

RACE FORWARD AND AFFILIATE

**Consolidated Financial Statements and
Supplementary Information
For the Year Ended December 31, 2017
With Independent Auditor's Report**



MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

RACE FORWARD AND AFFILIATE

Consolidated Financial Statements and Supplementary Information
Year Ended December 31, 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Race Forward and Affiliate

We have audited the accompanying consolidated financial statements of Race Forward and Affiliate, which comprise the consolidated statement of financial position as of December 31, 2017, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Race Forward and Affiliate as of December 31, 2017, and the results of its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Mitchell Titus, LLP

February 15, 2019

RACE FORWARD AND AFFILIATE
Consolidated Statement of Financial Position
As of December 31, 2017

ASSETS

Current assets

Cash and cash equivalents	\$ 5,681,918
Investments (Note 4)	72,238
Contribution and grants receivable	4,292,252
Prepaid expenses	31,274
Notes receivable (Note 7)	3,037
Total current assets	<u>10,080,719</u>

Noncurrent assets

Contribution and grants receivable, net	5,951,923
Fixed assets, net of accumulated depreciation (Note 8)	1,156,635
Security deposits	88,084
Total assets	<u><u>\$ 17,277,361</u></u>

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable and accrued expenses	\$ 178,245
Deferred rent	44,821
Deferred revenue	164,349
Accrued vacation	186,305
Accrued sabbatical	55,660
Note payable, current (Note 9)	13,677
Total current liabilities	<u>643,057</u>

Noncurrent liabilities

Note payable, long term (Note 9)	<u>5,822</u>
Total liabilities	<u>648,879</u>

Commitments and contingencies

Net assets

Unrestricted	3,127,476
Temporarily restricted (Note 13)	<u>13,501,006</u>
Total net assets	<u>16,628,482</u>
Total liabilities and net assets	<u><u>\$ 17,277,361</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

RACE FORWARD AND AFFILIATE
Consolidated Statement of Activities
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
SUPPORT AND REVENUE			
<i>Support</i>			
Contributions	\$ 168,371	\$ -	\$ 168,371
Grants	335,706	13,501,216	13,836,922
Total support	<u>504,077</u>	<u>13,501,216</u>	<u>14,005,293</u>
<i>Revenue</i>			
Fees and contracts	2,336,162	-	2,336,162
Rental income	15,900	-	15,900
Sponsorships and events	88,905	-	88,905
Investment income, net (Note 4)	7,863	-	7,863
Other	3,839	-	3,839
Total revenue	<u>2,452,669</u>	<u>-</u>	<u>2,452,669</u>
Net assets released from restrictions (Note 13)	<u>3,179,643</u>	<u>(3,179,643)</u>	<u>-</u>
Total support and revenue	<u>6,136,389</u>	<u>10,321,573</u>	<u>16,457,962</u>
EXPENSES			
Program services	5,074,497	-	5,074,497
Management and general	1,782,795	-	1,782,795
Fundraising	654,994	-	654,994
Total expenses	<u>7,512,286</u>	<u>-</u>	<u>7,512,286</u>
Contribution from CSI	1,406,695	1,887,077	3,293,772
Change in net assets	30,798	12,208,650	12,239,448
Net assets, beginning of year as adjusted	<u>3,096,678</u>	<u>1,292,356</u>	<u>4,389,034</u>
Net assets, end of year	<u><u>\$ 3,127,476</u></u>	<u><u>\$ 13,501,006</u></u>	<u><u>\$ 16,628,482</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

RACE FORWARD AND AFFILIATE
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 12,239,448
<i>Adjustments to reconcile change in net assets to net cash provided by operations</i>	
Contribution from CSI	(3,293,772)
Depreciation	40,443
Net realized and unrealized gain	(718)
<i>Changes in operating assets and liabilities</i>	
Grants and other receivables	(7,202,569)
Prepaid expenses	6,165
Security deposits	29,232
Accounts payable and accrued expenses	(62,499)
Deferred revenue	(190,081)
Deferred rent	(2,455)
Accrued vacation	90,589
Accrued sabbatical	9,937
Net cash provided by operating activities	<u>1,663,720</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Cash acquired from Strategic Affiliation Agreement with CSI	2,211,172
Repayments on notes receivable	3,000
Proceeds from redemption of investments	34,751
Purchase of property and equipment	(14,315)
Net cash provided by investing activities	<u>2,234,608</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Repayments on borrowings	(13,273)
Net cash used in financing activities	<u>(13,273)</u>

Net increase in cash 3,885,055

Cash - beginning of year 1,796,863

Cash - end of year \$ 5,681,918

SUPPLEMENTAL DISCLOSURE

Interest paid \$ 802

The accompanying notes are an integral part of these consolidated financial statements.

RACE FORWARD AND AFFILIATEConsolidated Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 2,822,727	\$ 580,322	\$ 389,175	\$ 3,792,224
Payroll taxes and benefits	670,246	135,293	102,656	908,195
	<u>3,492,973</u>	<u>715,615</u>	<u>491,831</u>	<u>4,700,419</u>
Sponsorships	405	50	2,545	3,000
Utilities	7,550	74,302	1,482	83,334
Dues and subscriptions	24,979	7,132	1,752	33,863
Occupancy	70,471	159,212	7,907	237,590
Office supplies and expenses	58,189	52,652	4,085	114,926
Professional fees	730,702	551,525	71,557	1,353,784
Postage	3,362	4,709	1,418	9,489
Printing	2,451	2,201	1,980	6,632
Travel, meetings, and conferences	600,829	113,074	60,015	773,918
Promotions and advertising	9,555	270	175	10,000
Bank charges	1,338	16,051	146	17,535
Board expenses	2,783	1,038	287	4,108
Insurance	4,347	28,128	483	32,958
Depreciation	26,199	9,004	5,240	40,443
Miscellaneous fees and taxes	38,364	47,832	4,091	90,287
Total expenses	<u>\$ 5,074,497</u>	<u>\$ 1,782,795</u>	<u>\$ 654,994</u>	<u>\$ 7,512,286</u>

The accompanying notes are an integral part of these consolidated financial statements.

RACE FORWARD AND AFFILIATE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

NOTE 1 NATURE OF ACTIVITIES

Race Forward, Inc. (Race Forward), a California not-for-profit corporation, seeks to advance racial justice through research, media and practice. Race Forward's mission is to build awareness, solutions, and leadership for racial justice by generating transformative ideas, information, and experiences.

On April 20, 2017, the Board of Directors of Race Forward passed a resolution to form a strategic affiliation with Center for Social Inclusion, Inc. (CSI), which became effective July 1, 2017. Race Forward entered into a Memo of Understanding with CSI that set the proposed conditions for this strategic affiliation. To implement the structure, Race Forward became the sole member of CSI, with the power to appoint and elect directors and all such other powers and rights provided for under New York State law. As a result of this transaction, a contribution of CSI's net asset balance at July 1, 2017 totaling \$3,293,772 was made to Race Forward and is reflected as a contribution from CSI on the accompanying consolidated statement of activities. The programs developed by CSI to address racial inequities within specific issue areas and/or sectors will continue under the strategic affiliation. Race Forward and CSI are collectively referred to as the "Organization".

CSI, a New York not-for-profit corporation, catalyzes community, government, and other institutions to dismantle structural racial inequity and create equitable outcomes for all. CSI's strategic approach centers on four interlocking strategies: (1) working with community groups and national organizations to develop policy ideas, (2) capacity building through multi-racial coalition building, convening, leadership development, and trainings, (3) developing tools for communicating about race, and (4) developing and implementing institutional change strategies to operationalize structural racial equity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

The consolidated financial statements of the Organization have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

These financial statements include CSI's financial activities from July 1, 2017 to December 31, 2017, subsequent to the effective date of the strategic alliance.

Net Assets

The Organization reports information regarding its financial position and activities according to the following specific net asset classes:

Unrestricted – represents all activity without donor-imposed restrictions.

RACE FORWARD AND AFFILIATE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Net Assets *(continued)*

Temporarily restricted – represents contributions of cash and other assets with donor stipulations either that expire with the passage of time or can be fulfilled and removed by the actions of the Organization pursuant to those stipulations. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions with a restriction that is satisfied in the same period that it was received are recorded as unrestricted.

Permanently restricted – represents contributions of cash and other assets, whereby the assets must remain intact, in perpetuity, due to restrictions placed by the donor. There were no permanently restricted net assets at December 31, 2017.

Revenue Recognition

Unconditional contributions and grants, including promises to give, are recorded at fair value and recognized as revenue when received or pledged. Such contributions are recorded as unrestricted, temporarily or permanently restricted depending on the existence of any donor restriction.

Contributions of non-cash assets are recorded at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Revenue is recognized when the services outlined in contracts are rendered under fee for service agreements. Payments received in advance of the completion of the earning process are reported as deferred revenue.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Cash and Cash Equivalents

The Organization consider all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Contributions and Grants Receivable

The Organization considers all accounts and grants receivable to be fully collectible at December 31, 2017. 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.

RACE FORWARD AND AFFILIATE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributions and Grants Receivable *(continued)*

Contributions and grants receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue.

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 receivable, there was no allowance for potentially uncollectible notes receivable as of December 31, 2017.

Income Tax Status

Race Forward and CSI both qualify as charitable organizations, as defined by Internal Revenue Code (IRC) Section 501(c)(3) and, accordingly, are exempt from Federal income tax under IRC Section 501(a). Additionally, since both are publicly supported, contributions to them qualify for the maximum charitable contribution deduction under the IRC. Race Forward and CSI are also exempt from state and local income taxes.

U.S. GAAP requires management to evaluate uncertain tax positions taken by the Organization. The consolidated financial statement effects of a tax position are recognized when the position is more-likely-than-not, based on the technical merits, to be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2017, there were no uncertain tax positions taken or expected to be taken. The Organization has recognized no interest or penalties related to uncertain tax positions. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2014.

Estimates

The preparation of consolidated financial statements in conformity with U.S. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RACE FORWARD AND AFFILIATE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash Equivalents

For purposes of the consolidated 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.

Significant Concentrations

Financial instruments that potentially subject the Organization to a concentration of credit risk consist of cash and money market accounts, which have been placed with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. While, at year end, the Organization had material uninsured balances, management believes that they have little risk and losses have not been experienced due to bank failure.

During the fiscal year ended December 31, 2017, approximately 64% of the contributions and grants revenue was from two funders.

As of December 31, 2017, approximately 71% of the contributions and grants receivable was from two funders.

Allowance for Doubtful Accounts

As of December 31, 2017, management deems all receivables to be collectible and, as such, has not established an allowance for doubtful accounts. Write-offs are charged to expense when all collection efforts have been exhausted.

Fixed Assets

Fixed assets that the Organization retains title to and capital items purchased, which benefit future periods, are capitalized at cost, or if donated, at the estimated fair value at the time of donation. Depreciation expense is recorded using the straight-line method over the estimated useful life of the asset.

The Organization evaluates impairments on fixed assets, which are held for use, whenever events or circumstances indicate that impairment may exist. Management has determined that fixed assets were not impaired at December 31, 2017.

Deferred Rent

The Organization recognizes rent expense evenly over the life of the lease using the straight-line method. The difference between rent expense recorded and the amount paid is credited or charged to "Deferred rent," and is reflected in the accompanying consolidated statement of financial position.

RACE FORWARD AND AFFILIATE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Donated Services

Donated services are recognized in circumstances when they create or enhance non-financial assets or where those services require specialized skills, are provided by individuals possessing those skills.

Board members and other individuals volunteer their time and perform a variety of tasks that assist the Organization. These services have not been recorded in the consolidated financial statements because they do not meet the criteria for recognition as outlined above.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated financial statements, which includes all expenses incurred during the year. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. The ASU requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also expands the footnote disclosure requirements related to contracts with customers. In August 2015, the effective date of the ASU was deferred to annual financial statements for fiscal years beginning after December 15, 2017.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU requires an entity to recognize all lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. The ASU is effective for annual financial statements for fiscal years beginning after December 15, 2019.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the requirement for presentation of the financial statements and notes. In particular, it enhances the qualitative and quantitative disclosures of the net asset classes, investment return, expenses, liquidity and availability of resources, and operating cash flows. The ASU becomes effective for annual financial statements for fiscal years beginning after December 15, 2017, with early implementation permitted.

RACE FORWARD AND AFFILIATE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

New Accounting Pronouncements *(continued)*

In May 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU was issued in response to the diversity and difficulty in practice with regards to exchange transactions and unconditional and conditional contributions. The guidance for contributions received would be applicable for annual periods beginning after December 15, 2018, and the guidance for contributions made would be applicable for annual periods beginning after December 19, 2019.

The Organization has not yet evaluated the impact the aforementioned standards will have on future financial statements.

Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the consolidated statement of financial position through February 15, 2019, the date the consolidated financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the consolidated financial statements.

NOTE 3 RESTATEMENT

Unrestricted and temporarily restricted net assets were adjusted to properly reflect beginning of year balances. Specifically, unrestricted net assets increased by \$399,480 and temporarily restricted net assets decreased by \$399,480 as of January 1, 2017.

NOTE 4 INVESTMENTS

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

<i>Fixed income</i>	
Preferred stock	\$ 12,620
Corporate bonds	22,031
Collateralized mortgage obligations	37,587
Total	<u><u>\$ 72,238</u></u>

RACE FORWARD AND AFFILIATE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

NOTE 4 INVESTMENTS *(continued)*

Net investment income for the year ended December 31 consisted of the following:

Interest and dividends	\$	7,145
Realized gain		373
Unrealized gain, net of fees		345
Total	\$	7,863

NOTE 5 FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (*i.e.*, 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.

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 quoted prices in markets that are not active, quoted prices for similar asset and liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurements and unobservable. These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the investment and are based on the best available information, some of which may be internally developed.

The fair values of assets measured on a recurring basis were as follows at December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Fixed income</i>				
Interest bearing cash	\$1,433,335	\$ -	\$ -	\$1,433,335
Preferred stock	12,620	-	-	12,620
Corporate bonds	-	22,031	-	22,031
Collateralized mortgage obligations	-	37,587	-	37,587
Total	<u>\$1,445,955</u>	<u>\$ 59,618</u>	<u>\$ -</u>	<u>\$1,505,573</u>

RACE FORWARD AND AFFILIATE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

NOTE 6 CONTRIBUTIONS AND GRANTS RECEIVABLE

The Organization has received promises to give from donors as of December 31, 2017, that will be received over the course of the next four years.

The table below breaks down the contributions receivable by the timeframe in which they will be received. Contributions receivable at December 31, 2017, consisted of amounts to be received as follows::

Less than one year	\$ 4,292,252
One to five years	6,190,000
Fair value adjustment	<u>(238,077)</u>
Total	<u>\$ 10,244,175</u>

NOTE 7 NOTES RECEIVABLE

Notes receivable at December 31, 2017, consisted of the following:

Unsecured loan to TIGRA, zero interest, payments of \$250 per month through December 2017 and 11 monthly payments of \$275, with the final payment of \$300 in December 2018	<u><u>\$ 3,037</u></u>
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NOTE 8 FIXED ASSETS

Fixed assets, net at December 31, 2017, are comprised of the following:

	<u>2017</u>	<u>Useful Life</u>
Furniture and equipment	\$ 132,337	3-7 years
Building and improvements	1,331,929	39 years
Land	75,000	
Less: Accumulated depreciation	<u>(382,631)</u>	
Total	<u><u>\$ 1,156,635</u></u>	

Depreciation expense for the year ended December 31, 2017 was \$40,443.

RACE FORWARD AND AFFILIATE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

NOTE 9 NOTE PAYABLE

The Organization has a note payable as follows at December 31, 2017:

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	\$ 19,499
Less: Current portion	<u>(13,677)</u>
Long-term portion	<u><u>\$ 5,822</u></u>

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

<u>Year ending</u>	<u>Amount</u>
2018	\$ 13,677
2019	<u>5,822</u>
Total	<u><u>\$ 19,499</u></u>

NOTE 10 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 5.375% above a base rate depending on certain factors, such as the balance of the amount outstanding. As of December 31, 2017, there was no outstanding balance on the line of credit.

NOTE 11 COMMITMENTS

On June 5, 2006, Race Forward entered into a non-cancelable lease agreement for office space in office space in New York City that expired in September 2014 but was extended for 7 years and three months through December 31, 2021.

Effective September 30, 2018, Race Forward opted to terminate the aforementioned lease. There were no penalties associated with the lease termination.

RACE FORWARD AND AFFILIATE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

NOTE 11 COMMITMENTS *(continued)*

On July 1, 2012, CSI entered into an operating lease for office space that expires July 31, 2020. The future guaranteed minimum payments on the lease are as follows:

<u>Year ending</u>	<u>Amount</u>
2018	\$ 177,654
2019	181,654
2020	<u>107,345</u>
Total	<u>\$ 466,653</u>

Total rent expense for Race Forward for the year ended December 31, 2017 was approximately \$114,000. Total rent expense for CSI for the period from July 1, 2017 to December 31, 2017 was approximately \$92,000.

NOTE 12 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. Management's opinion is 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 service. Leave must be taken within one year of the date the employee becomes eligible or it will be forfeited. Sabbatical 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, 2017, the Organization had accrued \$55,660 of sabbatical leave.

RACE FORWARD AND AFFILIATE
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

NOTE 13 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as follows at December 31, 2017:

Purpose restricted:	
News media	\$ 40,000
Programs	1,093,192
Network	1,107,619
Merger	316,083
Time restrictions	<u>10,944,112</u>
Total	<u>\$ 13,501,006</u>

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors or by the passage of time as follows during the year ended December 31, 2017:

News media	\$ 85,533
Programs	812,892
Network	1,128,931
Merger	278,917
Time restrictions	<u>873,370</u>
Total	<u>\$ 3,179,643</u>

NOTE 14 PENSION

The Organization has a defined contribution plan as established under Internal Revenue Code Section 403(b) (the Plan). Full-time employees become eligible for participation in the Plan after one year of employment and vest over the next five years.

During the fiscal year ended December 31, 2017, the Organization contributed \$57,895 to the Plan.

SUPPLEMENTARY INFORMATION

RACE FORWARD AND AFFILIATE
Consolidating Statement of Financial Position
As of December 31, 2017

	December 31, 2017			Consolidated
	Race Forward	CSI	Eliminations	Total 2017
ASSETS				
Cash and cash equivalents	\$ 3,453,996	\$ 1,583,422	\$ 644,500	\$ 5,681,918
Investments	72,238	-	-	72,238
Controlling interest in CSI	3,293,772	-	(3,293,772)	-
Contribution and grants receivable, net	10,267,996	620,679	(644,500)	10,244,175
Prepaid expenses and other assets	21,374	9,900	-	31,274
Fixed assets, net	1,146,304	10,331	-	1,156,635
Notes receivable	3,037	-	-	3,037
Security deposits	-	88,084	-	88,084
Total assets	\$ 18,258,717	\$ 2,312,416	\$ (3,293,772)	\$ 17,277,361
LIABILITIES				
Accounts payable and accrued expenses	\$ 114,626	\$ 63,619	\$ -	\$ 178,245
Accrued vacation	127,190	59,115	-	186,305
Accrued sabbatical	55,660	-	-	55,660
Deferred revenue	-	164,349	-	164,349
Deferred rent	-	44,821	-	44,821
Note payable	19,499	-	-	19,499
Total liabilities	316,975	331,904	-	648,879
NET ASSETS				
Unrestricted	3,659,351	874,820	(1,406,695)	3,127,476
Temporarily restricted	14,282,391	1,105,692	(1,887,077)	13,501,006
Total net assets	17,941,742	1,980,512	(3,293,772)	16,628,482
Total liabilities and net assets	\$ 18,258,717	\$ 2,312,416	\$ (3,293,772)	\$ 17,277,361

RACE FORWARD AND AFFILIATE
Consolidating Statements of Activities
Year Ended December 31, 2017

	December 31, 2017			
	Race Forward	CSI	Eliminations	Consolidated Total 2017
PUBLIC SUPPORT AND REVENUE				
<i>Public support</i>				
Contributions	\$ 168,371	\$ -	\$ -	\$ 168,371
Grants	14,199,253	282,169	(644,500)	13,836,922
Total public support	14,367,624	282,169	(644,500)	14,005,293
<i>Revenue</i>				
Fees and contracts	1,123,009	1,213,153	-	2,336,162
Sponsorships and events	78,150	10,755	-	88,905
Investment income, net	6,607	1,256	-	7,863
Rental income	15,900	-	-	15,900
Other income	3,839	-	-	3,839
Total public support and revenue	15,595,129	1,507,333	(644,500)	16,457,962
EXPENSES				
Program services	3,286,579	2,432,418	(644,500)	5,074,497
Management and general	1,576,923	205,872	-	1,782,795
Fundraising	472,691	182,303	-	654,994
Total operating expenses	5,336,193	2,820,593	(644,500)	7,512,286
Contribution from CSI	3,293,772	-	-	3,293,772
Change in net assets	13,552,708	(1,313,260)	-	12,239,448
Net assets, beginning of period	4,389,034	3,293,772	(3,293,772)	4,389,034
Net assets, end of period	\$ 17,941,742	\$ 1,980,512	\$ (3,293,772)	\$ 16,628,482

