
RACE FORWARD

FINANCIAL STATEMENTS

December 31, 2015

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2014)

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

RACE FORWARD

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Race Forward
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of Race Forward, which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statements of activities, cash flows and functional expenses 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 in the first paragraph present fairly, in all material respects, the financial position of Race Forward as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, reading "Crosby + Raneda". The signature is written in a cursive, flowing style.

Certified Public Accountants
Oakland, California
September 27, 2016

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Statement of Financial Position December 31, 2015 and 2014

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,013,783	\$ 598,719
Investments (Note 3)	143,986	168,234
Grants and accounts receivable	2,071,359	806,956
Prepaid expenses	39,001	2,980
Notes receivable, current portion (Note 5)	8,346	8,346
Total Current Assets	<u>3,276,475</u>	<u>1,585,235</u>
Notes receivable (Note 5)	72,519	82,115
Property and equipment, net (Note 6)	1,213,986	1,259,204
Deposits	<u>29,318</u>	<u>29,318</u>
Total Assets	<u>\$ 4,592,298</u>	<u>\$ 2,955,872</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 52,749	\$ 89,558
Accrued vacation	65,113	49,388
Accrued sabbatical	10,177	31,210
Note payable, current (Note 7)	12,882	12,502
Total Current Liabilities	<u>140,921</u>	<u>182,658</u>
Note payable, long term (Note 7)	<u>32,773</u>	<u>45,655</u>
Total Liabilities	<u>173,694</u>	<u>228,313</u>
Commitments and Contingencies (Notes 9 and 11)		
Net Assets		
Unrestricted	1,919,960	1,159,066
Temporarily restricted (Note 12)	<u>2,498,644</u>	<u>1,568,493</u>
Total Net Assets	<u>4,418,604</u>	<u>2,727,559</u>
Total Liabilities and Net Assets	<u>\$ 4,592,298</u>	<u>\$ 2,955,872</u>

See Notes to the Financial Statements

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Statement of Activities For the Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
Support and Revenue						
Support						
Contributions	\$ 122,909	\$	\$ 122,909	\$ 102,851	\$	\$ 102,851
Foundation and community grants	213,009	4,256,037	4,469,046	30,000	1,549,615	1,579,615
In-kind contributions			-	64,055		64,055
Total Support	335,918	4,256,037	4,591,955	196,906	1,549,615	1,746,521
Revenue						
Fees and contracts	481,575		481,575	328,608		328,608
Rent	14,375		14,375			-
Conference (Note 13)			-	610,614		610,614
Investment return, net (Note 3)	9,099		9,099	45,768		45,768
Other	13,264		13,264	16,285		16,285
Total Revenue	518,313	-	518,313	1,001,275	-	1,001,275
Net assets released from restrictions (Note 12)	3,325,885	(3,325,885)	-	2,586,098	(2,586,098)	-
Total Support and Revenue	4,180,117	930,151	5,110,268	3,784,279	(1,036,483)	2,747,796
Expenses						
Program	2,303,476		2,303,476	3,046,294		3,046,294
Management and general	802,884		802,884	515,475		515,475
Fundraising	312,863		312,863	482,263		482,263
Total Expenses	3,419,223	-	3,419,223	4,044,032	-	4,044,032
Change in Net Assets	760,894	930,151	1,691,045	(259,753)	(1,036,483)	(1,296,236)
Net Assets, beginning of year	1,159,066	1,568,493	2,727,559	1,418,819	2,604,976	4,023,795
Net Assets, end of year	\$ 1,919,960	\$ 2,498,644	\$ 4,418,604	\$ 1,159,066	\$ 1,568,493	\$ 2,727,559

See Notes to the Financial Statements

RACE FORWARD

Statement of Cash Flows For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 1,691,045	\$ (1,296,236)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	40,581	40,824
Donated securities	-	(946)
Realized gain	-	(2,250)
Unrealized loss (gain)	3,231	(19,130)
Loss on disposition of assets	4,637	-
Change in assets and liabilities:		
Grants and accounts receivable	(1,264,403)	669,645
Prepaid expenses	(36,021)	84,841
Accounts payable	(36,809)	(11,232)
Accrued vacation	15,725	2,941
Accrued sabbatical	(21,033)	(2,941)
Net cash provided (used) by operating activities	396,953	(534,484)
Cash flows from investing activities		
Repayments on notes receivable	9,596	6,302
Purchase of investments	-	(24,489)
Proceeds from redemption of investments	21,017	-
Proceeds from sale of investments	-	996,765
Net cash provided (used) by investing activities	30,613	978,578
Cash flows from financing activities		
Repayments on borrowings	(12,502)	(11,477)
Net cash provided (used) by financing activities	(12,502)	(11,477)
Net change in cash and cash equivalents	415,064	432,617
Cash and cash equivalents, beginning of year	598,719	166,102
Cash and cash equivalents, end of year	\$ 1,013,783	\$ 598,719
Supplementary information		
Interest paid	\$ 1,592	\$ 2,598

See Notes to the Financial Statements

RACE FORWARD

Statement of Functional Expenses For the Years Ended December 31, 2015 and 2014

	2015				2014			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries	\$ 1,221,611	\$ 312,548	\$ 209,728	\$ 1,743,887	\$ 1,383,254	\$ 187,125	\$ 315,767	\$ 1,886,146
Employee benefits	199,658	51,082	34,278	285,018	310,669	48,058	41,375	400,102
Payroll taxes	104,678	26,782	17,971	149,431	118,467	16,608	25,334	160,409
Total Personnel	<u>1,525,947</u>	<u>390,412</u>	<u>261,977</u>	<u>2,178,336</u>	<u>1,812,390</u>	<u>251,791</u>	<u>382,476</u>	<u>2,446,657</u>
Grants	203,000	-	-	203,000	44,000	-	-	44,000
Legal	-	1,825	-	1,825	-	13,494	-	13,494
Accounting	-	39,081	-	39,081	-	9,170	-	9,170
Fee for service	173,695	197,953	2,780	374,428	329,337	22,346	15,668	367,351
Marketing and publicity	11,626	160	100	11,886	14,569	85	-	14,654
Office expenses	25,742	6,586	4,419	36,747	59,510	25,169	7,786	92,465
Information technology	104,688	26,784	17,973	149,445	200,503	27,841	16,725	245,069
Occupancy	87,798	36,838	15,073	139,709	76,070	22,886	19,139	118,095
Travel	110,860	42,217	4,721	157,798	170,747	19,142	23,884	213,773
Conference and meetings	5,444	3,244	940	9,628	265,018	15,308	3,663	283,989
Interest	-	1,592	-	1,592	-	2,598	-	2,598
Depreciation	28,427	7,274	4,880	40,581	24,494	10,206	6,124	40,824
Insurance	-	18,607	-	18,607	9,676	4,031	2,419	16,126
Staff development	12,279	1,338	-	13,617	4,559	1,332	1,724	7,615
In-kind services	-	-	-	-	-	64,055	-	64,055
Dues, fees, taxes and other	13,970	28,973	-	42,943	35,421	26,021	2,655	64,097
Total Expenses	<u>\$ 2,303,476</u>	<u>\$ 802,884</u>	<u>\$ 312,863</u>	<u>\$ 3,419,223</u>	<u>\$ 3,046,294</u>	<u>\$ 515,475</u>	<u>\$ 482,263</u>	<u>\$ 4,044,032</u>

See Notes to the Financial Statements

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Notes to the Financial Statements For the Year Ended December 31, 2015 (With Comparative Totals for the Year Ended December 31, 2014)

NOTE 1: NATURE OF ACTIVITIES

Race Forward: The Center for Racial Justice Innovation (formerly Applied Research Center) is a California based nonprofit incorporated in 1981.

Race Forward seeks to advance racial justice through research, media and practice. Race Forward brings its analysis and approach to complex race issues to help people take effective action toward racial equity.

Our mission is to build awareness, solutions and leadership for racial justice. We envision a vibrant world in which people of all races create, share and enjoy resources and relationships equitably.

Our program areas include the following:

Research

- Conducts research on racial justice issues.
- Covers the intersection of race compounds and other societal issues.
- Describes social change practices

New Media

- Publishes Colorlines, a daily news site of investigative reporting and news analysis
- Uses storytelling and multimedia to amplify covered key issues
- Promotes stories concerning race to other media outlets

Network

- Presents Facing Race, a conference for racial justice movement-making, focused on alliance-building, issue-framing, and advancing solutions
- Offers speakers, trainings, and consulting services.
- Engages in action-oriented campaigns; for example, “Drop the I-Word” to discourage the use of the word “illegal” to describe undocumented immigrants

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The Organization presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are differentiated by donor restrictions.

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Notes to the Financial Statements For the Year Ended December 31, 2015 (With Comparative Totals for the Year Ended December 31, 2014)

Unrestricted net assets – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

Temporarily restricted net assets – represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets – represent contributions whose use is limited by donor-imposed stipulations that require the gift to be invested in perpetuity. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of the Organization. Donors may also restrict all or part of the income and/or appreciation from these investments to permanently restricted net assets, resulting in increases/decreases to these net assets. There were no permanently restricted net assets as of December 31, 2015.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Accounts and Grants Receivable

The Organization considers all accounts and grants receivable to be fully collectible at December 31, 2015. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Notes Receivable

Notes receivable are recorded at the amortized amount due. Interest income on the notes receivable is recorded when payments on the notes are received. There are no related fees associated with the notes receivable. Based on management's assessment of the notes

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Notes to the Financial Statements For the Year Ended December 31, 2015 (With Comparative Totals for the Year Ended December 31, 2014)

receivable there was no allowance for potentially uncollectible notes receivable as of December 31, 2015.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of December 31, 2015 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$2,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Building and improvements	39 years
Furniture and equipment	5-7 years

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Notes to the Financial Statements For the Year Ended December 31, 2015 (With Comparative Totals for the Year Ended December 31, 2014)

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable. Impairment is recognized if the sum of the undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of September 27, 2016 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: INVESTMENTS

Investments are stated at fair value and consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Fixed income	<u>\$ 143,986</u>	<u>\$ 168,234</u>

Investment activity for the years ended December 31 was as follows:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 12,330	\$ 24,388
Realized gain	-	2,250
Unrealized gain (loss), net of fees	<u>(3,231)</u>	<u>19,130</u>
Total	<u>\$ 9,099</u>	<u>\$ 45,768</u>

NOTE 4: FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

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Notes to the Financial Statements For the Year Ended December 31, 2015 (With Comparative Totals for the Year Ended December 31, 2014)

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the assets or liability.

Fair values of assets measured on a recurring basis are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Fixed income:			
Preferred stock	\$ 57,730	\$ -	\$ 57,730
Corporate bonds	-	19,125	19,125
Collateralized mortgage obligations	-	<u>67,131</u>	<u>67,131</u>
Total	<u>\$ 57,730</u>	<u>\$ 86,256</u>	<u>\$ 143,986</u>

NOTE 5: NOTES RECEIVABLE

Notes receivable at December 31, 2015 consisted of the following:

Unsecured 12-year loan maturing January 2024 to Critical Ventures Housing Partnership II with interest at 4% for the first 5 years, and at 6% thereafter. Monthly payments of \$876 are to be amortized over the life of the loan.	\$ 71,828
Unsecured loan to TIGRA, no interest, payments of \$250 per month through December, 2017, and three monthly payments of \$1,096 from January through March, 2018.	<u>9,037</u>
Total notes receivable	80,865
Less current portion	<u>(8,346)</u>
Long-term portion	<u>\$ 72,519</u>

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Equipment and furniture	\$ 63,486	\$ 55,174
Building and improvements	1,331,929	1,371,701
Donated building in Ithaca, NY	15,000	15,000
Donated land in Ithaca, NY	60,000	60,000
Less accumulated depreciation	<u>(256,429)</u>	<u>(242,671)</u>
Total	<u>\$ 1,213,986</u>	<u>\$ 1,259,204</u>

NOTE 7: NOTE PAYABLE

The Organization had a note payable as follows as of December 31, 2015:

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Notes to the Financial Statements For the Year Ended December 31, 2015 (With Comparative Totals for the Year Ended December 31, 2014)

Note payable to the Sisters of Loretto with interest of 3% secured by the Organization's investments, payable in monthly installments of \$1,173, due and payable on May 31, 2019.	\$ 45,655
Less current portion	<u>(12,882)</u>
Long-term portion	<u>\$ 32,773</u>

The future scheduled maturities of the note payable are as follows for the years ending December 31:

2016	\$ 12,882
2017	13,274
2018	13,644
2019	<u>5,855</u>
Total	<u>\$ 45,655</u>

NOTE 8: LINE OF CREDIT

The Organization has a line of credit secured by its investment accounts which it uses for its cash flow needs. The Organization pays interest on any borrowing with the total interest charge varying up to 4.87% above a base rate depending on certain factors such as the balance of the amount outstanding. As of December 31, 2015 there was no balance on the account.

NOTE 9: COMMITMENTS

The Organization was party to a lease for office space in New York City which expires in December, 2021. Future minimum operating lease payments were as follows for the years ending December 31:

2016	\$ 122,309
2017	125,596
2018	128,982
2019	132,470
2020	136,062
Thereafter	<u>139,762</u>
Total	<u>\$ 785,181</u>

Rent for the years ended December 31, 2015 and 2014 was \$138,058 less \$14,375 received from a sub-tenant for net rent of \$125,334 and \$85,351, respectively.

NOTE 10: CONCENTRATIONS

During the year ended December 31, 2015, the Organization received approximately 59% of its revenue from two funders. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's program and activities.

As of December 31, 2015, approximately 94% of the accounts and grants receivables were from those funders.

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Notes to the Financial Statements For the Year Ended December 31, 2015 (With Comparative Totals for the Year Ended December 31, 2014)

NOTE 11: CONTINGENCIES

Grant Awards

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the organization to the provisions of the grants. The Organization's management is of the opinion that it has complied with the terms of all grants.

Sabbaticals

The Organization offers eligible employees a two-month paid sabbatical leave after every five years of services. Leave must be taken within one year of the date the employee becomes eligible or it will be forfeited. Sabbatical benefits do not vest and leave is subject to the financial health of the Organization. The Executive Director and the Board of Directors retain the discretion to grant or deny requests for sabbatical leave. As of December 31, 2015, the Organization had accrued \$10,177 of sabbatical leave.

NOTE 12: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as follows at December 31:

	<u>2015</u>	<u>2014</u>
Research	\$ -	\$ 279,778
New Media	91,394	202,167
Network	282,250	32,798
Special projects	-	15,000
Future periods	<u>2,125,000</u>	<u>1,038,750</u>
Total	<u>\$ 2,498,644</u>	<u>\$ 1,568,493</u>

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors as follows during the year ended December 31:

	<u>2015</u>	<u>2014</u>
Research	\$ 304,779	\$ 412,615
New Media	250,544	160,000
Network	366,812	570,983
Special projects	15,000	-
Passage of time	<u>2,388,750</u>	<u>1,442,500</u>
Total	<u>\$ 3,325,885</u>	<u>\$ 2,586,098</u>

NOTE 13: CONFERENCE

The Organization hosts a major biennial national conference called Facing Race. There was no conference during the fiscal year ended December 31, 2015.

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**Notes to the Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)**

NOTE 14: PENSION

The Organization has a defined contribution plan as established under Internal Revenue Code Section 403(b) (the Plan). Full time employees are eligible for participation in the Plan and become eligible after one year of employment and vest over the next five years. For each Plan year, the Board of Directors of the Organization determines the amount (if any) to be contributed to the Plan. There were no contributions made by the Organization for the years ended December 31, 2015 and 2014.