

**The College Crusade of
Rhode Island, Inc.**

Financial Statements and Uniform Guidance
Schedules Together With Independent
Auditors' Reports

June 30, 2019

The College Crusade of Rhode Island, Inc.

Financial Statements and Uniform Guidance Schedules
Together With Independent Auditors' Reports

June 30, 2019

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Independent Auditors' Report

Board of Directors

The College Crusade of Rhode Island, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The College Crusade of Rhode Island, Inc. (the "Organization") which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' 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 and the standards applicable to financial audits contained *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The College Crusade of Rhode Island, Inc. as of June 30, 2019, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Information

We have previously audited the Organization's June 30, 2018 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated March 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it was derived.

Change in Accounting Principle

As discussed in note 2 to the financial statements, during the year ended June 30, 2019, the Organization adopted Financial Accounting Standards Board Update (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

December 6, 2019

The College Crusade of Rhode Island, Inc.

Statement of Financial Position
June 30, 2019
(with comparative amounts at June 30, 2018)

ASSETS	2019	2018
Current Assets		
Cash	\$ 419,369	\$ 131,636
Grants receivable	512,697	333,552
Interest receivable	8,967	7,189
Prepaid expenses	91,371	51,998
Other assets	-	1,000
Total Current Assets	1,032,404	525,375
Investments	5,627,134	5,606,992
Property and equipment, net	204,056	55,781
Beneficial Interest in assets held by a community foundation	148,591	142,448
	5,979,781	5,805,221
	\$ 7,012,185	\$ 6,330,596
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 239,756	\$ 244,090
Line of credit	436,025	217,000
Unexpended grant funds	-	305,243
Total Current Liabilities	675,781	766,333
Net Assets		
Without donor restrictions		
Board designated	5,730,964	5,321,662
With donor restrictions	605,440	242,601
Total Net Assets	6,336,404	5,564,263
	\$ 7,012,185	\$ 6,330,596

The College Crusade of Rhode Island, Inc.

Statement of Activities
Year Ended June 30, 2019
(with summarized totals for the year ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUE AND SUPPORT				
Grants, federal	\$ 3,868,249	\$ -	\$ 3,868,249	\$ 3,453,739
Grant, state of Rhode Island	355,000	-	355,000	355,000
Contributions and other grants	521,182	637,072	1,158,254	522,984
Special events	1,340	-	1,340	52,383
Interest and dividends, net	65,350	-	65,350	60,887
Realized and unrealized gain on investments, net	625,049	-	625,049	572,211
Change in fair value of beneficial interest in assets held by community foundation	-	6,143	6,143	11,601
In-kind support	937,630	-	937,630	406,143
Net assets released from restrictions	<u>280,376</u>	<u>(280,376)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>6,654,176</u>	<u>362,839</u>	<u>7,017,015</u>	<u>5,434,948</u>
EXPENSES				
Program Services	5,206,965	-	5,206,965	4,622,942
Fundraising	174,844	-	174,844	282,778
Management and General	<u>863,065</u>	<u>-</u>	<u>863,065</u>	<u>642,274</u>
Total Expenses	<u>6,244,874</u>	<u>-</u>	<u>6,244,874</u>	<u>5,547,994</u>
Change in Net Assets	409,302	362,839	772,141	(113,046)
NET ASSETS				
Beginning of year	<u>5,321,662</u>	<u>242,601</u>	<u>5,564,263</u>	<u>5,677,309</u>
End of year	<u>\$ 5,730,964</u>	<u>\$ 605,440</u>	<u>\$ 6,336,404</u>	<u>\$ 5,564,263</u>

The College Crusade of Rhode Island, Inc.

Statement of Functional Expenses

Year Ended June 30, 2019

(with summarized totals for the year ended June 30, 2018)

	Program Services	Fundraising	Management and General	2019 Total	2018 Total
Salaries	\$ 2,112,300	\$ 135,639	\$ 261,720	\$ 2,509,659	\$ 2,494,189
Payroll taxes	189,940	11,828	19,592	221,360	221,224
Employee benefits	221,873	14,009	21,297	257,179	290,222
Program expense	1,335,387	-	97	1,335,484	788,939
Cost of scholarships	965,486	-	-	965,486	935,049
Training	13,227	590	12,017	25,834	10,372
Consultants	259,284	3,383	20,995	283,662	219,412
Printing	21,242	2,887	3,745	27,874	27,560
Advertising	3,650	2,600	662	6,912	731
Occupancy	-	-	171,322	171,322	157,529
Postage	8,817	118	7,095	16,030	14,645
Office Expense	11,069	1,113	37,640	49,822	41,836
Travel	42,440	913	10,674	54,027	52,530
Professional fees	2,838	30	132,856	135,724	146,860
Telephone	7,525	-	12,643	20,168	18,569
Insurance	-	-	17,406	17,406	20,153
Dues and subscriptions	9,248	1,208	7,512	17,968	13,362
Photography	-	-	-	-	1,450
Special event costs	-	526	-	526	26,957
Interest expense	-	-	17,378	17,378	18,188
Other expenses	2,639	-	186	2,825	12,110
Depreciation and amortization	-	-	108,228	108,228	36,107
Total Expenses	\$ 5,206,965	\$ 174,844	\$ 863,065	\$ 6,244,874	\$ 5,547,994

The College Crusade of Rhode Island, Inc.

Statement of Cash Flows
Year Ended June 30, 2019
(with comparative amounts for the year ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 772,141	\$ (113,046)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	108,228	36,107
Realized and unrealized gain on investments, net	(625,049)	(572,211)
Change in value of beneficial interest in assets held by a community foundation	(6,143)	(11,601)
Changes in operating assets and liabilities		
Grants receivable	(179,145)	266,384
Interest receivable	(1,778)	(293)
Prepaid expenses	(39,373)	(41,498)
Other assets	1,000	(270)
Accounts payable and accrued liabilities	(4,334)	(46,878)
Unexpended grant funds	(305,243)	193,236
Net Cash from Operating Activities	(279,696)	(290,070)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(322,715)	(568,137)
Proceeds from sales of investments	927,622	839,861
Purchases of property and equipment	(256,503)	(72,697)
Net Cash from Investing Activities	348,404	199,027
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in line of credit	219,025	(68,000)
Net Change in Cash	287,733	(159,043)
CASH		
Beginning of year	131,636	290,679
End of year	\$ 419,369	\$ 131,636
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 17,378	\$ 18,188
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITY		
Earnings allocated to unexpended grant funds	\$ -	\$ 7,299

See Notes to Financial Statements

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

1. Nature of Organization

The College Crusade of Rhode Island, Inc. (the "Organization") is a Rhode Island not-for-profit organization formed in November 1989 for the purpose of fostering the education of economically disadvantaged youth through Crusader support programs for parents and students along with student scholarship awards. The Organization receives a substantial portion of its support from federal grant funding.

2. Summary of Significant Accounting Policies

Basis of Accounting and Use of Estimates

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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. Actual results could differ from these estimates.

Basis of Presentation

The Organization records resources for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (*continued*)

Cash Equivalents

Cash equivalents are highly liquid debt instruments with maturities of three months or less at the time of purchase. The Organization has no cash equivalents at June 30, 2019.

Grants Receivable

The Organization carries its grants receivable at net realizable value. On a periodic basis, the Organization evaluates its grants receivable and establishes an allowance for doubtful accounts, based on a history of past bad debt expense and collections and current credit conditions.

The Organization does not accrue interest on grants receivable. A receivable is considered past due if payment has not been received within stated terms. The Organization will then exhaust all methods in-house to collect the receivable. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectible and charged to bad debt expense.

Investments

Investments consist principally of equity and debt securities that are traded or listed on national exchanges. Investments are carried at fair value. Fair value is determined as per the fair value standards in accordance with U.S. GAAP. Dividends, interest and net gains (losses) on investments are reported as increases in net assets without donor restrictions. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Investment gain (loss) includes the Organization's gains and losses on investments bought and sold as well as held during the year. Investments are primarily held to pay future scholarships under GEAR UP grant requirements.

Fair Value Measurements

The Organization follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

2. Summary of Significant Accounting Policies *(continued)*

Fair Value Measurements (continued)

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Money market funds: Valued at daily closing prices as reported by the fund. Funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price.

Corporate bonds, U.S. Treasury securities, asset backed securities, preferred stock: Values utilized for these securities are obtained from an observable independent third-party pricing service that derives the prices through the use recently reported trades for identical or similar securities with adjustments for trading volumes and market observable information through the reporting date.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Assets held in beneficial interest in assets held by community foundation: Carried at fair value of the underlying assets, as reported by the foundation, which is considered a Level 3 measurement.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Property and Equipment

Property and equipment are reported at cost. The Organization capitalizes any furniture, fixtures and office equipment over \$2,000 and any leasehold improvements and computers over \$5,000. Depreciation is provided using the straight-line method over estimated useful lives of 3 - 5 years. Leasehold improvements are depreciated over the shorter of the term of the lease or their estimated useful lives. Expenditures for maintenance and repairs are expensed as incurred. Expenditures that improve or extend the estimated useful lives are capitalized.

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the asset is placed in service, at which time the Organization reclassifies net assets with donor restrictions to net assets without donor restrictions.

Compensated Absences

Employees can accrue up to 140 hours based on years of employment at the Organization. Employees are entitled to receive full pay for the number of vacation days accrued at the time of termination. Employees' sick leave is not accrued and does not vest. Accordingly, employees may only utilize sick time when sick or when appropriately approved for personal reasons. At June 30, 2019 and 2018, accrued compensated absences included in accounts payable and accrued expenses on the accompanying statement of financial position were \$85,803 and \$114,616.

Contributions

Unconditional contributions are recognized as support when received or pledged, if applicable. Contributions are reported as support with donor restrictions if they are received with donor stipulations that limit the use of such assets.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using a risk adjusted interest rate applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue.

Contributions received whose use is contingent upon the occurrence of a future event are deferred until the condition is substantially met, at which time they are recognized as support. Conditional promises to give are not recognized as support until the conditions are substantially met. The Organization has conditional promises to give that have not yet been recognized as revenue at June 30, 2019 of \$660,000. Such promises were determined to be conditional under U.S. GAAP because the stipulations in the grant agreements ultimately prevent recognition of the promise as contribution revenue until such funds under the promises are received by the Organization because the donor can rescind the pledge at any time prior to payment.

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

2. Summary of Significant Accounting Policies *(continued)*

Grants

Grants are generally considered to be exchange transactions in which the grantor requires the performance of specified activities.

Entitlement to cost reimbursement grants is based on the expenditure of funds in accordance with grant restrictions and, therefore, revenue is recognized to the extent of grant expenditures. Entitlement to performance-based grants is based on the attainment of specific performance goals and, therefore, revenue is recognized to the extent of performance achieved. Grant receipts in excess of revenues recognized, including grant draws made prior to payment of scholarships on behalf of program participants, are presented as unexpended grant funds in the accompanying statement of financial position.

In-kind Contributions

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received.

Functional Expenses

The expenses incurred on behalf of the various programs and activities of the Organization have been summarized on a functional basis on the statement of activities. Accordingly, natural expenses attributable to more than one functional category are allocated using a variety of techniques such as square footage and time and effort

Income Taxes and Accounting for Uncertainty in Income Taxes

Except for taxes that may be due for unrelated business income, the Organization is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization has no uncertain tax positions that would require financial statement recognition and/or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to fiscal 2016.

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

2. Summary of Significant Accounting Policies *(continued)*

Summarized Financial Information

The statements of activities and functional expenses include prior year summarized information in total only, which does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the financial statements as of and for the year ended June 30, 2018 from which the summarized information was derived.

Reclassifications

Certain accounts in the fiscal 2018 financial statements have been reclassified to conform to the fiscal 2019 financial statement presentation.

Accounting Pronouncement Adopted

Not-for-profit financial statement presentation

During the year ended June 30, 2019, the Organization adopted ASU 2016-14 – *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The main provision of this guidance affecting the Organization's financial statements is the presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and the recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. The ASU has been applied retrospectively to all periods presented.

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

2. Summary of Significant Accounting Policies *(continued)*

Accounting Pronouncements to be Adopted

Revenue recognition

In May 2014, the Financial Accounting Standards Board (“FASB”) issued new revenue recognition guidance which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers which will become effective for the Organization for fiscal years beginning on or after December 15, 2018 and will supersede most current revenue recognition guidance. The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework. The new framework will be applied either on a full or modified retrospective basis. Management continues to evaluate the potential impact of this update on the financial statements and related disclosures.

Leases

In February 2016, FASB issued ASU 2016-02, *Leases*. This update requires all leases with a term greater than 12 months to be recognized on the statement of financial position through a right-of-use asset and a lease liability. This ASU is effective for years beginning after December 15, 2020 and early adoption is permitted. Management continues to evaluate the potential impact of this update on the financial statements and related disclosures.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is December 6, 2019.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation (“FDIC”) limit. The Organization does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At June 30, 2019, approximately \$204,000 of cash was maintained with an institution in excess of FDIC limits. At June 30, 2018, the Organization maintained no cash in an institution in excess of FDIC limits.

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment represents a significant concentration of credit risk.

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

4. Fair Value of Investments

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value presented in the statement of financial position as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 65,651	\$ -	\$ -	\$ 65,651
Corporate bonds	-	125,654	-	125,654
U.S. treasury asset backed securities	-	1,106,025	-	1,106,025
Common stocks	4,154,345	-	-	4,154,345
Beneficial interest in assets held by community foundation	-	-	148,591	148,591
	<u>\$ 4,219,996</u>	<u>\$ 1,407,138</u>	<u>\$ 148,591</u>	<u>\$ 5,775,725</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value presented in the statement of financial position as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 39,035	\$ -	\$ -	\$ 39,035
Corporate bonds	-	82,842	-	82,842
U.S. treasury asset backed securities	-	1,144,291	-	1,144,291
Preferred stocks	-	199,576	-	199,576
Common stocks	4,062,606	78,642	-	4,062,606
Beneficial interest in assets held by community foundation	-	-	142,448	142,448
	<u>\$ 4,101,641</u>	<u>\$ 1,505,351</u>	<u>\$ 142,448</u>	<u>\$ 5,749,440</u>

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

4. Fair Value of Investments (Continued)

The following is a reconciliation of activity for the years ended June 30, 2019 and 2018 for the Organization's financial assets valued using Level 3 inputs:

	2019	2018
Balance, beginning of year	\$ 142,448	\$ 130,847
Investment return, net of fees	6,143	11,601
Balance, end of year	<u>\$ 148,591</u>	<u>\$ 142,448</u>

5. Property and Equipment

Property and equipment consists of the following as of June 30, 2019 and 2018:

	2019	2018
Leasehold improvements	\$ 129,208	\$ 129,208
Furniture and fixtures	500,932	244,429
	630,140	373,637
Accumulated depreciation	(426,084)	(317,856)
	<u>\$ 204,056</u>	<u>\$ 55,781</u>

6. Beneficial Interest in a Community Foundation

The Organization has certain split interest agreements with donors in which a community foundation holds the assets in trust. These assets are not reported as investments in the financial statements, however, contribution revenue and a beneficial interest in the trust are recognized at the date the trusts are established for the present value of estimated future payments to be received.

Perpetual trusts are valued based upon the fair value of the assets contributed to the trust which approximates the fair value of the beneficial interest in the trust. The Organization is the income beneficiary under these perpetual trusts, the corpus of which is not controlled by the management of the Organization. In the absence of donor-imposed conditions, the Organization recognizes its beneficial interest in a trust as a contribution in the period in which it receives notice that the trust agreement conveys an unconditional right to receive benefits. Although the Organization has no control over the administration of the investment of the funds held in this trust, the fair value of the Organization's beneficial interest is recognized in the financial statements.

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

7. Line of Credit

The Organization has a \$1,200,000 line of credit agreement with a financial institution that expires February 1, 2020. The line of credit provides the Organization with cash flow for the GEAR UP program until such time as the Organization is reimbursed. Interest is payable monthly at the one-month LIBOR daily floating rate plus 3.00% (5.39% at June 30, 2019). The balance outstanding on June 30, 2019 and 2018 was \$436,025 and \$217,000. The outstanding balance is secured by the Organization's grants receivable and equipment.

8. Board Designated Net Assets

The Board of Directors voted to designate all net assets without donor restrictions for the purpose of scholarship and operations reserve.

9. Net Assets With Donor Restrictions

At June 30, 2019 and 2018, the Organization has net assets restricted to use for certain programmatic pursuits of \$456,849 and \$100,153, with net assets released from restriction of \$280,376 and \$326,331 for each of the years then ended. Additionally, at June 30, 2019 and 2018, the Organization has net assets restricted in perpetuity with the earnings to be used for certain programmatic pursuits of \$148,591 and \$142,448.

10. In-kind Support

Schools and community centers, where services related to the federal grant programs are performed, donate personnel, certain program costs, and the use of space as in-kind support to the Organization.

For the years ended June 30, 2019 and 2018, the estimated value of in-kind support for donated personnel, certain program costs, and the use of space was \$937,630 and \$406,143, and is recorded in the accompanying statement of activities and changes in net assets as in-kind support and included in grant program expense.

11. Operating Leases

On January 4, 2018, the Organization extended its lease for office space under a five-year noncancelable operating lease. Rent expense of \$143,700 and \$125,770 for the years ended June 30, 2019 and 2018, is included in occupancy costs on the accompanying statement of functional expenses.

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

11. Operating Leases (continued)

The Organization also leases office equipment under noncancelable operating leases expiring at various dates through November 2022. Lease expense for the years ended June 30, 2019 and 2018 was \$12,984 and \$14,170.

The future minimum lease payments under all noncancelable operating leases are as follows for the fiscal years ending June 30:

2020	\$ 155,484
2021	158,484
2022	80,219
2023	935
	<u>\$ 395,122</u>

12. Scholarship Program

Through the accumulation of funds and federal awards received indirectly from the United States Department of Education under the Gaining Early Awareness and Readiness for Undergraduate Program ("GEAR UP"), the Organization will award scholarships for post-secondary studies to eligible students. Scholarship awards are granted on a year-to-year basis. The Organization's scholarship amount to four-year colleges and universities and proprietary trade schools and certificate programs for 2019 were tied to the Organization Board maximum authorized scholarship amount of \$4,500. The Organization's scholarship amount for two-year colleges for 2019 were tied to the Organization Board maximum authorized scholarship amount at the time of matriculation, currently \$2,585. In the Organization's sole judgment, if not enough money is available to meet all of the Organization's current or future financial obligations, the Organization's paid scholarships may be reduced as the Organization deems appropriate, but not below the minimum Pell grant threshold which was \$601 for the 2018-2019 school year.

As part of the GEAR UP award, the Organization will be required to pay the minimum Pell grant threshold one time on behalf of each participant in the program during their post-secondary education. The Organization performed an actuarial study to estimate its minimum commitment for all participants in the program at the time of the actuarial study, June 30, 2017, and all estimated participants expected to enroll in the program through the end of the current GEAR UP grant agreement of September 25, 2024. The commitment estimate is adjusted for the potential years in which participants would utilize the scholarship and estimated expected increases in the minimum Pell grant threshold in the future years in which utilization is expected. The estimated commitment at June 30, 2019 was calculated to be approximately \$3,808,000, which in accordance with U.S. GAAP, has not been reflected as a liability in the accompanying statement of financial position.

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

13. Outside Scholarship Agreements

The Organization has obtained scholarship agreements from twenty colleges and universities. The college and university scholarship agreements are tied to the Organization's Board of Directors authorized tiered scholarship amounts at the time of matriculation, with certain exceptions in which the college or university establish their own scholarship rate.

The value of these scholarship agreements has not been recorded in the Organization's financial statements since they are considered an intention to give rather than a legal obligation to give, final awards are received directly by the students and awards are considered highly contingent. Because the scholarship is between the student and the college or university, the financial impact of the scholarships provided in the period provided are not reflected in the Organization's financial statements as either revenue or expense.

14. Pension Plan

The Organization maintains an employee benefit plan qualified under Internal Revenue Code Section 403(b) covering substantially all employees of the Organization meeting necessary eligibility requirements. The Organization may elect to make matching contributions during the year. Pension expense for the years ended June 30, 2019 and 2018 was \$44,389 and \$57,788.

15. Economic Dependency

The Organization's principal source of revenue has been derived from a grant with the Rhode Island Office for Higher Education funded by GEAR UP. Under this grant agreement, the Organization earned 92% and 89% of federal and state grant revenue reported for the years ended June 30, 2019 and 2018 on the accompanying statement of activities. At June 30, 2019 and 2018, amounts due under this grant comprised 97% and 99% of grants receivable reported on the accompanying statements of financial position.

16. Financial Assets and Liquidity Resources

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The College Crusade of Rhode Island, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

16. Financial Assets and Liquidity Resources (continued)

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and property and equipment costs not financed with debt, were as follows:

Financial assets:	
Cash	\$ 419,369
Grants receivable	512,697
Interest receivable	8,967
Investments	<u>5,627,134</u>
Total financial assets available within one year	6,568,167
Liquidity resources:	
Bank line of credit	763,975
Less: Financial Assets with:	
Donor-imposed restrictions as to time and/or purpose	456,849
Board deisignations	<u>5,730,964</u>
Total financial assets and liquid resources avialable within one year	<u><u>\$ 1,144,329</u></u>

The Organization is typically able to manage liquidity with its cash reserves, however, should those reserves prove inadequate, the Organization has a line of credit with a bank upon which funds can be drawn (Note 7).

The Organization's governing board has designated all of its unrestricted resources for certain specific purposes (Note 8). Those amounts are identified as board designations in the table above.

* * * * *

**The College Crusade of
Rhode Island, Inc.**

Uniform Guidance
Schedules and Reports

June 30, 2019

The College Crusade of Rhode Island, Inc.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Education:</u>				
Passed through Rhode Island Office for Higher Education:				
Gaining Early Awareness and Readiness for Undergraduate Program	84.334	P334S170002 - 18	\$ -	\$ <u>3,868,249</u>

See Independent Auditors' Report and Notes to Schedule of Expenditures of Federal Awards

The College Crusade of Rhode Island, Inc.

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2019

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of The College Crusade of Rhode Island, Inc. (the "Organization") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of The College Crusade of Rhode Island, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of the College Crusade of Rhode Island, Inc.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule based on the amount disbursed or received. The College Crusade of Rhode Island, Inc. received no nonmonetary assistance for the year ended June 30, 2019.

4. Indirect Cost Rate

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

Independent Auditors' Report

Board of Directors

The College Crusade of Rhode Island, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The College Crusade of Rhode Island, Inc. which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The College Crusade of Rhode Island, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The College Crusade of Rhode Island, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The College Crusade of Rhode Island, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The College Crusade of Rhode Island, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

December 6, 2019

**Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Independent Auditors' Report

Board of Directors

The College Crusade of Rhode Island, Inc.

Report on Compliance for Each Major Federal Program

We have audited The College Crusade of Rhode Island, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The College Crusade of Rhode Island, Inc.'s major federal programs for the year ended June 30, 2019. The College Crusade of Rhode Island, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of The College Crusade of Rhode Island, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The College Crusade of Rhode Island, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The College Crusade of Rhode Island, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, The College Crusade of Rhode Island, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of The College Crusade of Rhode Island, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The College Crusade of Rhode Island, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The College Crusade of Rhode Island, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

December 6, 2019

The College Crusade of Rhode Island, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I – Summary of Auditors’ Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? yes no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2019.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instances of noncompliance and none of the costs reported in the federal financially assisted programs are questioned or recommended to be disallowed.

The College Crusade of Rhode Island, Inc.

Schedule of Findings and Questioned Costs *(Continued)*
Year Ended June 30, 2019

Section IV – Prior Year Audit Findings

2018-001	Financial Statement Restatement
Criteria	Financial statements are reported on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.
Condition	The organization has been recognizing revenue incorrectly, thus effecting the recording of accounts receivable and deferred revenue.
Cause	The organization focuses on the operating cash flows of the grants with less attention paid to accrual basis figures reports as of fiscal year end. The organization recently had a change in top management, who are implementing stronger internal controls and are much more knowledgeable with accounting principles generally accepted in the United States of America.
Effect	A prior period adjustment is required to be made to the financial statements to adjust revenue to its proper balance.
Recommendation	Management of the organization will be mindful of booking revenue, accounts receivable and deferred revenue into the proper period and reconciling major asset and liability accounts for fiscal year reporting.
Views of Responsible Officials	Management concurred with the finding and would put processes in place necessary to ensure that the organization's financial information is properly reported on an accrual basis at fiscal year end.
Current Status	This finding has been corrected. Management implemented processes to ensure accurate reporting on an accrual basis.

The College Crusade of Rhode Island, Inc.

Schedule of Findings and Questioned Costs *(Continued)*
Year Ended June 30, 2019

Section IV – Prior Year Audit Findings *(continued)*

2018-002	Payroll allocation to grant award
Program	CFDA #84.334 – Gaining Early Awareness and Readiness for Undergraduate Program
Criteria	Payroll cost allocations should be supported by personnel activity reports or equivalent documentation which meets the standards.
Condition	The organization’s labor costs were being distributed to the grant based on budgetary assumptions and not actual time spent working with the grant during the time period between July 1, 2017 – December 31, 2017.
Cause	It was found that time and attendance charges were not validated during the time period between July 1, 2017 – December 31, 2017. Due to a change in top management, this violation was found and time sheets were implemented to verify actual time spent working with the grant beginning in January 1, 2018.
Effect	Time distribution and allocation does not meet the Federal regulatory standards of accurate time allocation for the time period between July 1, 2017 – December 31, 2017.
Questioned Costs	None
Recommendation	As the organization has implemented time sheets to record actual time spent working with the grant during the audit period, an analysis was performed by management in reviewing the time allocation to the grant for the period of July 1, 2017 – December 31, 2017 compared with the time allocation to the grant for the period January 1, 2018 – June 30, 2018. It was determined that the grant was being undercharged for time spent on the grant during the July 1, 2017 – December 31, 2017 by approximately 14%.
Views of Responsible Officials	Management concurs with the finding and has implemented time sheets in order to allocate time spent on grants effectively and accurately.
Current Status	This finding has been corrected. Management consistently used time sheets completed by employees as a basis for allocation to various functions and programs of associated employee related costs.