COMBINED FINANCIAL STATEMENTS

CENTER FOR COMMUNITY CHANGE

FUND FOR THE CENTER FOR COMMUNITY CHANGE

FOR THE YEARS ENDED
SEPTEMBER 30, 2015 AND 2014

CENTER FOR COMMUNITY CHANGE
FUND FOR THE CENTER FOR COMMUNITY CHANGE

CONTENTS

GELMAN, ROSENBERG
& FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

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, 2015 and 2014, 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, 2015 and 2014, and the combined changes in its net assets and its combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

March 30, 2016

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

CENTER FOR COMMUNITY CHANGE
FUND FOR THE CENTER FOR COMMUNITY CHANGE

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2015 AND 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	$ 13,880,173	$ 10,429,959
Grants and contributions receivable	6,681,757	11,383,745
Advances and miscellaneous receivables	434,267	242,945
Prepaid expenses	57,952	74,822
Other current assets	100,000	-
Total current assets	21,154,149	22,131,471
PROPERTY AND EQUIPMENT		
Land	-	922,000
Building and improvements	-	7,363,925
Furniture and equipment	133,635	1,315,556
Leasehold improvements	37,588	-
	171,223	9,601,481
Less: Accumulated depreciation and amortization	(45,841)	(2,778,120)
Net property and equipment	125,382	6,823,361
NONCURRENT ASSETS		
Investments	10,275,002	10,455,089
Grants and contributions receivable, net of current portion and present value discount	908,523	6,329,296
Loan origination fees, net of accumulated amortization of $332,550 and $134,476 in 2015 and 2014, respectively	-	198,074
Artwork	11,250	11,250
Advances and miscellaneous receivables, net of short term portion	50,020	-
Security deposits	8,430	27,008
Total noncurrent assets	11,253,225	17,020,717
TOTAL ASSETS	$ 32,532,756	$ 45,975,549

LIABILITIES AND NET ASSETS

	2015	2014
CURRENT LIABILITIES		
Mortgage loans payable	$ -	$ 222,452
Accounts payable and accrued expenses	751,714	958,266
Total current liabilities	751,714	1,180,718
LONG-TERM LIABILITIES		
Mortgage loan payable, net of current portion	-	2,361,858
Total liabilities	751,714	3,542,576
NET ASSETS		
Unrestricted	11,481,550	10,128,518
Temporarily restricted	15,949,492	27,954,455
Permanently restricted	4,350,000	4,350,000
Total net assets	31,781,042	42,432,973
TOTAL LIABILITIES AND NET ASSETS	**$ 32,532,756**	**$ 45,975,549**

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, 2015 AND 2014

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Grants, contributions and project income	$ 2,757,110	$ 7,625,262	$ -	$ 10,382,372
Investment (loss) gain, net of related expenses	4,906	(170,167)	-	(165,261)
Gain on sale of property	96,498	-	-	96,498
Net assets released from donor restrictions (Note 7)	19,460,058	(19,460,058)	-	-
Total support and revenue	22,318,572	(12,004,963)	-	10,313,609
EXPENSES				
Program Services:				
CCC Institutional Support	1,518,710	-	-	1,518,710
Community Organizing	723,271	-	-	723,271
Democracy and Civic Participation	2,821,942	-	-	2,821,942
Economic Justice	6,952,385	-	-	6,952,385
Special Projects	4,154,804	-	-	4,154,804
Total program services	16,171,112	-	-	16,171,112
Supporting Services:				
Management and General	3,483,953	-	-	3,483,953
Fundraising	1,310,475	-	-	1,310,475
Total supporting services	4,794,428	-	-	4,794,428
Total expenses	20,965,540	-	-	20,965,540
Changes in net assets	1,353,032	(12,004,963)	-	(10,651,931)
Net assets at beginning of year	10,128,518	27,954,455	4,350,000	42,432,973
NET ASSETS AT END OF YEAR	$ 11,481,550	$ 15,949,492	$ 4,350,000	$ 31,781,042

2014			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 3,562,444	$ 13,794,397	$ -	$ 17,356,841
6,755	626,083	-	632,838
-	-	-	-
15,273,418	(15,273,418)	-	-
18,842,617	(852,938)	-	17,989,679
1,750,048	-	-	1,750,048
1,080,567	-	-	1,080,567
4,165,654	-	-	4,165,654
4,907,882	-	-	4,907,882
4,228,930	-	-	4,228,930
16,133,081	-	-	16,133,081
3,291,144	-	-	3,291,144
1,225,838	-	-	1,225,838
4,516,982	-	-	4,516,982
20,650,063	-	-	20,650,063
(1,807,446)	(852,938)	-	(2,660,384)
11,935,964	28,807,393	4,350,000	45,093,357
$ 10,128,518	**$ 27,954,455**	**$ 4,350,000**	**$ 42,432,973**

CENTER FOR COMMUNITY CHANGE
FUND FOR THE CENTER FOR COMMUNITY CHANGE

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (10,651,931)	$ (2,660,384)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	103,043	223,521
Unrealized loss (gain) on investments	824,382	(403,436)
Realized gain on investments	(557,561)	(143,030)
Change in discount on grants and contributions receivable	(205,599)	(281,673)
Amortization of loan origination fees	198,074	13,302
Gain on the sale of building	(96,498)	-
(Increase) decrease in:		
Grants and contributions receivable	10,328,360	1,567,755
Advances and miscellaneous receivables	(241,342)	347,785
Prepaid expenses	16,870	(16,789)
Other current assets	(100,000)	-
Security deposits	18,578	(17,910)
Increase (decrease) in:		
Accounts payable and accrued expenses	(206,552)	266,938
Net cash used by operating activities	(570,176)	(1,103,921)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(107,243)	(894,240)
Proceeds from sales of property and equipment	6,798,677	-
Purchases of investments	(2,948,715)	(2,380,794)
Proceeds from sales of investments	2,861,981	2,288,884
Net cash provided (used) by investing activities	6,604,700	(986,150)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage loans	(2,584,310)	(219,484)
Net cash used by financing activities	(2,584,310)	(219,484)
Net increase (decrease) in cash and cash equivalents	3,450,214	(2,309,555)
Cash and cash equivalents at beginning of year	10,429,959	12,739,514
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 13,880,173**	**$ 10,429,959**
SUPPLEMENTAL INFORMATION		
Interest Paid	**$ 44,323**	**$ 116,609**

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 $10,634,000 and $10,432,000 at September 30, 2015 and 2014 respectively. The Center does not believe it is subject to any significant risk with respect to its cash balances.

Grants and contributions receivable -

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.

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

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. 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 customer, historic experience and current economic conditions. At September 30, 2015 and 2014, 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, five years for furniture and other equipment, and 40 years for the building.

Building improvements are amortized over the remaining estimated useful life of the building. 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.

Loan origination fees -

During 2004, the Center paid $332,550 of loan origination fees; the fees were being amortized over 25 years (Note 5). During 2015, the loan origination fees were fully expensed as a result of the sale of the land and building (and the related satisfaction of the mortgage liability).

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income 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 a non-profit, public, charitable organization 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. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. CCC and the Fund are not private foundations.

Uncertain tax positions -

For the years ended September 30, 2015 and 2014, 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.

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

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.

- **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.

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

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

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

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 multi-tiered 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 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. The Policy program works to advance CCC issues across the country at the national and local levels through policy, research, and legislative report.

2. PROGRAM AND SUPPORTING SERVICES (Continued)

Economic Justice - The Retirement Security project brings together organizations from the community organizing field that are working to protect Social Security and Medicare. The Putting Families First team works to create, implement, and/or support job creation at the local, state, and national levels. The Mass Incarceration team works nationwide on criminal justice reform issues such as “ban the box” and work programs for formerly incarcerated people to help them assimilate back into society. MHAction is a growing national movement of manufactured home owners 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 group with large networks and coalitions of organizations working on housing issues.

Special Projects - Special Projects of the Center of Community Change include the Young Invincibles, Human Rights for Girls, Promise Arizona, Tackling Inequality and Poverty, and the Innovative Fundraising Project. Young Invincibles is a millennial think tank and advocacy group, working to advance economic opportunity and the best interests for 18-34 year olds. The Human Rights for Girls Project works to advance public policy that protects the dignity and rights of young women and girls, especially from vulnerable communities. Promise Arizona recruits and trains volunteers and promotes civic participation of youth, faith communities, labor unions, immigrants and their allies to improve the lives of immigrants in Arizona. Tackling Inequality and Poverty examines how progressive and labor entities across the world are re-thinking their traditional stance on economic and social issues. Innovative Fundraising Project works to create innovative fundraising models, and broaden fundraising bases, available to social and environmental justice non-profit organizations.

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 consisted of the following at September 30, 2015 and 2014:

	2015	2014
	Fair Value	
Money market	$ 120,978	$ 267,013
Corporate bonds	3,199,610	2,258,970
Mutual funds	1,605,703	2,031,414
Equities	5,024,227	5,702,897
Real estate investment trusts	283,599	194,795
Publicly traded partnerships	40,885	-
TOTAL LONG-TERM INVESTMENTS	**$ 10,275,002**	**$ 10,455,089**

3. INVESTMENTS (Continued)

During the years ended September 30, 2015 and 2014, total investment (loss) income is comprised of the following items:

	2015	2014
Interest and dividends	$ 173,816	$ 146,051
Unrealized (loss) gain on investments	(824,382)	403,436
Realized gain on investments	557,561	143,030
Management fees	(72,256)	(59,679)
TOTAL INVESTMENT (LOSS) INCOME	**$ (165,261)**	**$ 632,838**

4. GRANTS AND CONTRIBUTIONS RECEIVABLE

The Center has received commitments for support, of which $7,627,885 and $17,956,245 remained due as September 30, 2015 and 2014, respectively. Payments expected to be received beyond one year have been recorded at their net present value of the estimated cash flows, using a discount rate of 3.25%.

Grants and contributions are due as follows at September 30, 2015 and 2014:

	2015	2014
Less than one year	$ 6,681,757	$ 11,383,745
One to five years	946,128	6,572,500
	7,627,885	17,956,245
Less: Discount to net present value (3.25%)	(37,605)	(243,204)
	7,590,280	17,713,041
Less: Current portion	(6,681,757)	(11,383,745)
NONCURRENT PORTION	**$ 908,523**	**$ 6,329,296**

5. MORTGAGE LOANS PAYABLE

On July 1, 2004, the Center entered into a loan agreement with the District of Columbia (the District) and executed a $4,000,000 promissory note covered by the loan agreement on August 20, 2004. The District also executed a Trust Indenture on July 1, 2004, with United Bank (the Bank), to act as Trustee for the District.

On August 20, 2004, the District of Columbia issued $4,000,000 of District of Columbia Variable Rate Revenue Bonds (Center for Community Change Issue), Series 2004, the proceeds of which were used to finance the acquisition and renovation of a new Headquarters facility located at 1536 U Street, N.W., Washington, D.C. The interest rate will be fixed for the first five years at a tax-exempt rate of 4.25%. The interest rate will be subject to adjustment every five years, to the tax-exempt equivalent of the average yield on U.S. Treasury securities, maturing in five years then prevailing (the “index”), plus 2.50% (the “spread”). The Bank’s prevailing tax rate will be used to discount the prevailing taxable equivalent of the index plus the spread, using the following formula: (prevailing index + 2.5%) x (1-Bank’s current tax rate).

5. MORTGAGE LOANS PAYABLE (Continued)

The interest rate will have a tax-exempt “floor” of 4.25% for the term. The term is 25.5 years, callable every fifth anniversary of the bond issue date, beginning with the tenth anniversary of the bond issue date. Thus, the bond will be callable after 10, 15 and 20 years. The Bank will provide a twelve-month advance notice of its intent to exercise this call provision every fifth anniversary, beginning with the tenth anniversary.

The bonds are secured by a first deed of trust on the new Headquarters facility, to include a first line on personal property attached to the real estate and an assignment of leases and rents.

Under the terms of the Loan Agreement (between the Center and the Bank), monthly interest-only payments were due through March 1, 2005. As of April 1, 2005, the Center began remitting monthly interest plus a fixed principal amount of $13,333.

On May 22, 2006, the Center entered into a loan agreement with the Bank for $500,000, to cover the costs of additional equipment and improvements to the new Headquarters facility not funded by the tax-exempt bonds issued to purchase and renovate the facility.

The term of the loan is 10 years, with monthly principal and interest payments of $5,965, due beginning June 22, 2006 and ending May 22, 2016. The interest rate is variable and based on the weekly average yield on U.S. Treasury securities, adjusted to a constant maturity of five years, plus a margin of 2.50%. The interest rate at September 30, 2015 and 2014 was 4.375%. The loan was repaid in full during 2015.

The loan agreements contain various covenants which, among other things, place restrictions on the Center's ability to incur additional indebtedness and require the Center to maintain certain financial ratios. As of the date of this report, the Center was in compliance with all loan covenants.

During February 2015, the Center for Community Change Action (“CCCA") purchased the building from the Center for consideration in the amount of $6,900,000. As part of the purchase settlement, the outstanding mortgage principal of $2,412,402 (as of that date) was paid in full, with an additional payment for accumulated interest totaling $8,262.

As of September 30, 2015 and 2014, the outstanding principal of the loans payable aggregated $0 and $2,584,310, respectively.

During the years ended September 30, 2015 and 2014, interest expense totaled $44,323 and $126,166, respectively.

6. LINE OF CREDIT

The Center has established a line of credit with United Bank. The maximum amount available under the line of credit is $1,000,000, and any borrowings bear interest at 5.00%. The line of credit was closed during the year ended September 30, 2015, with the extinguishment of the mortgage. There were no outstanding borrowings on the line of credit as of September 30, 2014.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2015 and 2014:

	2015	2014
CCC Institutional Support	$ 1,880,023	$ 2,393,960
Community Organizing	59,478	67,694
Democracy and Civic Participation	853,340	1,838,264
Economic Justice	517,500	2,258,421
Special Projects	719,099	1,556,858
Time Restricted	6,247,543	13,996,583
Accumulated Net Earnings on Permanently Restricted Net Assets (Note 13)	5,672,509	5,842,675
	$ 15,949,492	$ 27,954,455

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:

	2015	2014
CCC Institutional Support	$ 698,823	$ 1,008,601
Community Organizing	417,434	580,166
Democracy and Civic Participation	2,162,483	2,120,580
Economic Justice	3,873,690	1,083,655
Special Projects	4,081,931	3,805,416
Passage of Time	8,225,697	6,675,000
	$ 19,460,058	$ 15,273,418

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 a clause for the option to renew for two additional 5-year periods.

Additionally, the Center leases office space (under long-term agreements) in New York, New York and on a month-to-month basis in Cincinnati, Ohio and New York, New York.

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

Year Ending September 30,	
2016	$ 657,681
2017	666,435
2018	665,069
2019	683,359
2020	287,944
	$ 2,960,488

Rent expense for the years ended September 30, 2015 and 2014 totaled approximately $675,380 and $252,000, respectively.

8. OPERATING LEASES (Continued)

The Center subleases a portion of its office space under a month to month agreement. Rental income for the years ended September 30, 2015 and 2014 totaled $8,905 and $6,561, respectively and is included in "Grants, contributions and project income" in the Combined Statements of Activities and Changes in Net Assets.

9. 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, 2015 and 2014, 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, 2015 and 2014 totaled $648,030 and $613,697, respectively.

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

10. 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 reimburses CCCA for its ratable share of office space (under a lease agreement dated March 2, 2015) as well as program expenses paid on the Center’s behalf.

During the years ended September 30, 2015 and 2014, the Center billed CCCA for expenses totaling $1,139,927 and $977,705, respectively, and CCCA billed the Center for expenses totaling $707,180 and $106,404, respectively.

As of September 30, 2015 and 2014, $144,856 and $198,369, respectively, was due to the Center from CCCA, and $44,765 and $39,302, respectively, was due to CCCA from the Center. These amounts are included in advances and miscellaneous receivables (and accounts payable and accrued expenses) in the accompanying Combined Statements of Financial Position.

The Center granted $150,000 to CCCA during the year ended September 30, 2015. CCCA did not make any grants to the Center during the year ended September 30, 2015.

On March 2, 2015, CCCA purchased the property (at 1536 U Street, NW, Washington, D.C.) from the Center for $6,900,000. Concurrently, Center entered into a five year operating lease agreement with CCCA (Note 8).

11. DUE FROM UNRELATED ENTITY

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. The line of credit is non-interest bearing, and borrowings cannot exceed $50,000. Repayments are due monthly starting in July 2015. As of September 30, 2015, the aggregate amount due totaled $39,500, and is included in advances and miscellaneous receivables in the accompanying Combined Statements of Financial Position.

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. The line of credit is non-interest bearing, and borrowings cannot exceed $100,000. Repayments are due monthly starting in April 2016. As of September 30, 2015, the aggregate amount due totaled $100,000, and is included in advances and miscellaneous receivables in the accompanying Combined Statements of Financial Position.

During the year ended September 30, 2014, the Center extended a line of credit to an unrelated organization for the purpose of providing operating funds. The line of credit is non-interest bearing, and borrowings cannot exceed $100,000. The line of credit was available through July 18, 2015. Repayments were required to be made beginning on the sixth month after draws are received. As of September 30, 2014, the aggregate amount due totaled $30,400, and is included in advances and miscellaneous receivables in the accompanying Combined Statements of Financial Position. The balance of the line of credit had been repaid in full as of September 30, 2015.

12. 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, 2015 and 2014.

- *Money market funds* - Fair value is equal to the reported net asset value of the fund.
- *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* - Fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

12. FAIR VALUE MEASUREMENT (Continued)

- *Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Interests in hedge funds, 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, 2015:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Money market funds	$ 120,978	$ -	$ -	$ 120,978
Corporate bonds	2,592,640	606,970	-	3,199,610
Mutual funds	1,605,703	-	-	1,605,703
Equities	5,024,227	-	-	5,024,227
Real estate investment trusts	-	-	283,599	283,599
Publicly traded partnerships	-	-	40,885	40,885
TOTAL	**$ 9,343,548**	**$ 606,970**	**$ 324,484**	**$ 10,275,002**

The table below summarizes, by level within the fair value hierarchy, the Center's investments as of September 30, 2014:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Money market funds	$ 267,013	$ -	$ -	$ 267,013
Corporate bonds	2,258,970	-	-	2,258,970
Mutual funds	2,031,414	-	-	2,031,414
Equities	5,702,897	-	-	5,702,897
Real estate investment trusts	26,656	-	168,139	194,795
TOTAL	**$ 10,286,950**	**$ -**	**$ 168,139**	**$ 10,455,089**

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, 2015:

	Real Estate Investment Trusts	Publicly Traded Partnerships	Total
Beginning balance as of September 30, 2014	$ 168,139	$ -	$ 168,139
Unrealized and realized gains	(235)	(22,706)	(22,941)
Sales	(103,575)	(4,848)	(108,423)
Purchases	219,270	68,439	287,709
BALANCE AS OF SEPTEMBER 30, 2015	**$ 283,599**	**$ 40,885**	**$ 324,484**

12. 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, 2014:

	Real Estate Investment Trusts	Real Estate Investment Trusts	Total
Beginning balance as of September 30, 2013	$ 139,885	$ 1,077,453	$ 1,217,338
Unrealized and realized gains	25,688	-	25,688
Sales	(32,338)	(1,077,453)	(1,109,791)
Purchases	34,904	-	34,904
BALANCE AS OF SEPTEMBER 30, 2014	**$ 168,139**	**$ -**	**$ 168,139**

13. 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.

13. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of September 30, 2015:

	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	**$ 5,672,509**	**$ 4,350,000**	**$ 10,022,509**

Changes in endowment net assets for the year ended September 30, 2015:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 5,842,675	$ 4,350,000	$ 10,192,675
Investment return:			
Investment income	96,655	-	96,655
Net depreciation (realized and unrealized)	(266,821)	-	(266,821)
Total investment return	(170,166)	-	(170,166)
ENDOWMENT NET ASSETS, END OF YEAR	**$ 5,672,509**	**$ 4,350,000**	**$ 10,022,509**

Endowment net asset composition by type of fund as of September 30, 2014:

	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	**$ 5,842,675**	**$ 4,350,000**	**$ 10,192,675**

Changes in endowment net assets for the year ended September 30, 2014:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 5,216,592	$ 4,350,000	$ 9,566,592
Investment return:			
Investment income	139,296	-	139,296
Net appreciation (realized and unrealized)	486,787	-	486,787
Total investment return	626,083	-	626,083
ENDOWMENT NET ASSETS, END OF YEAR	**$ 5,842,675**	**$ 4,350,000**	**$ 10,192,675**

13. ENDOWMENT (Continued)

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

	2015	2014
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 time restriction under UPMIFA:		
With purpose restrictions	$ 5,672,509	$ 5,842,675
Total Endowment Funds Classified as Temporarily Restricted Net Assets	**$ 5,672,509**	**$ 5,842,675**

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.

Investment Return Objectives, Risk Parameters and Strategies (continued) -

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.

14. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through March 30, 2016, the date the combined financial statements were issued.