

**THE COLLEGE CRUSADE
OF RHODE ISLAND, INC.**

FINANCIAL STATEMENTS

June 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The College Crusade of Rhode Island, Inc.
Providence, Rhode Island

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, 2018, and the related statements of activities and changes in net assets, 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 in *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 auditors consider 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 Organization as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 March 28, 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.

*Ratchel Trechette,
Mc Croy, Michael & Co.*

Providence, Rhode Island
March 28, 2019

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 131,636
Grants receivable	333,552
Interest receivable	7,189
Prepaid expenses	51,998
Other assets	1,000

TOTAL CURRENT ASSETS 525,375

INVESTMENTS 5,606,992

PROPERTY AND EQUIPMENT, NET OF
ACCUMULATED DEPRECIATION 55,781

BENEFICIAL INTEREST IN ASSETS HELD BY
BY COMMUNITY FOUNDATION 142,448

TOTAL ASSETS \$ 6,330,596

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 244,090
Line of credit	217,000
Unexpended grant funds	305,243

TOTAL CURRENT LIABILITIES 766,333

TOTAL LIABILITIES 766,333

NET ASSETS

Unrestricted	5,321,662
Temporarily restricted	100,153
Permanently restricted	142,448

TOTAL NET ASSETS 5,564,263

TOTAL LIABILITIES AND NET ASSETS \$ 6,330,596

See Notes to Financial Statements

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT				
Grants, Federal	\$ 3,783,629	\$ -	\$ -	\$ 3,783,629
Grant, State of Rhode Island	355,000	-	-	355,000
Contributions	56,094	137,000	-	193,094
Special event, net of related expenses of \$26,957	25,426	-	-	25,426
Interest and dividends, net	60,887	-	-	60,887
Investment gains	572,211	-	-	572,211
Change in fair value of beneficial interest in assets held by community foundation	-	-	11,601	11,601
In-kind support	406,143	-	-	406,143
Net assets released from restrictions	326,331	(326,331)	-	-
Total revenue and other support	<u>5,585,721</u>	<u>(189,331)</u>	<u>11,601</u>	<u>5,407,991</u>
EXPENSES				
Program services	4,622,942	-	-	4,622,942
Fundraising	255,821	-	-	255,821
Management and general	642,274	-	-	642,274
TOTAL EXPENSES	<u>5,521,037</u>	<u>-</u>	<u>-</u>	<u>5,521,037</u>
CHANGES IN NET ASSETS	<u>64,684</u>	<u>(189,331)</u>	<u>11,601</u>	<u>(113,046)</u>
NET ASSETS, beginning, as previously stated	3,226,303	1,427,924	25,100	4,679,327
Prior period adjustments	2,030,675	(1,138,440)	105,747	997,982
NET ASSETS, beginning, restated	<u>5,256,978</u>	<u>289,484</u>	<u>130,847</u>	<u>5,677,309</u>
NET ASSETS, ending	<u>\$ 5,321,662</u>	<u>\$ 100,153</u>	<u>\$ 142,448</u>	<u>\$ 5,564,263</u>

See Notes to Financial Statements

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	Program	Fundraising	Management and General	Total
EXPENSES				
Salaries	\$ 2,082,295	\$ 195,669	\$ 216,225	\$ 2,494,189
Payroll taxes	179,947	15,406	25,871	221,224
Employee benefits	238,008	27,044	25,170	290,222
Program expense	788,602	17	320	788,939
Cost of scholarships	935,049	-	-	935,049
Training	9,622	-	750	10,372
Consultants	169,274	6,425	43,713	219,412
Printing	17,696	4,988	4,876	27,560
Advertising	326	-	405	731
Occupancy	-	-	157,529	157,529
Postage	9,927	1,499	3,219	14,645
Office expense	9,344	399	32,093	41,836
Travel	51,471	221	838	52,530
Professional fees	110,966	-	35,894	146,860
Telephone	6,247	5	12,317	18,569
Insurance	-	-	20,153	20,153
Dues and subscriptions	12,013	1,953	(604)	13,362
Photography	-	1,150	300	1,450
Interest expense	-	-	18,188	18,188
Other expenses	2,155	1,045	8,910	12,110
Total expenses excluding depreciation	4,622,942	255,821	606,167	5,484,930
Depreciation expense	-	-	36,107	36,107
Total	\$ 4,622,942	\$ 255,821	\$ 642,274	\$ 5,521,037

See Notes to Financial Statements

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

STATEMENT OF CASH FLOWS
Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (113,046)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	36,107
Realized and unrealized gain, net	(572,211)
Change in value of beneficial interest in assets held by a community foundation	(11,601)
Changes in assets and liabilities:	
(Increase) decrease in:	
Grants receivable	266,384
Interest receivable	(293)
Prepaid expenses	(41,498)
Other current assets	(270)
Increase (decrease) in:	
Accounts payable and accrued liabilities	(46,878)
Unexpended grant funds	193,236
Net cash used in operating activities	<u>(290,070)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(568,137)
Proceeds from sales of investments	839,861
Purchase of property and equipment	(72,697)
Net cash provided by investing activities	<u>199,027</u>
CASH FLOWS FROM FINANCING ACTIVITY	
Change in line of credit	(68,000)
Net cash used in financing activity	<u>(68,000)</u>
Net decrease in cash	(159,043)
CASH	
Beginning	290,679
Ending	<u><u>\$ 131,636</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash payments for:	
Interest	<u><u>\$ 18,188</u></u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITY	
Earnings allocated to unexpended grant funds	<u><u>\$ 7,299</u></u>

See Notes to Financial Statements

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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 is an independent 501(c)(3) not-for-profit organization with oversight by a Board of Directors. The Organization receives a substantial portion of its support from federal grant funding.

A summary of the Organization's significant accounting policies follows:

Basis of presentation: The Organization's financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In accordance with GAAP, as a not-for-profit entity, the Organization classifies its activities and net assets into three classes of net assets as follows: unrestricted, temporarily restricted and permanently restricted.

- *Unrestricted net assets* - consist of unrestricted amounts that are available for use in carrying out the mission of the Organization as they carry no donor-imposed time or purpose restrictions.
- *Temporarily restricted net assets* - consist of those amounts, which are restricted for a specific purpose. When a restriction expires, either by the passage of a stipulated time restriction or by the accomplishment of a specific purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- *Permanently restricted net assets* - result from contributions from donors who place restrictions on the use of donated funds mandating that the original principal remain invested in perpetuity and only the income be utilized by the Organization or assets placed in trust for the benefit of the Organization for which the Organization is provided an annual allotment of income from the trustee in accordance with the terms of the trust agreement. Income may be utilized for unrestricted purposes or temporarily restricted purposes, as established by the donor of such funds.

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, 2018.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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.

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.

Contributions: Contributions are defined as voluntary, nonreciprocal transfers.

Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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.

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-free interest rate applicable to the years in which the promises are received.

Amortization of the discount is included in contribution revenue. Conditional promises to give are not recognized as support until the conditions are substantially met.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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 GAAP. Dividends, interest and net gains (losses) on investments are reported as increases in unrestricted net assets. 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: GAAP provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements)

The three levels of the fair value hierarchy under GAAP are described below:

- Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in markets that are not active;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or by other means.
- Level 3 Inputs are unobservable inputs for the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. NATURE OF ORGANIZATION AND 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 market 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 calculated on the straight-line method over the expected useful lives of the assets as follows:

	<u>Years</u>
Leasehold improvements	5
Furniture and fixtures	5
Office equipment	5
Computers	3

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. NATURE OF ORGANIZATION AND 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 temporarily restricted net assets to unrestricted net assets.

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, 2018 accrued compensated absences included in accounts payable and accrued expenses on the accompanying statement of financial position were \$114,616.

Functional expenses: The expenses incurred to provide the various programs and activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates.

Income taxes: The Organization is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code.

The Organization recognizes and measures its unrecognized tax benefits in accordance with GAAP. Under that guidance the Organization assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the financial statements.

Use of estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Accounting pronouncements to be adopted:

Financial statement presentation

In August 2016, FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU aims to improve presentation of financial information, ultimately making nonprofit financial reporting statements more informative, transparent and useful to readers. Key qualitative and quantitative requirements covered in the final ASU include:

- Net asset classes
- Investment return
- Expenses
- Liquidity and availability for resources
- Presentation of operating cash flows

The ASU is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. Management continues to evaluate the potential impact of this update on the financial statements and related disclosures.

Revenue recognition

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements, including industry specific guidance, when it becomes effective. The underlying principle of the update is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This new guidance is effective for years beginning after December 15, 2018. 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, 2019 and early adoption is permitted. Management continues to evaluate the potential impact of this update on the financial statements and related disclosures.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 2. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash and cash equivalents 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.

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

Note 3. INVESTMENTS

The composition of the Organization's investments is as follows at June 30, 2018:

	Cost	Fair Value
Money market funds	\$ 39,035	\$ 39,035
Corporate bonds	97,532	82,842
U.S. Treasuries	1,158,272	1,144,291
Asset backed securities	203,152	199,576
Preferred stocks	86,206	78,642
Common stocks	2,523,118	4,062,606
	<u>\$ 4,107,315</u>	<u>\$ 5,606,992</u>

Interest and dividend income for the year ended June 30, 2018 is reported net of related investment fees of \$30,969.

Note 4. PROPERTY AND EQUIPMENT

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

Leasehold improvements	\$ 129,208
Furniture and fixtures	114,561
Office equipment and computers	129,868
	<u>373,637</u>
Less accumulated depreciation	(317,856)
	<u>\$ 55,781</u>

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 5. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's financial assets and liabilities 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. Treasuries	-	1,144,291	-	1,144,291
Asset backed securities	-	199,576	-	199,576
Preferred stocks	-	78,642	-	78,642
Common stocks	4,062,606	-	-	4,062,606
Beneficial interest in assets held by community foundation	-	-	142,448	142,448
measurements	<u>\$ 4,101,641</u>	<u>\$ 1,505,351</u>	<u>\$ 142,448</u>	<u>\$ 5,749,440</u>

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

Balance, beginning of year	\$ 130,847
Investment return, net of fees	11,601
Balance, end of year	<u>\$ 142,448</u>

Note 6. BENEFICIAL INTEREST IN A COMMUNITY FOUNDATION

The Organization has certain unrestricted assets held by the Rhode Island Foundation (the Foundation). The Organization has the ability to withdraw such funds from the Foundation, but will be charged a withdrawal fee ranging from 5% of the distribution amount in year one of the transfer to 1% of the distribution amount in year five and thereafter. Prospective donors can make contributions to the Foundation to benefit the Organization. Annual distributions from the Foundation will be determined in accordance with the policies of the Foundation. Distributions awarded to the Organization from the Foundation will be used in support of the Organization's general operations. Payments of income and/or principal from established fund may be made only upon approval of the Foundation's Board of Directors. During the year ended June 30, 2018, there were no withdrawals from, or contributions to such funds held by the Foundation.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 7. LINE OF CREDIT

The Organization has a \$1,200,000 line of credit agreement with a financial institution. The line of credit provides the Organization with cash flow for the GEAR UP program until such time as the Organization is reimbursed and is secured by the assets of the Organization. Interest is payable monthly at the one month LIBOR daily floating rate plus 3.0% (5.94% at June 30, 2018). The balances outstanding on June 30, 2018 was \$217,000. The outstanding balance is secured by the Organization's grants receivable and equipment.

Note 8. BOARD DESIGNATED NET ASSETS

The Board of Directors voted to designate all unrestricted net assets for the purpose of scholarship and operations reserve.

Note 9. TEMPORARILY RESTRICTED NET ASSETS

The Organization has temporarily restricted net assets that are restricted for use by the Organization for the achievement of various programmatic pursuits.

Note 10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are endowed to provide a permanent source of income to support specific purposes related to the Organization and are those assets held in a community foundation.

Note 11. 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 year ended June 30, 2018, the estimated value of in-kind support for donated personnel, certain program costs, and the use of space was \$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.

Note 12. OPERATING LEASES

On January 4, 2018, the Organization extended its lease for office space under a five-year noncancellable operating lease. Rent expense of \$125,770 for the year ended June 30, 2018 is included in occupancy costs.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. OPERATING LEASES (CONTINUED)

The Organization also leases office equipment under noncancelable operating leases expiring at various dates through November 2022. Lease expense for the year ended June 30, 2018 was \$139,940.

At June 30, 2018, future minimum lease payments under all noncancelable operating leases are as follows:

Years ending June 30	
2019	\$ 153,984
2020	155,484
2021	158,484
2022	80,219
2023	935
	<u>\$ 549,106</u>

Note 13. 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 2018 were tied to the Organization Board maximum authorized scholarship amount of \$4,500. The Organization's scholarship amount for two-year colleges for 2018 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 Crusade deems appropriate, but not below the minimum Pell grant threshold which was \$592 for the 2017-2018 school year.

Regulations require that should the Organization discontinue the scholarship program, the Organization will be required to pay the minimum Pell grant threshold one time on behalf of each participant in the program at the date of program termination. The Organization performed an actuarial study to estimate a potential commitment based on the number of program participants at June 30, 2018 adjusted for the potential years in which participants would utilize the scholarships 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, 2018 was calculated to be \$4,037,752, which in accordance with GAAP has not been reflected as a liability in the accompanying statement of financial position. The Organization has no plans to discontinue the scholarship program.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 14. OUTSIDE SCHOLARSHIP AGREEMENTS

The Crusade 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.

Note 15. 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, 2018 and 2017 was \$57,788 and \$76,202, respectively.

Note 16. 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 89% of federal grant revenue reported for the year ended June 30, 2018 on the accompanying statement of activities. At June 30, 2018, amounts due under this grant comprised 99% of grants receivable reported on the accompanying statement of financial position.

Note 17. PRIOR PERIOD ADJUSTMENTS

The Organization had certain amounts reported at June 30, 2017 that required adjustment to properly present the financial statements in accordance with GAAP. Such adjustments were made to the net asset categories as follows:

- Overstated deferred revenue of \$164,484 transferred to temporarily restricted net assets resulting in increase;
- Understated grant receivable of \$125,000 transferred to temporarily restricted net assets resulting in increase;
- Overstated grant receivable of \$73,568 transferred to unrestricted net assets resulting in decrease;
- Overstated accrued scholarship costs of \$886,774 transferred to unrestricted net asset resulting in increase;
- Understated unexpended grant funds of \$104,708 transferred from unrestricted net assets resulting in decrease;

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 17. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

- Portion of beneficial interest in assets held by community foundation in the amount of \$105,747 classified as unrestricted net assets transferred to permanently restricted net assets to reflect entire beneficial interest balance as permanently restricted; and
- Portion of investment balance in the amount of \$1,427,924 improperly classified as temporarily restricted net assets transferred to unrestricted net assets to reflect entire investment balance as unrestricted.

Note 18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 28, 2019, the date of the financial statements were available for issue and determined that there has been one event that has occurred that would require disclosure in the notes to the financial statements.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

Reporting Required by
Government Auditing Standards and
The Uniform Guidance

June 30, 2018

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018**

<u>Federal Grantor</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	\$ -	\$ 3,381,295

The accompanying notes are an integral part of this schedule

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2018**

Note 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. under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirement 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.

Note 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. INDIRECT COST RATE

The College Crusade of Rhode Island, Inc. has not elected to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

**INDEPENDENT AUDITORS' 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**

To the Board of Directors of
The College Crusade of Rhode Island, Inc.
Providence, Rhode Island

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. (the Organization), which comprise the statements of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated March 28, 2019.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

**INDEPENDENT AUDITORS' 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* (CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 audits, 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.

*Rachel Trechette,
McCrory, Michael & Co.*

Providence, Rhode Island
March 28, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
The College Crusade of Rhode Island, Inc.
Providence, Rhode Island

Report on Compliance for major federal programs

We have audited The College Crusade of Rhode Island, Inc.'s (the Organization) 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 Organization's major federal programs for the year ended June 30, 2018. The Organization'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 the 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 Organization'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 Organization'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 Organization's compliance.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)

Opinion on Each Major Federal Program

In our opinion, the Organization 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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-002. Our opinion on each major federal program is not modified with respect to this matter.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Organization 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 Organization'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 Organization'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.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)

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, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-02, that we consider to be a significant deficiency.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Batchelor, Trechetta,
McCoy, Michael & Co.*

Providence, Rhode Island
March 28, 2019

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:	Unmodified	
Internal control over financial reporting:		
• Material weaknesses identified?	<u> X </u> yes	<u> </u> no
• Significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u> yes	<u> </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	<u> </u> yes	<u> X </u> no
• Significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u> yes	<u> </u> 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 Section 2 CFR 200.516(a)?	<u> X </u> yes	<u> </u> no

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2018

SECTION I – SUMMARY OF AUDITORS’ RESULTS, CONTINUED

Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Programs</u>
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs
Dollar threshold used to distinguish between type A and type B programs:	Type A: \$750,000
Auditee qualified as low-risk auditee	<u> X </u> yes <u> </u> no

SECTION II – FINANCIAL STATEMENT 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 (GAAP).

Condition The financial reporting of various transactions associated with federal awards drawn for use as payment of program scholarships has required adjustment to properly reflect these transactions in accordance with GAAP.

Cause The Organization focuses on the operating cash flows of the Organization and the funding scholarships to program participants with a lesser focus on the GAAP requirements of reporting such federal funding and scholarship payment transactions. The Organization recently had a change in top management, who are implementing stronger internal controls and are much more knowledgeable in GAAP reporting requirements.

Effect Several prior period adjustments were required to be made to the financial statements reflect a proper GAAP presentation.

Recommendation Management of the Organization will be mindful to book all aspects of the receipt and expenditure of federal awards as it relates to program scholarships.

Views of Responsible Officials Management concurs with the finding and will put processes in place necessary to ensure that the Organization’s financial information is properly reported on GAAP basis at each fiscal year-end.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2018

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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 Uniform Guidance standards.
Condition	Examining five of twenty-six payrolls it was identified that for the period July 1, 2017 to December 31, 2017 the Organization’s labor costs for individuals with time allocable to multiple programs was being distributed to among programs based on budgetary assumptions and not actual time spent working with the grant.
Cause	It was found that time and attendance charges were not validated during the period July 1, 2017 to December 31, 2017. Due to a change in top management, this variation from Uniform Guidance requirements was identified and the use of time sheets was implemented to track and record actual time spent by all employees working on all programs and general and administrative functions effective January 1, 2018.
Effect	Time distribution and allocation does not meet the Federal regulatory standards of accurate time allocation across programs and not programmatic activities for the period July 1, 2017 to December 31, 2017.
Questioned Costs	None
Recommendation	The Organization should continue to utilize time cards as a source of accurate allocation of labor costs across programs and not programmatic activities
Views of Responsible Officials	As the Organization has implemented time sheets as the basis of tracking and recording actual time spent working grant related activities during the audit period, an analysis was performed by management in which a comparison of labor costs applied to the grants using budgetary allocations for the period July 1, 2017 to December 31, 2017 to the labor costs applied the grant using actual allocations of time based upon time card reporting for the period January 1, 2018 to June 30, 2018. Based upon this comparison, it appears that the grant was likely undercharged for labor costs for the period July 1, 2017 to December 31, 2017 by approximately 14%.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2018

SECTION IV– FINDINGS AND QUESTIONED COSTS – SUMMARY OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTIONS

The prior year single audit disclosed no findings in the *Schedule of Findings and Questioned Costs* and no uncorrected or unresolved findings exist from the prior audit's *Summary of Prior Audit Findings and Corrective Actions*.