COMBINED FINANCIAL STATEMENTS

CENTER FOR COMMUNITY CHANGE

FUND FOR THE CENTER FOR COMMUNITY CHANGE

FOR THE YEARS ENDED
SEPTEMBER 30, 2018 AND 2017

CENTER FOR COMMUNITY CHANGE
FUND FOR THE CENTER FOR COMMUNITY CHANGE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Center for Community Change
Fund for the Center for Community Change
Washington, D.C.

We have audited the accompanying combined financial statements of the Center for Community Change (CCC) and the Fund for the Center for Community Change (the Fund), collectively "the Center", as of September 30, 2018 and 2017, and the related combined statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Center as of September 30, 2018 and 2017, and the combined changes in their net assets and their combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gelman Rozenberg & Freedman

March 7, 2019

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CENTER FOR COMMUNITY CHANGE
FUND FOR THE CENTER FOR COMMUNITY CHANGE

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 6,427,534	$ 5,922,450
Investments	5,374,354	5,822,059
Grants and contributions receivable	8,375,971	7,812,500
Advances and miscellaneous receivables	415,756	180,756
Prepaid expenses and other assets	93,496	119,226
Deposits	200,000	200,000
Total current assets	20,887,111	20,056,991
PROPERTY AND EQUIPMENT		
Furniture and equipment	230,325	214,156
Leasehold improvements	707,068	638,038
	937,394	852,194
Less: Accumulated depreciation and amortization	(475,400)	(188,531)
Net property and equipment	461,994	663,663
NONCURRENT ASSETS		
Investments	12,114,616	11,913,596
Grants and contributions receivable, net of current portion and present value discount	685,360	5,735,693
Artwork	11,250	11,250
Total noncurrent assets	12,811,226	17,660,539
TOTAL ASSETS	**$ 34,160,331**	**$ 38,381,193**

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,339,785	$ 969,229
NET ASSETS		
Unrestricted	7,139,564	7,121,873
Temporarily restricted	21,330,982	25,940,091
Permanently restricted	4,350,000	4,350,000
Total net assets	32,820,546	37,411,964
TOTAL LIABILITIES AND NET ASSETS	**$ 34,160,331**	**$ 38,381,193**

See accompanying notes to combined financial statements.

CENTER FOR COMMUNITY CHANGE
FUND FOR THE CENTER FOR COMMUNITY CHANGE

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Grants, contributions and other income	$ 5,430,581	$ 7,476,770	$ -	$ 12,907,351
Investment income (loss), net of related expenses	(30,996)	921,722	-	890,726
Net assets released from donor restrictions	13,007,601	(13,007,601)	-	-
Total support and revenue	18,407,186	(4,609,109)	-	13,798,077
EXPENSES				
Program Services:				
CCC Institutional Support	2,690,957	-	-	2,690,957
Community Organizing	41,355	-	-	41,355
Democracy and Civic Participation	4,210,952	-	-	4,210,952
Economic Justice	6,200,292	-	-	6,200,292
Special Projects	849,397	-	-	849,397
Total program services	13,992,953	-	-	13,992,953
Supporting Services:				
Management and General	2,688,225	-	-	2,688,225
Fundraising	1,708,317	-	-	1,708,317
Total supporting services	4,396,542	-	-	4,396,542
Total expenses	18,389,495	-	-	18,389,495
Changes in net assets	17,691	(4,609,109)	-	(4,591,418)
Net assets at beginning of year	7,121,873	25,940,091	4,350,000	37,411,964
NET ASSETS AT END OF YEAR	**$ 7,139,564**	**$ 21,330,982**	**$ 4,350,000**	**$ 32,820,546**

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2017			
$ 3,273,508	$ 22,688,732	$ -	$ 25,962,240
(1,406)	1,215,118	-	1,213,712
11,870,384	(11,870,384)	-	-
15,142,486	12,033,466	-	27,175,952
1,722,888	-	-	1,722,888
210,349	-	-	210,349
4,098,260	-	-	4,098,260
6,746,453	-	-	6,746,453
643,629	-	-	643,629
13,421,579	-	-	13,421,579
3,044,123	-	-	3,044,123
1,215,161	-	-	1,215,161
4,259,284	-	-	4,259,284
17,680,863	-	-	17,680,863
(2,538,377)	12,033,466	-	9,495,089
9,660,250	13,906,625	4,350,000	27,916,875
$ 7,121,873	**$ 25,940,091**	**$ 4,350,000**	**$ 37,411,964**

See accompanying notes to combined financial statements.

CENTER FOR COMMUNITY CHANGE
FUND FOR THE CENTER FOR COMMUNITY CHANGE

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (4,591,418)	$ 9,495,089
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	286,993	115,848
Unrealized gain on investments	(193,924)	(542,671)
Realized gain on investments	(542,619)	(485,490)
Change in discount on grants and contributions receivable	(21,710)	77,611
Loss on disposal of assets	991	1,058
Decrease (increase) in:		
Grants and contributions receivable	4,508,572	(9,359,293)
Advances and miscellaneous receivables	(235,000)	221,284
Prepaid expenses and other assets	25,730	(28,306)
Deposits	-	(100,000)
Security deposits	-	8,430
Increase (decrease) in:		
Accounts payable and accrued expenses	370,556	(454,924)
Net cash used by operating activities	(391,829)	(1,051,364)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(86,315)	(661,627)
Purchases of investments	(4,279,183)	(863,195)
Proceeds from sales of investments	5,262,411	2,185,981
Net cash provided by investing activities	896,913	661,159
Net increase (decrease) in cash and cash equivalents	505,084	(390,205)
Cash and cash equivalents at beginning of year	5,922,450	6,312,655
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 6,427,534**	**$ 5,922,450**

See accompanying notes to combined financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Center for Community Change (CCC) is a not-for-profit organization, based in Washington, D.C. CCC's mission is to help low-income people, especially low-income people of color, develop the power and capacity to improve their communities and change policies and institutions that affect their lives. CCC does this primarily by helping them develop strong organizations controlled by community people. CCC also works to help low-income people have a voice on national policies that affect their communities. All projects of CCC support this mission. The Center is primarily supported by grants and contributions.

The Fund for the Center for Community Change (the Fund), was established as a supporting organization to CCC to hold and invest CCC's endowment fund assets. CCC controls the Fund (based on majority Board control).

Combined financial statements -

The accompanying combined financial statements include all accounts and transactions of CCC and the Fund, collectively the "Center". All significant transactions between CCC and the Fund have been eliminated in combination.

Basis of presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities*, *Consolidation*.

Cash and cash equivalents -

The Center considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

The Center maintains its cash and cash equivalents at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC), in an amount up to $250,000 per institution. Although the Center takes appropriate steps to limit the amounts on deposit at any one financial institution, such amounts exceeded the FDIC insurance limits by approximately $6,429,000 and $5,672,000 at September 30, 2018 and 2017 respectively. The Center does not believe it is subject to any significant risk with respect to its cash balances.

Grants and contributions receivable -

Current grants and contributions receivable are recorded at their net realizable value, which approximates fair value. Grants and contributions receivable that are expected to be collected in future years are recorded at their fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. All grants and contributions receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Advances and miscellaneous receivables -

Advances and miscellaneous receivables are stated at their unpaid balances, which approximate fair value. No interest or late fees accrue on unpaid receivables.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Advances and miscellaneous receivables (continued) -

Receivables are considered impaired if full principal payments are not received in accordance with contract terms. It is the Center's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. In making that determination, management evaluates the financial condition of the organization, historic experience and current economic conditions. At September 30, 2018 and 2017, management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment in excess of $1,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three years for computer equipment and five years for furniture and other equipment. Leasehold improvements are amortized over five years (the lease term) or over the remaining term of the lease (if paid for during the lease period). The cost of maintenance and repairs is recorded as expenses are incurred. Expenditures for maintenance, repairs, and minor improvements are charged to expense when incurred.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses less management fees are included in investment income (loss) in the Combined Statements of Activities and Changes in Net Assets.

Income taxes -

CCC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Fund is organized as a Section 501(c)(3) Type I supporting organization to CCC and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. CCC and the Fund are also exempt from District of Columbia franchise, sales and personal property taxes. Beginning January 1, 2018, CCC is subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. The amount of the tax for the year ended September 30, 2018 is immaterial. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. CCC is not a private foundation.

Uncertain tax positions -

For the years ended September 30, 2018 and 2017, the Center has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Center and include both internally designated and undesignated resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Net asset classification (continued) -

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Center and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statements of Activities and Changes in Net Assets as net assets released from restrictions.

- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Center. There are restrictions placed on the use of investment earnings from these endowment funds.

Grants and contributions -

Unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying combined financial statements.

Use of estimates -

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying Combined Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

The Center invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying combined financial statements.

Fair value measurement -

The Center adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fair value measurement (continued) -

The Center accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements -

In 2015, the FASB issued ASU 2015-07, *Fair Value Measurement* (Topic 820). The ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The ASU becomes effective for years beginning after December 15, 2016. The ASU should be applied on a retrospective basis in the year the ASU is first applied.

During the year ended September 30, 2018, the Center adopted the new guidance above and applied it prospectively.

New accounting pronouncements (not yet adopted) -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Combined Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Center's combined financial statements, it is not expected to alter the Center's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. The Center has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its combined financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made,* which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncements (not yet adopted) (continued) -

The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The Center has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Combined Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Center plans to adopt the new ASUs at the respective required implementation dates.

2. PROGRAM AND SUPPORTING SERVICES

CCC Institutional Support - Departments under this area are Communications, including digital media activities, Leadership Development, and Program Support. Work is also conducted to support the incubation and development of new projects for the organization, as well as a multitiered social justice Fellowship program.

Community Organizing - The Issue organizing teams at the Center for Community Change are comprised of field organizers, policy researchers/analysts and other professional staff. The teams are responsible for devising strategies for and implementing strategic and technical assistance to groups working on a variety of issues that affect low-income people and minority communities. The teams also provide assistance on organizational development including Board and leadership development, strategic planning, communications training and implementation of strategic issue campaigns. Teams have engaged in building volunteer-driven grassroots movements through the development of self-sustaining networks of leaders, trainers and organizers within communities. Also included is the California Partnership, a statewide coalition of community based organizations that fights poverty in California by organizing and advocating at the local, state and national levels for appropriate programs and policies.

Democracy and Civic Participation - The Immigration work at the Center for Community Change consists of the Fair Immigration Reform Movement (FIRM) and multi-racial/multi-ethnic alliance building. FIRM is the nation’s largest coalition of immigrant rights groups, fighting for immigrant rights at the local, state, and federal level. It is housed at CCC and staffed by the CCC immigration team. The work of FIRM includes base-building, producing policy recommendations, developing civic engagement programs, and mobilizing around strategic goals, all with the long-term goal of achieving comprehensive immigration reform while building immigrant power. The Community Voting Program works to equip low-income people, especially people of color, with the skills, strategies and alliances to build opportunity and civic engagement within their communities. To this end, we expand civic participation, strengthen grassroots organizations, cultivate new leadership, and link disparate groups into national networks to increase their impact.

2. PROGRAM AND SUPPORTING SERVICES (Continued)

Democracy and Civic Participation (continued) - The Policy program works to advance CCC issues across the country at the national and local levels through policy, research, and legislative report.

Economic Justice - The areas of focus of economic justice are child care, clean energy and reinvestment issues. The child care team focuses on working on issues regarding making child care affordable to everyone, and, to making sure child care employees are paid the wages they deserve. Our clean energy team focuses on climate jobs - how to bring them into communities. Our reinvestment team looks at ways to reinvest in the low-income communities we serve. We also have a race and gender justice program.

MHAction is a growing national movement of owners of manufactured homes who engage in public policy issues that address their interests and concerns as homeowners on the local and state levels, as well as larger issues of retirement and economic security on the national level. The Housing Trust Fund Project (HTF) is a technical assistance program that helps organizations develop and implement housing trust fund campaigns. The HTF program provides on-site training, strategy development, legislative and campaign models, public speaking/testimony exposure, and connects groups with large networks and coalitions of organizations working on housing issues.

Special Projects - Special Projects of the Center of Community Change include Rights for Girls, a project that works to advance public policy by protecting the dignity and rights of young women and girls, especially in vulnerable communities.

Management and General - Management and General activities include the administrative functions of human resources, talent, administration and facilities management, finance, information technology, operations and executive management.

Fundraising - Development and Fundraising is responsible for researching and cultivating funding prospects for the organization. The department works to raise the organization's annual operating budget, including project restricted funding and general support.

3. INVESTMENTS

Investments, at fair value, consisted of the following at September 30, 2018 and 2017:

	2018	2017
Money market	$ 417,566	$ 316,314
Corporate bonds	650,895	660,030
Mutual funds	4,793,950	4,884,102
Equities	6,316,280	5,973,086
Publicly traded partnerships	-	41,378
Real estate investment trusts	139,944	219,623
Government obligations	2,174,487	2,197,752
Common collective trust	2,995,848	3,443,370
TOTAL INVESTMENTS	**$ 17,488,970**	**$ 17,735,655**

3. INVESTMENTS (Continued)

During the years ended September 30, 2018 and 2017, total investment income is comprised of the following items:

	2018	2017
Interest and dividends	$ 227,328	$ 257,305
Unrealized gain on investments	193,924	542,671
Realized gain on investments	542,619	485,490
Management fees	(73,145)	(71,754)
TOTAL INVESTMENT INCOME	**$ 890,726**	**$ 1,213,712**

4. GRANTS AND CONTRIBUTIONS RECEIVABLE

The Center has received commitments for support, of which $9,131,391 and $13,639,964 remained due as September 30, 2018 and 2017, respectively. Payments expected to be received beyond one year have been recorded at the net present value of the estimated cash flows, using a variable discount rate based on rates for a five-year treasury bill at the time of the award.

Grants and contributions are due as follows at September 30, 2018 and 2017:

	2018	2017
Less than one year	$ 8,375,971	$ 7,812,500
One to five years	755,420	5,827,464
	9,131,391	13,639,964
Less: Present value discount	(70,060)	(91,771)
Less: Current portion	(8,375,971)	(7,812,500)
NONCURRENT PORTION	**$ 685,360**	**$ 5,735,693**

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2018 and 2017:

	2018	2017
CCC Institutional Support	$ 2,205,641	$ 2,925,366
Democracy and Civic Participation	465,019	595,936
Economic Justice	8,604,818	11,274,550
Special Projects	445,850	652,814
Time Restricted	2,109,732	3,188,225
Accumulated Net Earnings on Permanently Restricted Net Assets	7,499,922	7,303,200
	$ 21,330,982	**$ 25,940,091**

5. TEMPORARILY RESTRICTED NET ASSETS (Continued)

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

	2018	2017
CCC Institutional Support	$ 1,277,030	$ 228,221
Community Organizing	-	79,500
Democracy and Civic Participation	1,860,965	2,042,389
Economic Justice	6,882,233	6,275,876
Special Projects	847,547	386,114
Passage of Time	1,414,826	2,358,284
Appropriated for Expenditures from Endowment	725,000	500,000
	$ 13,007,601	$ 11,870,384

6. LINE OF CREDIT

During the year ended September 30, 2018, the Center maintained a $1,000,000 line of credit with Amalgamated Bank. Borrowings from the line of credit bear interest at a variable interest rate (5.25% at September 30, 2018). There were no draws on the line of credit during the years ended September 30, 2018 and 2017. The terms of the agreement require the Center to maintain a cash collateral account (with Amalgamated Bank) with a balance of at least $1,000,000 at all times. As of the date of this report, the Center is in compliance with this requirement.

7. PENSION PLAN

The Center has a defined-contribution pension plan (under Section 401(k) of the Internal Revenue Code) covering substantially all employees. Employees are eligible for employer contributions after six months of service. For the years ending September 30, 2018 and 2017, contributions were made by the Center to the plan at the rate of 8% of an employee's salary. The employee obtains an immediate vested interest in the amount contributed to his or her pension account. Upon retirement, the employee has several options for payment of the balance in his/her pension account. Pension plan expense during the years ended September 30, 2018 and 2017 totaled $581,878 and $567,576, respectively.

The Center also administers a 403(b) retirement plan, in which the Center makes no contributions.

8. OPERATING LEASES

On March 2, 2015, the Center entered into a five year operating lease agreement (for office space located at 1536 U Street, NW, Washington, D.C.) with the Center for Community Change Action (CCCA). Base rent of $51,667 per month is required during the first year, with 3% increases annually; additionally, the Center is responsible for reimbursing CCCA its proportionate share of property taxes. The lease also contains an option to renew for two additional 5-year periods.

Additionally, the Center leases office space on a month-to-month basis in Cincinnati, Ohio.

8. OPERATING LEASES (Continued)

The following is a schedule of the future minimum lease payments required under all long-term operating leases:

Year Ending September 30,	
2019	$ 683,359
2020	287,944
	$ 971,303

Rent expense during the years ended September 30, 2018 and 2017 totaled $569,789 and $602,762, respectively.

The Center subleases a portion of its office space under a month-to-month agreement. Rental income for the years ended September 30, 2018 and 2017 totaled $17,257 and $19,357, respectively and is included in "Grants, contributions and other income" in the Combined Statements of Activities and Changes in Net Assets.

9. RELATED PARTY

The Center for Community Change Action (“CCCA") is a related, tax-exempt organization (under Section 501(c)(4) of the Internal Revenue Code), whose purpose is to increase the profile of policy issues that matter to low-income people and people of color, as well as educate and empower low-income people and people of color to act on those issues.

CCCA and the Center share office space and an Executive Director, however, the criteria for financial combination (significant influence/control and economic interest) have not been met; therefore, the financial activities of the organizations are not combined.

CCCA reimburses the Center for salaries and other administrative costs. The Center pays CCCA for its ratable share of office space (see Note 8), and reimburses CCCA for program expenses paid on the Center’s behalf.

During the years ended September 30, 2018 and 2017, the Center billed CCCA for expenses totaling $2,485,231 and $1,892,038, respectively, and CCCA billed the Center for expenses totaling $799,657 and $767,564, respectively.

As of September 30, 2018 and 2017, $414,816 and $179,986, respectively, was due to the Center from CCCA; as of those same dates, $17,026 and $0 were due to CCCA from the Center. These amounts are included in advances and miscellaneous receivables in the accompanying Combined Statements of Financial Position.

The Center granted $0 and $150,000 to CCCA during the years ended September 30, 2018 and 2017, respectively. CCCA did not make any grants to the Center during the years ended September 30, 2018 and 2017.

10. DUE FROM UNRELATED ENTITIES

During the year ended September 30, 2015, the Center extended a line of credit to an unrelated organization for the purpose of providing operating funds.

10. DUE FROM UNRELATED ENTITIES (Continued)

The line of credit was non-interest bearing, and borrowings could not exceed $100,000. Repayments were due monthly starting in April 2016. As of September 30, 2018 and 2017, the balance was satisfied in full.

11. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Center has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Combined Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Center has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at September 30, 2018 and 2017.

- *Money market funds* - The money market fund is an open-end mutual fund that is registered with the Securities and Exchange Commission and is deemed to be actively traded.

- *Corporate bonds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Center's are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds are deemed to be actively traded.

- *Interest in common collective trusts* - Fair value is derived from the relative interest of each participating investor in the fair value of the underlying assets. The underlying assets are valued at net asset value (NAV).

- *U.S. Government securities* - Valued at the closing price reported on the active market in which the individual securities are traded.

- *Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.

11. FAIR VALUE MEASUREMENT (Continued)

- *Real estate investment trusts and publicly traded partnerships* - These instruments do not have a readily determinable fair value. The fair values used are generally determined by the general partner or management of the entity and are based on appraisals or other estimates that require varying degrees of judgment. Inputs used in determining fair value may include the cost and recent activity concerning the underlying investments in the funds or partnerships.

The table below summarizes, by level within the fair value hierarchy, the Center's investments as of September 30, 2018:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Money market funds	$ 417,566	$ -	$ -	$ 417,566
Corporate bonds	-	650,895	-	650,895
Mutual funds	4,793,950	-	-	4,793,950
Common collective trust	-	2,995,848	-	2,995,848
Government obligations	2,174,487	-	-	2,174,487
Equities	6,316,280	-	-	6,316,280
Real estate investment trusts	-	-	139,944	139,944
TOTAL	$ 13,702,283	$ 3,646,743	$ 139,944	$ 17,488,970

The table below summarizes, by level within the fair value hierarchy, the Center's investments as of September 30, 2017:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Money market funds	$ 316,314	$ -	$ -	$ 316,314
Corporate bonds	-	660,030	-	660,030
Mutual funds	4,884,102	-	-	4,884,102
Common collective trust	-	3,443,370	-	3,443,370
Government obligations	2,197,752	-	-	2,197,752
Equities	5,973,086	-	-	5,973,086
Real estate investment trusts	-	-	219,623	219,623
Publicly traded partnerships	-	-	41,378	41,378
TOTAL	$ 13,371,254	$ 4,103,400	$ 261,001	$ 17,735,655

Level 3 Financial Assets

The following table provides a summary of changes in fair value of the Center's Level 3 financial assets for the year ended September 30, 2018:

	Real Estate Investment Trusts	Publicly Traded Partnerships	Total
Beginning balance as of September 30, 2017	$ 219,623	$ 41,378	$ 261,001
Unrealized and realized losses	(7,886)	(7,072)	(14,958)
Sales	(80,550)	(34,306)	(114,856)
Purchases	8,757	-	8,757
BALANCE AS OF SEPTEMBER 30, 2018	$ 139,944	$ -	$ 139,944

11. FAIR VALUE MEASUREMENT (Continued)

The following table provides a summary of changes in fair value of the Center's Level 3 financial assets for the year ended September 30, 2017:

	Real Estate Investment Trusts	Publicly Traded Partnerships	Total
Beginning balance as of September 30, 2016	$ 337,698	$ 38,995	$ 376,693
Unrealized and realized (losses) gains	(30,109)	5,264	(24,845)
Sales	(109,914)	(27,430)	(137,344)
Purchases	21,948	24,549	46,497
BALANCE AS OF SEPTEMBER 30, 2017	**$ 219,623**	**$ 41,378**	**$ 261,001**

12. ENDOWMENT

In April of 1985, the Fund for the Center for Community Change (the Fund) was organized and incorporated to operate exclusively for the benefit of CCC. The Fund received an initial contribution from a donor who stipulated that the contribution of $2,850,000 be used to establish a permanent endowment fund. The donor also required the Fund to raise additional matching funds.

The initial contribution and required matching contributions are reported in the permanently restricted net asset class, along with a contribution in the amount of $500,000, which was received during the year ended September 30, 1998. Subsequently, additional contributions totaling $1,000,000 were recorded as permanently restricted net assets. Earnings and appreciation of the fund principal are reported as temporarily restricted net assets until spent.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

12. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of September 30, 2018:

	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	**$ 7,499,922**	**$ 4,350,000**	**$ 11,849,922**

Changes in endowment net assets for the year ended September 30, 2018:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 7,303,200	$ 4,350,000	$ 11,653,200
Investment return:			
Investment income	118,766	-	118,766
Disbursed for operations	(725,000)	-	(725,000)
Net appreciation (realized and unrealized)	802,956	-	802,956
Total investment return	196,722	-	196,722
ENDOWMENT NET ASSETS, END OF YEAR	**$ 7,499,922**	**$ 4,350,000**	**$ 11,849,922**

Endowment net asset composition by type of fund as of September 30, 2017:

	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	**$ 7,303,200**	**$ 4,350,000**	**$ 11,653,200**

Changes in endowment net assets for the year ended September 30, 2017:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 6,588,082	$ 4,350,000	$ 10,938,082
Investment return:			
Investment income	146,402	-	146,402
Disbursed for operations	(500,000)	-	1,068,716
Net depreciation (realized and unrealized)	1,068,716	-	1,068,716
Total investment return	715,118	-	715,118
ENDOWMENT NET ASSETS, END OF YEAR	**$ 7,303,200**	**$ 4,350,000**	**$ 11,653,200**

12. ENDOWMENT (Continued)

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (Endowment only):

	2018	2017
Permanently Restricted Net Assets:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 4,350,000	$ 4,350,000
Total Endowment Funds Classified as Permanently Restricted Net Assets	**$ 4,350,000**	**$ 4,350,000**
Temporarily Restricted Net Assets:		
The portion of perpetual endowment funds subject to a restriction under UPMIFA: With purpose restrictions	$ 7,499,922	$ 7,303,200
Total Endowment Funds Classified as Temporarily Restricted Net Assets	**$ 7,499,922**	**$ 7,303,200**

Investment Return Objectives, Risk Parameters and Strategies -

The Fund's Investment Policy reflects the Center's long-term sustainability approach. It includes an investment time horizon of 10 years and goals to: (1) grow the Fund and increase the real (inflation adjusted) value of its assets over time; (2) generate gains to provide predictable supplemental support for the Center's operations; (3) preserve permanently restricted assets; (4) avoid investing in companies whose environmental or social impacts contribute to problems and issues that the Center addresses; and (5) aim for a minimum five percent (5%) annual return.

The Fund accepts market fluctuations and volatility as an unavoidable reality, given its desire to achieve average or above market rates of return. Funds are managed to ensure preservation and safety for permanently restricted assets, and with generally accepted and prudent asset diversification and allocation strategies to minimize losses during difficult economic circumstances. The Fund's risk tolerance may be considered "moderate." Within the Fund's portfolio, assets are diversified both by asset class (U.S. and global equities, fixed income, alternative and community investments, and cash) and within each asset class. The Fund Board recommends rebalancing of assets, annually or as needed, to align the portfolio with asset allocation targets, and address the Center's liquidity needs.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Center's annual budget and revenue planning does not typically include assumptions for support from the Endowment. When deemed prudent, draws are generally limited to three to five percent (3-5%) of the Endowment's fair market valuation. If two draws are taken in the same fiscal year, both calculations are averaged and the total may not exceed seven percent (7%), as recommended by the UPMIFA.

13. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through March 7, 2019, the date the combined financial statements were issued.