248	-	248
Net assets released from restrictions	295,427	(295,427)	-	264,985	-	-
Total public support and revenue	<u>927,142</u>	<u>(16,927)</u>	<u>910,215</u>	<u>1,002,228</u>	<u>(28,485)</u>	<u>973,743</u>
Expenses						
Program services	603,315	-	603,315	757,587	-	757,587
Management and general Fundraising	335,965	-	335,965	231,903	-	231,903
	30,961	-	30,961	64,124	-	64,124
Total expenses before depreciation and amortization (credit)	<u>970,241</u>	<u>-</u>	<u>970,241</u>	<u>1,053,614</u>	<u>-</u>	<u>1,053,614</u>
(Decrease) in net assets before depreciation and amortization (credit)	(43,099)	(16,927)	(60,026)	(51,386)	-	(79,871)
Depreciation and amortization	3,978	-	3,978	8,187	-	8,187
Rent amortization (credit)	(2,059)	-	(2,059)	(4,707)	-	(4,707)
(Decrease) in net assets	<u>(45,018)</u>	<u>(16,927)</u>	<u>(61,945)</u>	<u>(54,866)</u>	<u>(28,485)</u>	<u>(83,351)</u>
Net assets, beginning of year	<u>(34,683)</u>	<u>126,389</u>	<u>196,706</u>	<u>20,183</u>	<u>105,000</u>	<u>280,057</u>
Net assets, end of year	<u>\$ (79,701)</u>	<u>\$ 109,462</u>	<u>\$ 134,761</u>	<u>\$ (34,683)</u>	<u>\$ 105,000</u>	<u>\$ 196,706</u>

See notes to financial statements.

CAUSE EFFECTIVE, INC.

Statement of Functional Expenses
Year Ended June 30, 2020

(with summarized comparative information for the year ended June 30, 2019)

	2020					2019	
	Program Services			Supporting Activities		Total	Total
	Consulting	Training and Publications	Total Program Services	Management and General	Fund-raising		
Salaries	\$ 265,841	\$ 109,792	\$ 375,633	\$ 158,641	\$ 18,626	\$ 177,267	\$ 612,431
Payroll taxes and employee benefits	46,619	20,209	66,828	29,513	3,579	33,092	114,359
Consultants	10,495	181	10,676	5,747	-	5,747	45,285
Printing, postage and delivery	1,187	1,479	2,666	991	574	1,565	4,816
Travel and related	2,763	1,422	4,185	3,180	674	3,854	9,667
Office supplies	1,097	5	1,102	2,966	96	3,062	7,793
Communications	10,489	2,383	12,872	2,532	972	3,504	14,185
Dues and subscriptions	1,998	-	1,998	1,504	487	1,991	3,250
Occupancy	54,227	22,395	76,622	32,360	3,799	36,159	107,425
Insurance	1,394	576	1,970	832	98	930	2,835
Professional fees	-	37,455	37,455	88,947	-	88,947	103,163
Repairs and maintenance, rental	5,748	1,446	7,194	5,816	1,676	7,492	19,292
Other	3,356	758	4,114	2,936	380	3,316	9,113
	405,214	198,101	603,315	335,965	30,961	366,926	1,053,614
Total expenses before depreciation and amortization	-	-	-	3,978	-	3,978	8,187
Depreciation and amortization	-	-	-	(2,059)	-	(2,059)	(4,707)
Rent amortization (credit)	-	-	-	-	-	-	-
Total expenses	\$ 405,214	\$ 198,101	\$ 603,315	\$ 337,884	\$ 30,961	\$ 368,845	\$ 1,057,094

See notes to financial statements.

CAUSE EFFECTIVE, INC.

Statement of Cash Flows

	Year Ended	
	<u>June 30</u>	
	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
(Decrease) in net assets	\$ (61,945)	\$ (83,351)
Adjustments to reconcile (decrease) in net assets to net cash provided by (used in) operating activities		
Annualized rent obligation	(2,059)	(5,607)
Depreciation and amortization	3,978	8,187
(Increase) decrease in assets		
Grants and contract receivables	136,939	(31,554)
Prepaid expenses and other	2,343	7,378
(Decrease) in liabilities		
Accounts payable and accrued expenses	(15,445)	(855)
Deferred revenue	(29,375)	(50,950)
Security deposit	(500)	(900)
Net cash provided by (used in) operating activities	<u>33,936</u>	<u>(157,652)</u>
Cash flows from (used in) investing activities		
Purchases of property, equipment and leasehold improvements	<u>(3,673)</u>	<u>(4,161)</u>
Cash flows from financing activities		
Repayment of line of credit	(125,000)	-
Proceeds from line of credit	60,000	65,000
Proceeds from deferred grant	128,603	-
Net cash provided by financing activities	<u>63,603</u>	<u>65,000</u>
Net increase (decrease) in cash and cash equivalents	93,866	(96,813)
Cash and cash equivalents, beginning of year	<u>157,534</u>	<u>254,347</u>
Cash and cash equivalents, end of year	<u>\$ 251,400</u>	<u>\$ 157,534</u>
Consists of:		
Operating	\$ 146,400	\$ 52,534
Operating reserve	<u>105,000</u>	<u>105,000</u>
Total	<u>\$ 251,400</u>	<u>\$ 157,534</u>

See notes to financial statements.

CAUSE EFFECTIVE, INC.**Notes to Financial Statements****June 30, 2020****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, sales and distribution of manuals and other written materials.

Note 2 – Summary of significant accounting policiesNet assets

The Organization reports information regarding its financial position in two classes of net assets, which are as follows:

Without donor restrictionsOperating

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. 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. 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, 2020****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, 2020, 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 \$97,561 and \$77,052 during the 2020 and 2019 fiscal years, respectively, has been included in the financial statements.

CAUSE EFFECTIVE, INC.**Notes to Financial Statements (continued)
June 30, 2020****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 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

On March 13, 2020, President Trump declared a national emergency due to extraordinary circumstances resulting from the coronavirus. The economic impact of the coronavirus on the Organization’s future financial operations is not readily determinable.

Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure through November 30, 2020, which is the date the financial statements were available to be issued.

CAUSE EFFECTIVE, INC.

Notes to Financial Statements (continued)

June 30, 2020

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, 2020 and June 30, 2019 that are available for general use within one year of the statement of financial position date:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 146,400	\$ 52,534
Grants and contracts receivables	<u>23,601</u>	<u>160,540</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 170,001</u>	<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 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, 2020 and June 30, 2019:

	<u>2020</u>	<u>2019</u>
Office equipment and furniture	\$ 135,523	\$ 132,850
Leasehold improvements	<u>95,526</u>	<u>94,526</u>
Sub-total	231,049	227,376
Less: Accumulated depreciation and amortization	<u>214,030</u>	<u>210,052</u>
Total	<u>\$ 17,019</u>	<u>\$ 17,324</u>

Note 5 – Deferred grant

During 2020, the Organization applied for and received \$128,603 under the Paycheck Protection Program ("PPP") which is a business loan program established under the Coronavirus Aid, Relief, and Economic Security Act. The Organization has elected to record the proceeds as a liability until the PPP is, in part or wholly, forgiven and the Organization is legally released. The Organization believes it has spent all of the proceeds in accordance with the terms of PPP loan program and expects to have the amount received forgiven in its entirety during the 2021 fiscal year. Any amounts not forgiven are subject to interest at a fixed rate of 1% for a two year-term.

CAUSE EFFECTIVE, INC.

Notes to Financial Statements (continued)

June 30, 2020

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, 2020, 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 2020 and 2019 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, 2020 were as follows:

	Balance at June 30, 2019	Additions	Net Assets Released from Restrictions	Balance at June 30, 2020
Capacity building	\$ 126,389	\$ 268,500	\$ (294,389)	\$ 100,500
Technical assistance	-	10,000	(1,038)	8,962
Total	<u>\$ 126,389</u>	<u>\$ 278,500</u>	<u>\$ (295,427)</u>	<u>\$ 109,462</u>

Note 9 – Lease agreement

The Organization leased office space under a lease that was schedule 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 continued operating remotely. All documents and office equipment were put in storage.

Note 10 – Subtenant rental income

The Organization had sublease agreements with two tenants. One tenant moved out effective August 31, 2019. The other tenant moved out effective June 30, 2020.

CAUSE EFFECTIVE, INC.**Notes to Financial Statements (continued)****June 30, 2020****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.