



RACE FORWARD, INC. AND AFFILIATE

**Consolidated Financial Statements and
Supplementary Information
For the Years Ended December 31, 2020 and 2019
With Independent Auditor's Report**



MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

RACE FORWARD, INC. AND AFFILIATE

Consolidated Financial Statements and Supplementary Information
Years Ended December 31, 2020 and 2019

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1–2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4–5
Consolidated Statements of Cash Flows	6
Consolidated Statements of Functional Expenses	7–8
Notes to Consolidated Financial Statements	9–20
SUPPLEMENTARY INFORMATION	
Consolidating Statements of Financial Position	21–22
Consolidating Statements of Activities	23–24



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Race Forward, Inc. and Affiliate

We have audited the accompanying consolidated financial statements of Race Forward, Inc. and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, the related consolidated statements of activities, cash flows and functional expenses for the years 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 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 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, Inc. and Affiliate as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were 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

July 26, 2021

RACE FORWARD, INC. AND AFFILIATE
Consolidated Statements of Financial Position
As of December 31, 2020 and 2019

	2020	2019
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 17,146,991	\$ 5,595,358
Investments (Note 4)	63,213	63,537
Contribution and grants receivable, net	4,536,396	6,047,430
Prepaid expenses	93,891	119,945
Total current assets	<u>21,840,491</u>	<u>11,826,270</u>
<i>Noncurrent assets</i>		
Contribution and grants receivable, net	541,993	1,849,112
Fixed assets, net of accumulated depreciation (Note 7)	1,259,510	1,358,377
Restricted cash	378,000	378,000
Security deposits	-	115,765
Total assets	<u>\$ 24,019,994</u>	<u>\$ 15,527,524</u>
LIABILITIES AND NET ASSETS		
<i>Current liabilities</i>		
Accounts payable and accrued expenses	\$ 479,207	\$ 526,601
Deferred rent	-	12,093
Deferred revenue	595,400	721,288
Accrued vacation	370,715	421,748
Accrued sabbatical	199,366	112,297
Notes payable, current (Note 8)	1,262,855	37,208
Total current liabilities	2,907,543	1,831,235
<i>Noncurrent liabilities</i>		
Notes payable, long term (Note 8)	-	161,918
Total liabilities	<u>2,907,543</u>	<u>1,993,153</u>
Commitments and contingencies		
<i>Net assets</i>		
Without donor restrictions	12,130,935	3,715,291
With donor restrictions (Note 12)	8,981,516	9,819,080
Total net assets	<u>21,112,451</u>	<u>13,534,371</u>
Total liabilities and net assets	<u>\$ 24,019,994</u>	<u>\$ 15,527,524</u>

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

RACE FORWARD, INC. AND AFFILIATE
Consolidated Statement of Activities
For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
SUPPORT AND REVENUE			
<i>Support</i>			
Contributions	\$ 7,258,352	\$ -	\$ 7,258,352
Grants	2,678,333	5,699,548	8,377,881
Total support	9,936,685	5,699,548	15,636,233
<i>Revenue</i>			
Fees and contracts	2,806,521	-	2,806,521
Rental income	24,520	-	24,520
Sponsorships and events	2,330,540	-	2,330,540
Investment income, net (Note 4)	9,435	-	9,435
Other	68,998	-	68,998
Total revenue	5,240,014	-	5,240,014
Net assets released from restrictions (Note 12)	6,537,112	(6,537,112)	-
Total support and revenue	21,713,811	(837,564)	20,876,247
EXPENSES			
Program services	9,665,456	-	9,665,456
Management and general	2,834,289	-	2,834,289
Fundraising	798,422	-	798,422
Total expenses	13,298,167	-	13,298,167
Change in net assets	8,415,644	(837,564)	7,578,080
Net assets, beginning of year as adjusted	3,715,291	9,819,080	13,534,371
Net assets, end of year	\$ 12,130,935	\$ 8,981,516	\$ 21,112,451

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

RACE FORWARD, INC. AND AFFILIATE
Consolidated Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
<i>Support</i>			
Contributions	\$ 1,323,957	\$ -	\$ 1,323,957
Grants	213,467	4,469,151	4,682,618
Total support	1,537,424	4,469,151	6,006,575
<i>Revenue</i>			
Fees and contracts	4,776,973	-	4,776,973
Rental income	25,700	-	25,700
Sponsorships and events	384,837	-	384,837
Investment income, net (Note 4)	19,289	-	19,289
Other	93,430	-	93,430
Total revenue	5,300,229	-	5,300,229
Net assets released from restrictions (Note 12)	6,527,507	(6,527,507)	-
Total support and revenue	13,365,160	(2,058,356)	11,306,804
EXPENSES			
Program services	9,913,449	-	9,913,449
Management and general	2,361,771	-	2,361,771
Fundraising	711,868	-	711,868
Total expenses	12,987,088	-	12,987,088
Change in net assets	378,072	(2,058,356)	(1,680,284)
Net assets, beginning of year	3,337,219	11,877,436	15,214,655
Net assets, end of year	\$ 3,715,291	\$ 9,819,080	\$ 13,534,371

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

RACE FORWARD, INC. AND AFFILIATE
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,578,080	\$ (1,680,284)
<i>Adjustments to reconcile change in net assets to net cash provided by operations</i>		
Depreciation	103,410	73,075
Net realized and unrealized gain/loss	3,760	(8,627)
Grants and other receivables	2,818,153	2,753,249
Prepaid expenses	26,054	(79,315)
Security deposits	115,765	-
Accounts payable and accrued expenses	(47,394)	91,244
Deferred revenue	(125,888)	563,960
Deferred rent	(12,093)	(18,364)
Accrued vacation	(51,033)	81,672
Accrued sabbatical	87,069	(65,091)
Net cash provided by operating activities	<u>10,495,883</u>	<u>1,711,519</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Loss) gain from redemption of investments	(3,436)	5,753
Purchase of fixed assets	<u>(203,669)</u>	<u>(47,896)</u>
Net cash used in investing activities	<u>(207,105)</u>	<u>(42,143)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	<u>1,262,855</u>	<u>-</u>
Net increase in cash	11,551,633	1,669,376
Cash - beginning of year	<u>5,973,358</u>	<u>4,303,982</u>
Cash - end of year	<u><u>\$ 17,524,991</u></u>	<u><u>\$ 5,973,358</u></u>
SUPPLEMENTAL DISCLOSURE		
Interest paid	<u><u>\$ 41,121</u></u>	<u><u>\$ 5,769</u></u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Purchase of fixed assets by issuing notes to vendors	<u><u>\$ -</u></u>	<u><u>\$ 193,304</u></u>

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

RACE FORWARD, INC. AND AFFILIATE
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 3,908,219	\$ 1,157,827	\$ 418,756	\$ 5,484,802
Payroll taxes and benefits	1,285,744	277,885	129,940	1,693,569
	<u>5,193,963</u>	<u>1,435,712</u>	<u>548,696</u>	<u>7,178,371</u>
Sponsorships	1,100,610	-	6,000	1,106,610
Utilities	75,938	11,182	6,060	93,180
Dues and subscriptions	10,364	5,613	749	16,726
Occupancy	439,610	64,332	32,167	536,109
Office supplies and expenses	109,197	13,093	9,952	132,242
Professional fees	2,307,618	866,994	175,095	3,349,707
Postage	1,024	4,399	964	6,387
Printing	2,932	73	7,772	10,777
Travel, meetings, and conferences	297,639	18,686	4,306	320,631
Promotions and advertising	17,136	2,201	-	19,337
Bank charges	18,030	146,098	-	164,128
Board expenses	-	-	-	-
Insurance	51,512	16,182	3,769	71,463
Depreciation	-	103,410	-	103,410
Miscellaneous fees and taxes	39,883	146,314	2,892	189,089
Total expenses	<u><u>\$ 9,665,456</u></u>	<u><u>\$ 2,834,289</u></u>	<u><u>\$ 798,422</u></u>	<u><u>\$ 13,298,167</u></u>

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

RACE FORWARD, INC. AND AFFILIATE
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 3,918,559	\$ 1,139,149	\$ 438,691	\$ 5,496,399
Payroll taxes and benefits	1,181,220	275,726	157,425	1,614,371
	<u>5,099,779</u>	<u>1,414,875</u>	<u>596,116</u>	<u>7,110,770</u>
Sponsorships	760,318	-	2,000	762,318
Utilities	89,329	14,106	8,675	112,110
Dues and subscriptions	11,044	26,002	-	37,046
Occupancy	310,085	61,833	29,491	401,409
Office supplies and expenses	141,748	15,039	8,895	165,683
Professional fees	1,647,003	493,303	30,187	2,170,492
Postage	4,159	3,223	3,188	10,570
Printing	38,892	2,741	1,165	42,798
Travel, meetings, and conferences	1,645,721	69,903	16,536	1,732,160
Promotions and advertising	12,282	95	1,200	13,577
Bank charges	8,022	28,245	45	36,312
Board expenses	-	2,379	-	2,379
Insurance	-	54,141	-	54,141
Depreciation	-	73,075	-	73,075
Miscellaneous fees and taxes	145,067	102,811	14,370	262,248
Total expenses	<u><u>\$ 9,913,449</u></u>	<u><u>\$ 2,361,771</u></u>	<u><u>\$ 711,868</u></u>	<u><u>\$ 12,987,088</u></u>

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

RACE FORWARD, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

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 catalyze movement building for racial justice. In partnership with communities, organizations, and sectors, Race Forward builds strategies to advance racial justice in our policies, institutions, and culture.

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. The programs developed by CSI to address racial inequities within specific issue areas and/or sectors continue under the strategic affiliation. Race Forward and CSI are collectively referred to as the "Organization" and the accompanying consolidated financial statements include the activities of CSI. All intercompany accounts have been eliminated.

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

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).

Net Assets

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

Without Donor Restrictions – represents all activity without donor-imposed restrictions.

RACE FORWARD, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

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

Net Assets *(continued)*

With Donor Restrictions – represents contributions of cash and other assets with donor stipulations either that expire with the passage of time, can be fulfilled and removed by the actions of the Organization pursuant to those stipulations or must remain intact, in perpetuity, due to restrictions placed by the donor. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements 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 net assets without donor restrictions.

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 with donor restrictions or without donor restrictions 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.

Contributions and Grants Receivable

The Organization considers all contributions and grants receivable to be fully collectible at December 31, 2020 and 2019. Accordingly, no allowance for doubtful accounts was deemed necessary as of December 31, 2020 and 2019. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

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. 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.

RACE FORWARD, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

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

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, 2020 and 2019, 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 2017.

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.

Cash Equivalents

For purposes of the consolidated statements 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.

RACE FORWARD, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

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

Significant Concentrations *(continued)*

During the years ended December 31, 2020 and 2019, approximately 20% and 38%, respectively, of the contributions and grants revenue were from two funders.

As of December 31, 2020 and 2019, approximately 46% and 32%, respectively, of the contributions and grants receivable were from two funders.

	<u>2020</u>	<u>2019</u>
<i>Significant concentrations</i>		
Contributions	20%	38%
Receivable	46%	32%

Fixed Assets

Fixed assets that the Organization retains the 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, 2020 and 2019.

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 statements of financial position.

Donated Services

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

RACE FORWARD, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

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

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated financial statements, which include 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 Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The ASU requires an entity to recognize all lease assets and lease liabilities on the statement of financial position and disclose key information about leasing arrangements. The ASU is effective for annual financial statements for fiscal years beginning after December 15, 2021. The Organization has not yet evaluated the impact that this standard will have on future consolidated financial statements.

Recently Adopted Authoritative Guidance

Race Forward adopted the FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* for all contributions received and made in 2019 and 2020, respectively. The ASU was issued in response to the diversity and difficulty in practice with regards to exchange transactions and unconditional and conditional contributions. The adoption of the relevant portion of the standard had no impact on the financial statements.

In 2019, Race Forward retrospectively adopted the FASB ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash – A Consensus of the FASB Emerging Issues Task Force*. The ASU was issued to reduce the diversification in practice by providing specific guidance on the presentation of restricted cash in the statement of cash flows. The ASU requires that a statement of cash flows explain the change during the year in the total cash, cash equivalents, and amounts generally described as restricted cash. As such, amounts generally described as restricted cash should be included in the “beginning-of-year” and “end-of-year” total amounts shown on the statement of cash flows. The comparative consolidated statement of cash flows of the prior year is adjusted to apply the ASU retrospectively.

RACE FORWARD, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

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

Recently Adopted Authoritative Guidance *(continued)*

In 2020, Race Forward adopted FASB ASU 2014-09, *Revenue from Contracts with Customers*, using the modified retrospective method applied to those contracts which were not completed as of December 31, 2020. The adoption of the ASU did not have a material impact on the Organization's consolidated Statements of Financial Position and Statements of Activities; therefore, no cumulative adjustment to beginning net assets was required as a result of adoption. Prior years have not been restated.

Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the consolidated statement of financial position through July 26, 2021, the date the consolidated financial statements were available to be issued. No events have occurred subsequent to the consolidated statement of financial position date through our evaluation date that would require adjustment to or disclosure in the consolidated financial statements.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. As a result, economic uncertainties have arisen which could negatively impact the activities of the Organization. Other financial impacts could occur although such potential implications are unknown at this time. No adjustments or provisions were made in these consolidated financial statements related to COVID-19.

NOTE 3 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2020 and 2019 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 17,524,991	\$ 5,595,358
Investments	63,213	63,537
Contribution and grants receivable, net	<u>4,536,396</u>	<u>6,047,430</u>
Total	<u><u>\$ 22,124,600</u></u>	<u><u>\$ 11,706,325</u></u>

As part of Race Forward's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, Race Forward has a \$1,500,000 line of credit and a margin account secured by investments that it can draw upon.

RACE FORWARD, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

NOTE 4 INVESTMENTS

Investments are stated at fair value and consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
<i>Fixed income</i>		
Preferred stock	\$ 11,435	\$ 12,555
Corporate bonds	30,250	26,187
Collateralized mortgage obligations	21,528	24,795
Total	<u>\$ 63,213</u>	<u>\$ 63,537</u>

Net investment income for the years ended December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 5,675	\$ 10,663
Realized gain	-	815
Unrealized gain (loss), net of fees	3,760	7,811
	<u>\$ 9,435</u>	<u>\$ 19,289</u>

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.

RACE FORWARD, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

NOTE 5 FAIR VALUE MEASUREMENTS *(continued)*

The fair values of assets measured on a recurring basis were as follows at December 31, 2020 and 2019:

	2020			
	Level 1	Level 2	Level 3	Total
<i>Fixed income</i>				
Interest-bearing cash	\$ 2,310,275	\$ -	\$ -	\$ 2,310,275
Preferred stock	11,435	-	-	11,435
Corporate bonds	-	30,250	-	30,250
Collateralized mortgage obligations	-	21,528	-	21,528
Total	\$ 2,321,710	\$ 51,778	\$ -	\$ 2,373,488

	2019			
	Level 1	Level 2	Level 3	Total
<i>Fixed income</i>				
Interest-bearing cash	\$ 1,597,775	\$ -	\$ -	\$ 1,597,775
Preferred stock	12,555	-	-	12,555
Corporate bonds	-	26,187	-	26,187
Collateralized mortgage obligations	-	24,795	-	24,795
Total	\$ 1,610,330	\$ 50,982	\$ -	\$ 1,661,312

NOTE 6 CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

The Organization has received promises to give from donors as of December 31, 2020 and 2019, that will be received over the course of the next two years.

The table below breaks down the contributions and grants receivable by the timeframe in which they will be received. Contributions and grants receivable at December 31, 2020 and 2019, consisted of amounts to be received as follows:

	2020	2019
Less than one year	\$ 4,536,396	\$ 6,047,430
One to five years	575,000	2,000,000
Fair value adjustment	(33,007)	(150,888)
Total	\$ 5,078,389	\$ 7,896,542

NOTE 7 FIXED ASSETS

Fixed assets, net at December 31, 2020 and 2019, are comprised of the following:

	2020	2019
Equipment and furniture	\$ 366,325	\$ 361,782
Building and improvements	1,331,929	1,331,929
Donated land in Ithaca, NY	75,000	75,000
Less: Accumulated depreciation	(513,744)	(410,334)
Total	\$ 1,259,510	\$ 1,358,377

RACE FORWARD, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

NOTE 7 FIXED ASSETS *(continued)*

Depreciation expense for the years ended December 31, 2020 and 2019 was \$103,410 and \$73,075, respectively.

NOTE 8 NOTES PAYABLE

The Organization has notes payable at December 31, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Note payable to Mechanics Bank with interest of 1.00% unsecured, payable in monthly installments of \$71,070, due and payable on April 23, 2023. As part of the Paycheck Protection Program (PPP), this note payable is eligible for forgiveness.	\$ 1,262,855	\$ -
Note payable to Marlin Business Bank with interest of 6.75% secured by the Organization's assets, payable in monthly installments of \$1,490, due and payable on June 1, 2024.	-	67,755
Note payable to Marlin Business Bank with interest of 6.75% secured by the Organization's assets, payable in monthly installments of \$495, due and payable on September 1, 2024.	-	23,571
interest of 8.18% secured by the Organization's assets, payable in monthly installments of \$1,997, due and payable on September 1, 2024.	-	94,048
Note payable to Leaf Capital Funding, LLC with interest of 12.71% secured by the Organization's assets, payable in monthly installments of \$190, due and payable on October 1, 2024.	-	8,197
Note payable to Leaf Capital Funding, LLC with interest of 9.40% secured by the Organization's investments, payable in monthly installments of \$118, due and payable on November 20, 2024.	-	55,555
Less: Current portion	(1,262,855)	(37,208)
Total	<u><u>\$ -</u></u>	<u><u>\$ 161,918</u></u>

RACE FORWARD, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

NOTE 8 **NOTES PAYABLE** *(continued)*

On March 27, 2020, in response to COVID-19, the Federal government passed the Coronavirus Aid, Relief, and Economic Stability Act (CARES Act). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying entities through a program called the PPP. Participating in the PPP enables an entity to obtain a loan from the U.S. Small Business Administration (SBA). The Organization entered into a loan agreement in the amount of \$1,262,855 with an SBA-authorized lender in April 2020. The term of the loan is two years and bears interest at a fixed rate of 1% per year. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven, based on how much is spent in the eight-week period immediately following funding of the loan times a forgiveness factor that is based on employee headcount and amounts paid to the Organization's employees.

On March 25, 2021, Race Forward applied for PPP loan forgiveness through Mechanics Bank. The bank completed its review of the application on April 29, 2021, and submitted the application to the SBA for final decision. Full forgiveness in the amount of \$1,262,855 was granted to Race Forward on May 6, 2021.

NOTE 9 **LINE OF CREDIT**

The Organization has a margin account secured by its investments, which it uses for its cash flow needs. The Organization pays interest on any borrowing based on a base-lending rate plus a premium determined by the margin balance. The total amount available to borrow on margin is based on the total value of investments at the time of borrowing. As of December 31, 2020 and 2019, there were no outstanding balances on the margin account.

In August 2019, the Organization also entered into a line of credit of \$1,500,000. The Organization pays interest on any borrowing based on the bank prime lending rate at the time of borrowing. As of December 31, 2020, there was no outstanding balance on the line of credit.

NOTE 10 **COMMITMENTS**

On July 1, 2012, CSI entered into an operating lease for office space that expired on July 31, 2020. There are no future guaranteed minimum payments on the lease.

On December 1, 2018, Race Forward entered into an operating lease for office space that expires on February 28, 2029. The Organization provided a letter of credit of \$360,000 toward a related required security deposit. The letter of credit was procured from the bank upon deposit of \$378,000, which has been disclosed as restricted cash on the consolidated statements of financial position.

RACE FORWARD, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

NOTE 10 COMMITMENTS *(continued)*

Future guaranteed minimum payments on the lease are as follows:

<u>Year Ending</u>	<u>Amount</u>
2021	\$ 368,882
2022	397,331
2023	407,877
2024	420,113
2025	434,051
Thereafter	1,511,095
Total	\$ 3,539,349

Total rent expense for Race Forward for the years ended December 31, 2020 and 2019 was approximately \$536,109 and \$383,814, respectively. Total rent expense for CSI for the years ended December 31, 2020 and 2019 was approximately \$0 and \$181,490, respectively.

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. Management's opinion is that it has complied with the terms of all grants.

Sabbaticals

The Organization offers eligible employees a three-month paid sabbatical leave after every five years of service. Employees may apply for another three-month paid sabbatical leave after eight years of service. Following the eighth year of employment, employees may take one paid three-month sabbatical after every five years. 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 President and the Board of Directors retain the discretion to grant or deny requests for sabbatical leave. As of December 31, 2020 and 2019, the Organization had accrued \$199,366 and \$112,297, respectively, of sabbatical leave.

RACE FORWARD, INC. AND AFFILIATE
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available as follows as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Programs	\$ 2,516,618	\$ 2,150,040
Time restrictions	<u>6,464,898</u>	<u>7,669,040</u>
Total	<u><u>\$ 8,981,516</u></u>	<u><u>\$ 9,819,080</u></u>

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the purposes specified by donors or by the passage of time during the years ended December 31, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Programs	\$ 2,343,422	\$ 3,291,753
Time restrictions	<u>4,193,690</u>	<u>3,235,754</u>
Total	<u><u>\$ 6,537,112</u></u>	<u><u>\$ 6,527,507</u></u>

NOTE 13 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 years ended December 31, 2020 and 2019, the Organization contributed \$150,271 and \$152,974, respectively, to the Plan.

SUPPLEMENTARY INFORMATION

RACE FORWARD, INC. AND AFFILIATE
Consolidating Statement of Financial Position
As of December 31, 2020

	Race Forward	CSI	Eliminations	Consolidated Total
ASSETS				
Cash and cash equivalents	\$ 17,463,682	\$ 61,309	\$ -	\$ 17,524,991
Investments	63,213	-	-	63,213
Controlling interest in CSI	3,293,772	-	(3,293,772)	-
Contribution and grants receivable, net	5,078,389	-	-	5,078,389
Prepaid expenses and other assets	86,516	7,375	-	93,891
Fixed assets, net	1,259,167	343	-	1,259,510
Notes receivable	-	-	-	-
Due from Race Forward	-	57,835	(57,835)	-
Security deposits	-	-	-	-
Total assets	\$ 27,244,739	\$ 126,862	\$ (3,351,607)	\$ 24,019,994
LIABILITIES				
Accounts payable and accrued expenses	\$ 478,966	\$ 241	\$ -	\$ 479,207
Accrued vacation	370,715	-	-	370,715
Accrued sabbatical	199,366	-	-	199,366
Deferred revenue	595,400	-	-	595,400
Due to CSI	57,835	-	(57,835)	-
Note payable	1,262,855	-	-	1,262,855
Total liabilities	2,965,137	241	(57,835)	2,907,543
NET ASSETS				
Without donor restrictions	13,411,009	126,621	(1,406,695)	12,130,935
With donor restrictions	10,868,593	-	(1,887,077)	8,981,516
Total net assets	24,279,602	126,621	(3,293,772)	21,112,451
Total liabilities and net assets	\$ 27,244,739	\$ 126,862	\$ (3,351,607)	\$ 24,019,994

RACE FORWARD, INC. AND AFFILIATE
Consolidating Statement of Financial Position
As of December 31, 2019

	Race Forward	CSI	Eliminations	Consolidated Total
ASSETS				
Cash and cash equivalents	\$ 5,431,378	\$ 163,980	\$ -	\$ 5,595,358
Investments	63,537	-	-	63,537
Controlling interest in CSI	3,293,772	-	(3,293,772)	-
Contributions and grants receivable, net	7,892,989	3,553	-	7,896,542
Prepaid expenses and other assets	103,421	16,524	-	119,945
Fixed assets, net	1,354,353	4,024	-	1,358,377
Notes receivable	-	-	-	-
Due from Race Forward	-	147,152	(147,152)	-
Restricted cash	378,000	-	-	378,000
Security deposits	28,903	86,862	-	115,765
Total assets	\$ 18,546,353	\$ 422,095	\$ (3,440,924)	\$ 15,527,524
LIABILITIES				
Accounts payable and accrued expenses	\$ 492,352	\$ 34,249	\$ -	\$ 526,601
Accrued vacation	421,748	-	-	421,748
Accrued sabbatical	112,297	-	-	112,297
Deferred rent and revenue	721,288	12,093	-	733,381
Due to CSI	147,152	-	(147,152)	-
Note payable	199,126	-	-	199,126
Total liabilities	2,093,963	46,342	(147,152)	1,993,153
NET ASSETS				
Without donor restrictions	4,746,233	375,753	(1,406,695)	3,715,291
With donor restrictions	11,706,157	-	(1,887,077)	9,819,080
Total net assets	16,452,390	375,753	(3,293,772)	13,534,371
Total liabilities and net assets	\$ 18,546,353	\$ 422,095	\$ (3,440,924)	\$ 15,527,524

RACE FORWARD, INC. AND AFFILIATE
Consolidating Statement of Activities
Year Ended December 31, 2020

	Race Forward	CSI	Eliminations	Consolidated Total
SUPPORT AND REVENUE				
<i>Support</i>				
Contributions	\$ 7,254,708	\$ 3,644	\$ -	\$ 7,258,352
Grants	8,377,881	-	-	8,377,881
Total support	15,632,589	3,644	-	15,636,233
<i>Revenue</i>				
Fees and contracts	2,806,521	-	-	2,806,521
Sponsorships and events	2,330,540	-	-	2,330,540
Investment income, net	9,385	50	-	9,435
Rental income	24,520	-	-	24,520
Other income	53,693	15,305	-	68,998
Total support and revenue	20,857,248	18,999	-	20,876,247
EXPENSES				
Program services	9,481,557	183,899	-	9,665,456
Management and general	2,763,500	70,789	-	2,834,289
Fundraising	784,979	13,443	-	798,422
Total operating expenses	13,030,036	268,131	-	13,298,167
Change in net assets	7,827,212	(249,132)	-	7,578,080
Net assets, beginning of year	16,452,390	375,753	(3,293,772)	13,534,371
Net assets, end of year	\$ 24,279,602	\$ 126,621	\$ (3,293,772)	\$ 21,112,451

RACE FORWARD, INC. AND AFFILIATE
Consolidating Statement of Activities
Year Ended December 31, 2019

	<u>Race Forward</u>	<u>CSI</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
SUPPORT AND REVENUE				
<i>Support</i>				
Contributions	\$ 1,320,261	\$ 3,696	\$ -	\$ 1,323,957
Grants	4,682,618	-	-	4,682,618
Total support	6,002,879	3,696	-	6,006,575
<i>Revenue</i>				
Fees and contracts	4,504,534	272,439	-	4,776,973
Sponsorships and events	384,837	-	-	384,837
Investment income, net	19,177	112	-	19,289
Rental income	25,700	-	-	25,700
Other income	75,021	18,409	-	93,430
Total support and revenue	11,012,148	294,656	-	11,306,804
EXPENSES				
Program services	9,145,093	768,356	-	9,913,449
Management and general	2,247,590	114,181	-	2,361,771
Fundraising	688,411	23,457	-	711,868
Total operating expenses	12,081,094	905,994	-	12,987,088
Change in net assets	(1,068,946)	(611,338)	-	(1,680,284)
Net assets, beginning of year	17,521,336	987,091	(3,293,772)	15,214,655
Net assets, end of year	<u><u>\$ 16,452,390</u></u>	<u><u>\$ 375,753</u></u>	<u><u>\$ (3,293,772)</u></u>	<u><u>\$ 13,534,371</u></u>

