

**COMMUNITY RESOURCE
EXCHANGE, INC.**

**Financial Statements
For the Years Ended
September 30, 2018
and
September 30, 2017**

Independent Auditor's Report

To the Board of Directors of
Community Resource Exchange, Inc.

We have audited the accompanying financial statements of Community Resource Exchange, Inc. which comprise the statement of financial position as of September 30, 2018 and September 30, 2017 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 Community Resource Exchange, Inc. as of September 30, 2018 and September 30, 2017 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

January 31, 2019

COMMUNITY RESOURCE EXCHANGE, INC.

Statement of Financial Position

	Assets	
	September 30	
	2018	2017
Assets		
Cash and cash equivalents	\$1,413,468	\$1,077,681
Certificates of deposit	1,474,669	1,439,468
Investments, at fair value	662,562	580,047
Accrued interest receivable	3,347	4,844
Government grants receivable	60,318	42,855
Foundation grants and pledges receivable	660,511	209,276
Consulting fees receivable, net	691,461	382,598
Prepaid expenses and other assets	123,135	148,362
Property and equipment, at cost, net	<u>43,629</u>	<u>59,148</u>
Total assets	<u>\$5,133,100</u>	<u>\$3,944,279</u>
	Liabilities and Net Assets	
Liabilities		
Accounts payable and accrued expenses	\$ 449,029	\$ 320,503
Unearned revenue	<u>170,081</u>	<u>140,321</u>
Total liabilities	<u>619,110</u>	<u>460,824</u>
Net assets		
Unrestricted		
Operating	1,577,369	1,313,689
Board designated	<u>1,501,354</u>	<u>1,351,354</u>
Total unrestricted	3,078,723	2,665,043
Temporarily restricted	<u>1,435,267</u>	<u>818,412</u>
Total net assets	<u>4,513,990</u>	<u>3,483,455</u>
Total liabilities and net assets	<u>\$5,133,100</u>	<u>\$3,944,279</u>

See notes to financial statements.

COMMUNITY RESOURCE EXCHANGE, INC.

Statement of Activities

	Year Ended September 30					
	2018			2017		
	Unrestricted	Board Designated	Temporarily Restricted	Unrestricted	Board Designated	Temporarily Restricted
Operating	Total	Total	Operating	Total	Total	
Revenue and support						
Contributions	\$ 150,779	\$ -	\$ 188,329	\$ 148,531	\$ -	\$ 37,865
Donated services	9,629	-	9,629	35,038	-	-
Special events, net of direct benefits to donors of \$- and \$9,915 for 2018 and 2017, respectively	-	-	5,880	790	-	6,100
Foundation and corporate grants	25,886	-	1,682,695	8,539	-	1,300,882
Government grants and contracts	841,539	-	841,539	1,023,847	-	-
Consulting fees	2,221,037	-	2,221,037	1,412,637	-	5,000
Investment return	98,781	-	98,781	109,346	-	-
Rental	109,574	-	109,574	118,383	-	-
Other	-	-	-	243	-	-
Net assets released from restrictions	1,083,384	-	-	935,423	-	(935,423)
Total revenue and support	4,540,609	-	5,157,464	3,792,777	-	414,424
Expenses						
Program services	3,262,296	-	3,262,296	3,116,271	-	-
Supporting activities						
Management and general	793,862	-	793,862	555,143	-	-
Fundraising	70,771	-	70,771	36,425	-	-
Total supporting activities	864,633	-	864,633	591,568	-	-
Total expenses	4,126,929	-	4,126,929	3,707,839	-	-
Increase in net assets before transfer	413,680	-	1,030,535	84,938	-	414,424
Transfer	(150,000)	150,000	-	-	-	-
Increase net assets	263,680	150,000	1,030,535	84,938	-	414,424
Net assets, beginning of year	1,313,689	1,351,354	3,483,455	1,228,751	1,351,354	403,988
Net assets, end of year	\$1,577,369	\$1,501,354	\$4,513,990	\$1,313,689	\$1,351,354	\$ 818,412

See notes to financial statements.

COMMUNITY RESOURCE EXCHANGE, INC.

Statement of Functional Expenses

Year Ended September 30

	2018			2017			
	Supporting Activities			Supporting Activities			
	Program Services	Management and General	Fundraising	Program Services	Management and General	Fundraising	Total
Payroll and related expenses							
Salaries and related expenses	\$ 2,064,128	\$ 474,440	\$ 42,233	\$ 2,580,801	\$ 299,504	\$ 12,592	\$ 2,198,428
Payroll taxes and benefits	485,517	104,452	6,528	596,497	79,333	5,667	510,170
Total payroll and related expenses	2,549,645	578,892	48,761	3,177,298	378,837	18,259	2,708,598
Other expenses							
Contracted services	83,060	11,271	1,828	96,159	5,017	1,225	91,328
Professional fees	27,401	11,528	720	39,649	17,175	1,226	61,338
Occupancy	264,109	128,043	8,003	400,155	108,777	7,771	389,842
Insurance	8,853	4,292	268	13,413	3,310	235	11,820
Office equipment	5,317	2,401	150	7,868	2,109	151	7,924
Office supplies	35,460	6,572	420	42,452	4,828	389	42,456
Subscriptions and memberships	27,378	9,276	1,190	37,844	6,879	1,248	34,614
Subcontractors and client expenses	121,671	-	-	121,671	-	-	207,428
Events and meetings	32,675	6,379	5,630	44,684	2,209	3,696	29,470
Marketing and communications	36,819	10,066	1,764	48,649	5,905	479	32,359
Staff development	29,047	6,356	397	35,800	2,409	143	24,566
Bank charges and other fees	21,441	9,370	1,052	31,863	8,560	924	32,086
Depreciation and amortization	19,420	9,416	588	29,424	9,523	679	34,010
Total other expenses	712,651	214,970	22,010	949,631	176,306	18,166	999,241
Total expenses	\$ 3,262,296	\$ 793,862	\$ 70,771	\$ 4,126,929	\$ 555,143	\$ 36,425	\$ 3,707,839

See notes to financial statements.

COMMUNITY RESOURCE EXCHANGE, INC.

Statement of Cash Flows

	Year Ended	
	September 30	
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Increase in net assets	\$1,030,535	\$ 499,362
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	29,424	34,010
Unrealized (gain) on investments	(70,319)	(79,435)
Donated securities	(25,050)	(25,366)
Sale of donated securities	25,050	25,366
(Increase) decrease in assets		
Accrued interest receivable	1,497	(1,902)
Government grants and contracts receivable	(17,463)	495,034
Foundation grants and pledges receivable	(451,235)	(154,185)
Consulting fees receivable	(308,863)	(124,203)
Prepaid expenses and other assets	25,227	(33,428)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	128,526	(126,292)
Unearned revenue	29,760	5,263
Net cash provided by operating activities	<u>397,089</u>	<u>514,224</u>
Cash flows from investing activities		
Purchases of property and equipment	(13,905)	(7,008)
Proceeds from the maturity of certificates of deposit	450,799	771,729
Purchases of certificates of deposit	(486,000)	(915,706)
Purchases of investments	(12,196)	(11,748)
Net cash (used in) investing activities	<u>(61,302)</u>	<u>(162,733)</u>
Net increase in cash and cash equivalents	335,787	351,491
Cash and cash equivalents, beginning of year	<u>1,077,681</u>	<u>726,190</u>
Cash and cash equivalents, end of year	<u>\$1,413,468</u>	<u>\$1,077,681</u>

See notes to financial statements.

COMMUNITY RESOURCE EXCHANGE, INC.**Notes to Financial Statements
September 30, 2018 and September 30, 2017****Note 1 – Nature of organization**

Community Resource Exchange, Inc. (“CRE”) is a nonprofit consulting firm that provides the strategies and tools needed to build sustainable, high-performing organizations that improve people's lives and drive social change. CRE specializes in serving organizations that have deep roots in urban communities, particularly those groups working to fight poverty, promote equity, and expand opportunity. For 39 years, CRE has worked at the intersection of nonprofits and communities - building leaders and strengthening organizations to deliver impact. CRE provides customized local solutions that blend deep consulting experience and operational expertise to help leaders manage in an environment of complexity and change. CRE taps the transformative power of assessment, data, leadership, collaboration, and strategy to help organizations plan smartly, operate effectively and produce results.

Through consulting, coaching and leadership and management training programs, CRE strengthens organizations by focusing on the basics: effective leadership, high performing staff, financial stability, effective programs, and a culture of learning and continuous improvement. We know that a strong organizational foundation and a clear direction allows leadership and staff to focus their time and resources on making a difference in the communities they serve. When a CRE engagement is through, organizations are stronger and leaders are better able to achieve their goals. CRE harnesses the lessons learned from each engagement to develop strategies that benefit the social sector as a whole. Today, CRE is proud to be the go-to partner annually for over 500 organizations – large and small – working to create opportunity and catalyze change.

Each year, CRE raises funds from corporations, foundations, government entities, and individuals to allow us to offer our services at no cost to our clients or at subsidized rates.

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

CRE reports information regarding its financial position and activities in three classes of net assets which are as follows:

Unrestricted - Operating

Operating net assets are used to account for the general activities of CRE.

Unrestricted - Board designated

Unrestricted monies or assets contributed to CRE which are designated by the Board of Directors to provide long-term financial support for uses including investments and emergencies. Use of these funds requires Board approval. During 2018, CRE transferred \$150,000 from Operating to Board Designated. There were no transfers in 2017.

COMMUNITY RESOURCE EXCHANGE, INC.**Notes to Financial Statements (continued)
September 30, 2018 and September 30, 2017****Note 2 – Summary of significant accounting policies (continued)**Net assets (continued)Temporarily restricted

Net assets of CRE which have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of CRE pursuant to those stipulations.

Cash and cash equivalents

CRE deems highly liquid investments with original maturities of 90 days or less to be cash equivalents.

Certificates of deposit

CRE reports certificates of deposit in the statement of financial position which are valued using a cost-based measure.

Fair value measurements

CRE's investments are composed of exchange traded funds that are restricted for purpose or the passage of time. At September 30, 2018 and September 30, 2017, CRE's exchange traded funds are classified in the highest level of the fair value hierarchy (Level 1). The quoted prices for these assets are in active markets for identical assets.

Pledges and contributions receivable

Contributions are recognized when a donor makes a promise to give to CRE that is unconditional. Contributions that are restricted for purpose or the passage of time are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets as net assets released from restrictions.

Allowance for doubtful accounts

As of September 30, 2018 and September 30, 2017, CRE has an allowance of approximately \$106,000 and \$72,000, respectively, for any potentially uncollectible consulting fees. The estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

COMMUNITY RESOURCE EXCHANGE, INC.**Notes to Financial Statements (continued)
September 30, 2018 and September 30, 2017****Note 2 – Summary of significant accounting policies (continued)****Property and equipment**

Office equipment and furniture acquisitions are stated at cost and depreciated on a straight line basis over an estimated useful life of five years. Leasehold improvements are stated at cost and amortized on a straight-line basis over the shorter of the lease term or their estimated useful life. CRE capitalizes all expenditures for property and equipment in excess of \$1,000 with a useful life greater than one year.

Revenue recognition

Revenue from government contracts and grants is recognized when costs are incurred or other services are performed. Unearned revenue represents consulting fees received in advance of the performance of services.

Receivables

Except for \$297,500, which is composed of multi-year commitments from foundations and is expected to be collected during the 2020 fiscal year, all receivables are expected to be collected during the 2019 fiscal year.

Donated services

CRE recognizes donated services which have an ascertainable value and are an integral part of CRE's program and supporting activities. For the fiscal years ended September 30, 2018 and September 30, 2017, donated services consisted of legal services totaling \$9,629 and \$35,038, respectively.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

COMMUNITY RESOURCE EXCHANGE, INC.

**Notes to Financial Statements (continued)
September 30, 2018 and September 30, 2017**

Note 2 – Summary of significant accounting policies (continued)

Concentrations of credit risk

CRE's financial instruments that are potentially exposed to concentrations of credit risk consist of cash, cash equivalents, certificates of deposit, investments and receivables. CRE places its cash, cash equivalents and certificates of deposit with what it believes to be quality financial institutions. At times during the year, CRE's bank account balances exceeded the FDIC insurance limit. CRE has not incurred any losses in these accounts to date. Investments are exposed to various risks such as interest rate, market volatility, liquidity and credit. Due to the level of uncertainty related to changes in interest rates, market volatility, liquidity and credit risks, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position at September 30, 2018. CRE regularly monitors the collectability of its receivables. Accordingly, CRE believes no significant concentrations of credit risk exist with respect to its cash, cash equivalents, certificates of deposit, investments and receivables.

Subsequent events

CRE has evaluated subsequent events and transactions for potential recognition or disclosure through January 31, 2019, which is the date the financial statements were available to be issued.

Note 3 – Investments, at fair value

Investments, at fair value, consisted of the following as of September 30, 2018 and September 30, 2017:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Exchange traded funds	\$ 487,078	\$ 662,562	\$ 474,882	\$ 580,047

Investment return, net, consisted of the following for the years ended September 30, 2018 and September 30, 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 28,462	\$ 29,911
Unrealized gains	70,319	79,435
Total	<u>\$ 98,781</u>	<u>\$ 109,346</u>

COMMUNITY RESOURCE EXCHANGE, INC.

**Notes to Financial Statements (continued)
September 30, 2018 and September 30, 2017**

Note 4 – Government grants and contracts receivable

Government grants and contracts receivable consist of the following as of September 30, 2018 and September 30, 2017:

	<u>2018</u>	<u>2017</u>
The City of New York Department of Youth and Community Development	\$ 60,318	\$ 42,855

Reimbursement under government contracts and contracts is subject to audit by the various government agencies. The effect of any potential audit disallowances is not reflected in these financial statements. Management is of the opinion that any potential disallowances will not be material to the accompanying financial statements.

Note 5 – Foundation grants and pledges receivable

Foundation grants and pledges receivable consisted of the following as of September 30, 2018 and September 30, 2017:

	<u>2018</u>	<u>2017</u>
Booth Ferris Foundation	\$ -	\$ 130,000
Ford Foundation	41,530	28,477
Mary J. Hutchins Foundation	-	50,000
New York Community Trust	130,000	-
New York Foundation	12,000	-
New York Life Foundation	300,000	-
Robert Sterling Clark Foundation	165,000	-
Other	<u>11,981</u>	<u>799</u>
Total	<u>\$ 660,511</u>	<u>\$ 209,276</u>

Note 6 – Property and equipment, net

As of September 30, 2018 and September 30, 2017, property and equipment and accumulated depreciation and amortization were as follows:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 201,615	\$ 201,615
Office equipment and furniture	<u>158,311</u>	<u>244,665</u>
	359,926	446,280
Less accumulated depreciation and amortization	<u>316,297</u>	<u>387,132</u>
Total property and equipment, net	<u>\$ 43,629</u>	<u>\$ 59,148</u>

During 2018 and 2017 fiscal years, fully depreciated property and equipment totaling \$100,259 and \$480, respectively, were removed from the books and records of CRE.

COMMUNITY RESOURCE EXCHANGE, INC.

**Notes to Financial Statements (continued)
September 30, 2018 and September 30, 2017**

Note 7 – Temporarily restricted net assets

As of September 30, 2018 and September 30, 2017, temporarily restricted net assets consisted of the following:

	<u>2018</u>	<u>2017</u>
Program restriction	\$1,131,988	\$ 465,550
Time restriction	<u>303,279</u>	<u>352,862</u>
Total	<u>\$1,435,267</u>	<u>\$ 818,412</u>

Note 8 – Retirement plan

CRE has a 403(b) plan available to all eligible employees. CRE's contributions to the plan are at the discretion of the Board of Directors. CRE's contributions were \$100,209 and \$77,206 for the years ended September 30, 2018 and September 30, 2017, respectively.

Note 9 – Commitments

CRE's lease for office space expires in May 2020. The following are the future annual minimum lease payments required under the lease agreement:

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 304,960
2020	<u>182,075</u>
Total	<u>\$ 487,035</u>

The rental expense for CRE for the years ended September 30, 2018 and September 30, 2017 was approximately \$344,000 and \$332,000. CRE has a \$33,333 security deposit with the landlord which is included in prepaid expenses and other assets on the statement of financial position.

CRE has subtenants whose license agreements expire June 30, 2019 and renew annually. These licenses can, at the discretion of CRE, be renewed at their anniversary date and either party may cancel the agreement with three months' notice. In addition, CRE has subtenants which are paying on a month-to-month basis. At September 30, 2018, the license rental revenue associated with these agreements totaled \$78,300 and is included in rental revenue on the statement of activities.

Note 10 – Tax status

CRE is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, CRE has been determined by the Internal Revenue Service to be a publicly supported organization and not a private foundation under the meaning of Section 509(a)(1) of the Code.