

**COMMUNITY RESOURCE
EXCHANGE, INC.**

**Financial Statements
For the Years Ended
September 30, 2017
and
September 30, 2016**

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, 2017 and September 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 Community Resource Exchange, Inc. as of September 30, 2017 and September 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.

Condon O'Meara McGinty + Donnelly LLP

February 8, 2018

COMMUNITY RESOURCE EXCHANGE, INC.

Statement of Financial Position

	September 30	
	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$1,077,681	\$ 726,190
Certificates of deposit	1,439,468	1,295,491
Investments, at fair value	580,047	488,864
Accrued interest receivable	4,844	2,942
Government grants and contracts receivable	42,855	537,889
Foundation grants, contracts, consulting fees and pledges receivable, net	591,874	313,486
Prepaid expenses and other assets	148,362	114,934
Property and equipment, at cost, net	<u>59,148</u>	<u>86,150</u>
Total assets	<u>\$3,944,279</u>	<u>\$3,565,946</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 320,503	\$ 446,795
Unearned revenue	<u>140,321</u>	<u>135,058</u>
Total liabilities	<u>460,824</u>	<u>581,853</u>
Net assets		
Unrestricted		
Operating	1,313,689	1,228,751
Board designated	<u>1,351,354</u>	<u>1,351,354</u>
Total unrestricted	2,665,043	2,580,105
Temporarily restricted	<u>818,412</u>	<u>403,988</u>
Total net assets	<u>3,483,455</u>	<u>2,984,093</u>
Total liabilities and net assets	<u>\$3,944,279</u>	<u>\$3,565,946</u>

See notes to financial statements.

COMMUNITY RESOURCE EXCHANGE, INC.

Statement of Activities

	Year Ended September 30						
	2017			2016			
	Unrestricted	Board Designated	Temporarily Restricted	Unrestricted	Board Designated	Temporarily Restricted	
Operating	Operating	Operating	Operating	Operating	Operating	Total	
Revenue and support							
Contributions	\$ 148,531	\$ -	\$ 37,865	\$ 186,396	\$ -	\$ 25,014	\$ 187,346
Donated goods and services	35,038	-	-	35,038	-	-	19,671
Special events, net of direct benefits to donors of \$9,915 and \$25,417 for 2017 and 2016, respectively	790	-	6,100	6,890	-	18,150	35,362
Foundation and corporate grants	8,539	-	1,300,882	1,309,421	-	540,225	558,994
Government grants and contracts	1,023,847	-	-	1,023,847	-	-	1,717,701
Consulting fees	1,412,637	-	5,000	1,417,637	-	6,000	1,031,857
Investment return, net	109,346	-	-	109,346	-	-	75,668
Rental	118,383	-	-	118,383	-	-	128,491
Other	243	-	-	243	-	-	300
Net assets released from restrictions	935,423	-	(935,423)	-	-	(684,497)	-
Total revenue and support	<u>3,792,777</u>	<u>-</u>	<u>414,424</u>	<u>4,207,201</u>	<u>-</u>	<u>(95,108)</u>	<u>3,755,390</u>
Expenses							
Program services	3,116,271	-	-	3,116,271	-	-	3,285,001
Supporting services							
Management and general	555,143	-	-	555,143	-	-	661,327
Fundraising	36,425	-	-	36,425	-	-	27,011
Total supporting services	<u>591,568</u>	<u>-</u>	<u>-</u>	<u>591,568</u>	<u>-</u>	<u>-</u>	<u>688,338</u>
Total expenses	<u>3,707,839</u>	<u>-</u>	<u>-</u>	<u>3,707,839</u>	<u>-</u>	<u>-</u>	<u>3,973,339</u>
Increase (decrease) in net assets before transfer	84,938	-	414,424	499,362	-	(95,108)	(217,949)
Transfer							
	-	-	-	-	(122,841)	-	-
Increase (decrease) in net assets	84,938	-	414,424	499,362	(122,841)	(95,108)	(217,949)
Net assets, beginning of year	1,228,751	1,351,354	403,988	2,984,093	1,474,195	499,096	3,202,042
Net assets, end of year	\$1,313,689	\$1,351,354	\$ 818,412	\$3,483,455	\$1,351,354	\$ 403,988	\$2,984,093

See notes to financial statements.

COMMUNITY RESOURCE EXCHANGE, INC.

Statement of Functional Expenses

	Year Ended September 30							
	2017			2016				
	Program Services	Supporting Services Management and General	Fundraising	Total	Program Services	Supporting Services Management and General	Fundraising	Total
Payroll and related expenses								
Salaries and related expenses	\$ 1,886,332	\$ 299,504	\$ 12,592	\$ 2,198,428	\$ 1,725,895	\$ 316,731	\$ 9,722	\$ 2,052,348
Payroll taxes and benefits	425,170	79,333	5,667	510,170	352,663	103,226	2,647	458,536
Total payroll and related expenses	<u>2,311,502</u>	<u>378,837</u>	<u>18,259</u>	<u>2,708,598</u>	<u>2,078,558</u>	<u>419,957</u>	<u>12,369</u>	<u>2,510,884</u>
Other expenses								
Contracted services	85,086	5,017	1,225	91,328	160,741	12,087	410	173,238
Professional fees	42,937	17,175	1,226	61,338	26,251	16,984	436	43,671
Occupancy	273,294	108,777	7,771	389,842	224,057	144,513	3,705	372,275
Insurance	8,275	3,310	235	11,820	9,652	6,170	158	15,980
Office equipment	5,664	2,109	151	7,924	6,239	3,818	98	10,155
Office supplies	37,239	4,828	389	42,456	34,146	7,246	344	41,736
Subscriptions and memberships	26,487	6,879	1,248	34,614	22,436	8,994	1,778	33,208
Subcontractors and client expenses	207,428	-	-	207,428	579,874	-	-	579,874
Events and meetings	23,565	2,209	3,696	29,470	24,394	2,325	3,220	29,939
Marketing and communications	25,975	5,905	479	32,359	39,067	18,043	3,467	60,577
Staff development	22,409	2,014	143	24,566	45,368	-	-	45,368
Bank charges and other fees	22,602	8,560	924	32,086	12,555	7,109	665	20,329
Depreciation and amortization	23,808	9,523	679	34,010	21,663	14,081	361	36,105
Total other expenses	<u>804,769</u>	<u>176,306</u>	<u>18,166</u>	<u>999,241</u>	<u>1,206,443</u>	<u>241,370</u>	<u>14,642</u>	<u>1,462,455</u>
Total expenses	<u>\$ 3,116,271</u>	<u>\$ 555,143</u>	<u>\$ 36,425</u>	<u>\$ 3,707,839</u>	<u>\$ 3,285,001</u>	<u>\$ 661,327</u>	<u>\$ 27,011</u>	<u>\$ 3,973,339</u>

See notes to financial statements.

COMMUNITY RESOURCE EXCHANGE, INC.

Statement of Cash Flows

	Year Ended	
	September 30	
	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 499,362	\$ (217,949)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	34,010	36,105
Unrealized (gain) on investments	(79,435)	(48,696)
Donated securities	(25,366)	(25,014)
Sale of donated securities	25,366	25,014
(Increase) decrease in assets		
Accrued interest receivable	(1,902)	727
Government grants and contracts receivable	495,034	(321,307)
Foundation grants, contracts, consulting fees and pledges receivable	(278,388)	(59,967)
Prepaid expenses and other assets	(33,428)	15,016
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(126,292)	131,436
Unearned revenue	5,263	(18,001)
Net cash provided by (used in) operating activities	<u>514,224</u>	<u>(482,636)</u>
Cash flows from investing activities		
Purchases of property and equipment	(7,008)	(24,743)
Proceeds from the maturity of certificates of deposit	771,729	773,725
Purchases of certificates of deposit	(915,706)	(530,037)
Purchases of investments	(11,748)	(8,296)
Net cash provided by (used in) investing activities	<u>(162,733)</u>	<u>210,649</u>
Net increase (decrease) in cash and cash equivalents	351,491	(271,987)
Cash and cash equivalents, beginning of year	<u>726,190</u>	<u>998,177</u>
Cash and cash equivalents, end of year	<u>\$1,077,681</u>	<u>\$ 726,190</u>

See notes to financial statements.

COMMUNITY RESOURCE EXCHANGE, INC.**Notes to Financial Statements
September 30, 2017 and September 30, 2016****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 38 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.

CRE's consultants work one-to-one with clients, providing customized solutions that meet the needs of each client's distinct situation. We have four main service lines: Strategy and Planning, Organizational Management, Talent and Innovation, and Leadership and Development. In FY17, we were privileged to work with 400 nonprofits across New York City's five boroughs and beyond, with budgets ranging from less than \$100,000 to \$200 million, from near start-ups to those with more than 100 years of service. Many of these are returning clients.

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 2016, CRE transferred \$122,841 from board-designated to operating. The transfer was in accordance with pre-approved Board spending on investments in CRE's client service and financial sustainability under its Go-Forward Plan. There were no transfers during 2017.

COMMUNITY RESOURCE EXCHANGE, INC.**Notes to Financial Statements (continued)
September 30, 2017 and September 30, 2016****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 instruments 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

At September 30, 2017 and September 30, 2016, 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 the donor makes a promise to give to CRE that is unconditional. All other non-permanent donor-restricted contributions 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, 2017 and September 30, 2016, CRE has an allowance of approximately \$72,000 and \$35,000, respectively, for any potentially uncollectible accounts receivable. The allowance is reflected net with CRE's foundation grants, contracts, consulting fees and pledges receivable on the accompanying statement of financial position. 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, 2017 and September 30, 2016****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 leasehold improvements and office 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.

Donated goods and services

CRE recognizes donated goods and services which have an ascertainable value and are an integral part of CRE's program and support services. For the fiscal years ended September 30, 2017 and September 30, 2016, donated goods and services consisted of legal services totaling \$35,038 and \$19,671, 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.

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 and 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, 2017. 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.

COMMUNITY RESOURCE EXCHANGE, INC.

**Notes to Financial Statements (continued)
September 30, 2017 and September 30, 2016**

Note 2 – Summary of significant accounting policies (continued)

Subsequent events

CRE has evaluated subsequent events and transactions for potential recognition or disclosure through February 8, 2018, 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, 2017 and September 30, 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Exchange traded funds	\$ 474,882	\$ 580,047	\$ 463,134	\$ 488,864

Investment return, net, consisted of the following for the years ended September 30, 2017 and September 30, 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 29,911	\$ 26,972
Unrealized gains	79,435	48,696
Total	<u>\$ 109,346</u>	<u>\$ 75,668</u>

Note 4 – Government grants and contracts receivable

Government grants and contracts receivable consist of the following as of September 30, 2017 and September 30, 2016:

	<u>2017</u>	<u>2016</u>
The City of New York Department of Youth and Community Development	\$ 42,855	\$ 528,524
The City of New York Department for the Aging	-	186
The City of New York Department of Cultural Affairs	-	1,300
New York City Housing Authority	-	7,879
Total	<u>\$ 42,855</u>	<u>\$ 537,889</u>

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.

COMMUNITY RESOURCE EXCHANGE, INC.

Notes to Financial Statements (continued)
September 30, 2017 and September 30, 2016

Note 5 – Foundation grants, contracts, consulting fees and pledges receivable, net

Foundation grants, contracts, consulting fees and pledges receivable net, consisted of the following as of September 30, 2017 and September 30, 2016:

	<u>2017</u>	<u>2016</u>
Consulting fees	\$ 454,867	\$ 293,383
Bloomberg Philanthropies	-	44,938
Booth Ferris Foundation	130,000	-
Ford Foundation	28,477	-
Mary J. Hutchins Foundation	50,000	-
Other	799	10,153
Allowance for doubtful accounts	<u>(72,269)</u>	<u>(34,988)</u>
Total	<u>\$ 591,874</u>	<u>\$ 313,486</u>

Note 6 – Property and equipment, net

As of September 30, 2017 and September 30, 2016, property and equipment and accumulated depreciation and amortization were as follows:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 201,615	\$ 201,615
Office equipment and furniture	<u>244,665</u>	<u>238,137</u>
	446,280	439,752
Less accumulated depreciation and amortization	<u>387,132</u>	<u>353,602</u>
Total property and equipment, net	<u>\$ 59,148</u>	<u>\$ 86,150</u>

During 2017 fiscal year, fully depreciated property and equipment totaling \$480 were removed from the books and records of CRE.

COMMUNITY RESOURCE EXCHANGE, INC.

Notes to Financial Statements (continued)
September 30, 2017 and September 30, 2016

Note 7 – Temporarily restricted net assets

As of September 30, 2017 and September 30, 2016, temporarily restricted net assets consisted of the following:

	<u>2017</u>	<u>2016</u>
Purpose restriction		
Program	\$ 465,550	\$ 254,179
Capital	-	2,071
Small Grants Program	-	1,845
Time restriction	<u>352,862</u>	<u>145,893</u>
Total	<u>\$ 818,412</u>	<u>\$ 403,988</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 \$77,206 and \$61,626 for the years ended September 30, 2017 and September 30, 2016, respectively.

Note 9 – Commitments

CRE's lease for office space expires in December 2019. The following are the future annual minimum lease payments required under the lease agreement:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 294,581
2019	301,946
2020	<u>76,893</u>
Total	<u>\$ 673,420</u>

The rental expense for CRE for the years ended September 30, 2017 and September 30, 2016 was approximately \$332,000 and \$320,000. 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, 2018 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, 2017, the license rental revenue associated with these agreements totaled \$79,000 and is included in rental revenue on the statement of activities.

COMMUNITY RESOURCE EXCHANGE, INC.
Notes to Financial Statements (continued)
September 30, 2017 and September 30, 2016

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.