

**CREW NETWORK,
CREW NETWORK FOUNDATION, AND
CREW NETWORK FOUNDATION CANADA**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

**CREW NETWORK, CREW NETWORK FOUNDATION, AND
CREW NETWORK FOUNDATION CANADA**

Combined Financial Statements
Years Ended December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the CREW Network Board of Directors, the CREW Network Foundation Board of Trustees, and the CREW Network Foundation of Canada Board of Trustees:

We have audited the accompanying combined financial statements of CREW Network, CREW Network Foundation, and CREW Network Foundation Canada, (Organization) which comprise the combined statements of financial position as of December 31, 2017 and the related combined statements of activities and cash flows for the year 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of CREW Network, CREW Network Foundation, and CREW Network Foundation Canada as of December 31, 2017 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 combined financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Summers, Spencer & Company P.A.

Summers, Spencer & Company, P.A.
Lawrence, KS

June 5, 2018

**CREW NETWORK, CREW NETWORK FOUNDATION, AND
CREW NETWORK FOUNDATION CANADA**

Combined Statement of Financial Position
Years Ended December 31,

	2017				2016	
	CREW Network	CREW Network Foundation	CREW Network Foundation Canada	Eliminations	Total	Total
<u>Assets</u>						
Current assets:						
Cash and cash equivalents	\$ 661,411	\$ 347,519	\$ 7,809	\$ -	\$ 1,016,739	\$ 684,356
Chapter agency cash	5,461,769	-	-	-	5,461,769	4,574,476
Investments	6,010,471	2,430,516	-	-	8,440,987	7,722,318
Accounts receivable	286,631	-	7,327	(22,961)	270,997	240,172
Pledges receivable	-	54,771	-	-	54,771	30,077
Prepaid expenses	104,285	-	-	-	104,285	161,764
Accrued interest receivable	9,324	6,911	-	-	16,235	13,423
Other current assets	60,890	-	-	-	60,890	42,515
Total current assets	<u>12,594,781</u>	<u>2,839,717</u>	<u>15,136</u>	<u>(22,961)</u>	<u>15,426,673</u>	<u>13,469,101</u>
Property and equipment:						
Software	1,718,436	-	-	-	1,718,436	1,373,109
Hardware	169,074	-	-	-	169,074	207,663
Furniture and equipment	42,847	-	-	-	42,847	40,698
Leasehold improvements	3,999	-	-	-	3,999	3,999
Total property and equipment	<u>1,934,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,934,356</u>	<u>1,625,469</u>
Less accumulated depreciation and amortization	<u>(1,080,510)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,080,510)</u>	<u>(1,288,687)</u>
Property and equipment, net	<u>853,846</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>853,846</u>	<u>336,782</u>
 Total assets	 <u>\$ 13,448,627</u>	 <u>\$ 2,839,717</u>	 <u>\$ 15,136</u>	 <u>\$ (22,961)</u>	 <u>\$ 16,280,519</u>	 <u>\$ 13,805,883</u>

The accompanying notes are an integral part of these statements

**CREW NETWORK, CREW NETWORK FOUNDATION, AND
CREW NETWORK FOUNDATION CANADA**

Combined Statement of Financial Position
Years Ended December 31,

	2017				2016	
	CREW Network	CREW Network Foundation	CREW Network Foundation Canada	Eliminations	Total	Total
<u>Liabilities and Net Assets</u>						
Current liabilities:						
Accounts payable	\$ 732,763	\$ 55,881	\$ -	\$ (22,961)	\$ 765,683	\$ 625,249
Accrued payroll and payroll taxes	101,804	-	-	-	101,804	113,209
Accrued 401(k) liability	70,633	-	-	-	70,633	67,297
Deferred revenues	856,234	-	-	-	856,234	641,763
Prepaid sponsorships	492,000	-	-	-	492,000	226,500
Chapter agency funds liability	5,461,769	-	-	-	5,461,769	4,574,476
Total current liabilities	<u>7,715,203</u>	<u>55,881</u>	<u>-</u>	<u>(22,961)</u>	<u>7,748,123</u>	<u>6,248,494</u>
Net assets:						
Unrestricted:						
Undesignated	1,165,272	1,227,422	-	-	2,392,694	1,764,500
Board designated:						
Sustaining Reserves	3,668,152	-	-	-	3,668,152	3,354,001
Business Development Reserves	500,000	-	-	-	500,000	500,000
Infrastructure Reserves	400,000	-	-	-	400,000	400,000
Career Outreach	-	79,016	-	-	79,016	91,439
Operating	-	120,000	-	-	120,000	120,000
Scholarship Endowment	-	282,988	-	-	282,988	282,988
Temporarily restricted	-	260,431	15,136	-	275,567	299,028
Permanently restricted	-	813,979	-	-	813,979	745,433
Total net assets	<u>5,733,424</u>	<u>2,783,836</u>	<u>15,136</u>	<u>-</u>	<u>8,532,396</u>	<u>7,557,389</u>
Total liabilities and net assets	<u>\$ 13,448,627</u>	<u>\$ 2,839,717</u>	<u>\$ 15,136</u>	<u>\$ (22,961)</u>	<u>\$ 16,280,519</u>	<u>\$ 13,805,883</u>

The accompanying notes are an integral part of these statements

**CREW NETWORK, CREW NETWORK FOUNDATION, AND
CREW NETWORK FOUNDATION CANADA**

Combined Statement of Activities
Years Ended December 31,

	CREW Network		CREW Network Foundation		CREW Network Foundation Canada			Totals	
	Unrestricted	Unrestricted	Temporarily restricted	Permanently restricted	Unrestricted	Temporarily restricted	Eliminations	2017	2016
Support and revenue:									
Membership dues	\$ 1,812,807	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,812,807	\$ 1,741,930
Sponsorships	1,263,000	-	101,300	-	-	-	(10,000)	1,354,300	1,479,907
Conferences and conventions	896,330	-	-	-	-	-	-	896,330	1,166,940
Administrative services income	566,023	3,070	-	-	-	-	(93,806)	475,287	460,354
Contributions	-	315,629	50,905	68,546	-	13,549	-	448,629	459,762
Special events revenue	-	124,149	55,086	-	-	-	-	179,235	223,478
Investment income	368,648	24,556	18,841	-	-	-	-	412,045	205,911
Leadership summit income	161,825	-	-	-	-	-	-	161,825	291,600
Career outreach funding	16,668	-	-	-	-	-	(16,668)	-	-
Miscellaneous income	8,749	1,040	-	-	-	-	-	9,789	14,164
Net assets released from restrictions	-	261,222	(261,222)	-	1,920	(1,920)	-	-	-
Total support and revenue	5,094,050	729,666	(35,090)	68,546	1,920	11,629	(120,474)	5,750,247	6,044,046
Expenses:									
Program expenses:									
Conferences and conventions	1,533,399	25,666	-	-	-	-	(21,317)	1,537,748	2,603,595
Member services and programs	1,180,409	12,265	-	-	-	-	(12,195)	1,180,479	1,024,457
Special events	-	101,945	-	-	-	-	-	101,945	128,827
Grants paid	-	162,413	-	-	-	-	(26,668)	135,745	150,051
Total program expenses	2,713,808	302,289	-	-	-	-	(60,180)	2,955,917	3,906,930
Supporting services expenses:									
Management and general	1,625,716	63,139	-	-	1,793	-	(52,902)	1,637,746	1,306,295
Fundraising	126,225	62,617	-	-	127	-	(7,392)	181,577	177,818
Total supporting services expenses	1,751,941	125,756	-	-	1,920	-	(60,294)	1,819,323	1,484,113
Total expenses	4,465,749	428,045	-	-	1,920	-	(120,474)	4,775,240	5,391,043
Change in net assets	628,301	301,621	(35,090)	68,546	-	11,629	-	975,007	653,003
Net assets at beginning of year	5,105,123	1,407,805	295,521	745,433	-	3,507	-	7,557,389	6,904,386
Net assets at end of year	\$ 5,733,424	\$ 1,709,426	\$ 260,431	\$ 813,979	\$ -	\$ 15,136	\$ -	\$ 8,532,396	\$ 7,557,389

The accompanying notes are an integral part of these statements

**CREW NETWORK, CREW NETWORK FOUNDATION, AND
CREW NETWORK FOUNDATION CANADA**

Combined Statement of Cash Flows
Years Ended December 31,

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from memberships, contributions, program fees and sales	\$5,691,297	\$5,472,429
Cash paid to employees, supplies and others	(4,351,162)	(5,342,253)
Interest received	<u>147,216</u>	<u>154,495</u>
Net cash provided by operating activities	<u>1,487,351</u>	<u>284,681</u>
Cash flows from investing activities:		
Purchase of property and equipment	(769,674)	(269,438)
Proceeds from sales and maturities of investments	1,066,987	1,887,958
Purchases of investments	<u>(1,520,827)</u>	<u>(2,903,000)</u>
Net cash used in investing activities	<u>(1,223,514)</u>	<u>(1,284,480)</u>
Cash flows from financing activities:		
Permanently restricted contributions	<u>68,546</u>	<u>87,241</u>
Net cash provided by financing activities	<u>68,546</u>	<u>87,241</u>
Net change in cash and cash equivalents	332,383	(912,568)
Cash and cash equivalents at beginning of year	<u>684,356</u>	<u>1,596,924</u>
Cash and cash equivalents at end of year	<u>\$1,016,739</u>	<u>\$ 684,356</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ <u>975,007</u>	\$ <u>653,003</u>
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	219,457	79,455
Loss on sale of property and equipment	33,153	-
Permanently restricted contributions	(68,546)	(87,241)
Unrealized (gain) loss on investments	(264,829)	(52,807)
Net change in:		
Accounts receivable	(30,825)	(67,714)
Pledges receivable	(24,694)	19,655
Accrued interest receivable	(2,812)	1,392
Prepaid expenses and other assets	39,104	(120,626)
Accounts payable	140,434	59,260
Accrued payroll, payroll taxes and 401(k)	(8,069)	30,700
Prepaid sponsorships and deferred revenues	<u>479,971</u>	<u>(230,406)</u>
Total adjustments	<u>512,344</u>	<u>368,332</u>
Net cash provided by operating activities	<u>\$1,487,351</u>	<u>\$ 284,671</u>

CREW NETWORK, CREW NETWORK FOUNDATION, AND CREW NETWORK FOUNDATION CANADA

Notes to Combined Financial Statements Years Ended December 31, 2017 and 2016

1. Organization

Commercial Real Estate Women Network (CREW Network), incorporated in 1989, is a national federation of affiliated member organizations of commercial real estate women. The core purpose of CREW Network is to influence the success of the commercial real estate industry by advancing the achievements of women.

In 1998, Commercial Real Estate Women Foundation (CREW Network Foundation) was formed to support CREW Network through charitable and educational activities. Furthermore, CREW Network Foundation supports CREW Network by, among other things, educating the members of CREW Network regarding the benefits of giving and philanthropy, providing educational grants, assisting chapters of CREW Network in their local charitable, philanthropic and education activities, and providing grants and other forms of assistance to charitable organizations benefiting women and girls.

Commercial Real Estate Women Network Foundation Canada (CREW Network Foundation Canada) was incorporated and recognized as a Canadian charitable organization in 2016. The organization is established to provide scholarship awards, funded by donations from Canadian residents.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements.

a. Basis of Reporting

The financial statements have been prepared on the accrual basis of accounting.

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent expendable funds available for operations which are not otherwise limited by donor restrictions.

Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.

Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund the donor intentions.

The Organization reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated funds. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, expenditures of the previously restricted net assets are released from the temporarily restricted net assets and reported in the statement of activities.

**CREW NETWORK, CREW NETWORK FOUNDATION AND
CREW NETWORK FOUNDATION CANADA**

Notes to Combined Financial Statements
Years Ended December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (Continued)

b. Basis of Presentation

The financial statements include certain prior year summarized comparative information in total but not by net asset class or company. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived. Although the financial statements include confirmed balances for agency funds as defined in Note 7, the financial statements for individual CREW Chapters have not been audited, nor are their activities included in the combined financial statements.

c. Principles of Combination

The accompanying combined financial statements include the accounts of CREW Network, CREW Network Foundation, and CREW Network Foundation Canada after elimination of all significant inter-organizational balances and transactions. The individual CREW chapter organizations are separate legal entities and not included in these financial statements.

d. Accounts and Pledges Receivable

The Organization considers accounts and pledges receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they are charged to operations when the determination is made.

e. Property and Equipment

Property and equipment are carried at cost. Expenditures for additions and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Software costs have been capitalized for internal use software in the application development stage. Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expenses as incurred.

Depreciation is determined on the straight-line basis with estimated useful lives as follows:

	<u>Years</u>
Leasehold improvements	4 – 5 years
Furniture and equipment	3 – 7 years
Hardware	3 – 5 years
Software	3 years

**CREW NETWORK, CREW NETWORK FOUNDATION AND
CREW NETWORK FOUNDATION CANADA**

Notes to Combined Financial Statements
Years Ended December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (Continued)

f. Investments

Investments consist of brokerage cash accounts and certificates of deposit held at Wells Fargo with various maturity dates through August 2024, as well as other investment securities. Realized and unrealized gains and losses and interest on investments are reflected in the statement of activities.

Investment securities are exposed to various risks, such as interest rate, market fluctuation, and credit risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks in the near term would materially affect investments and the amounts reported in the statement of financial position.

g. Fair Value Measurements

The Organization has adopted the provisions of FASB ASC 820-10. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches. FASB ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization.

Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

**CREW NETWORK, CREW NETWORK FOUNDATION AND
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Notes to Combined Financial Statements
Years Ended December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (Continued)

h. Deferred Revenue

Deferred revenues represent receipts of various grants, contracts, membership dues, and other fees, which are deferred and recognized over the periods to which they relate.

i. Management Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

j. Cash and Cash Equivalents Defined for Statement of Cash Flows

Cash and cash equivalents include cash in checking, savings and money market accounts held at commercial financial institutions. Cash and cash equivalents does not include chapter agency cash.

3. Investments at Fair Value

Investments include the following at December 31:

	<u>2017</u>		<u>2016</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Brokerage cash	\$ 127,091	\$ 127,091	\$ 291,706	\$ 291,706
Certificates of deposit	4,697,639	4,742,000	4,196,922	4,238,017
Investment securities	<u>3,616,257</u>	<u>3,259,804</u>	<u>3,233,690</u>	<u>3,123,691</u>
	<u>\$8,440,987</u>	<u>\$8,128,895</u>	<u>\$7,722,318</u>	<u>\$7,653,414</u>

The following table presents the investments by hierarchy level as of December 31, 2017:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Brokerage cash	\$ 127,091	\$ -	\$ -	\$ 127,091
Certificates of deposit	4,697,639	-	-	4,697,639
Investment securities:				
Short-term fixed income	259,664	-	-	259,664
Intermediate fixed income	1,442,224	-	-	1,442,224
Long-term fixed income	79,947	-	-	79,947
Large cap equity	1,083,410	-	-	1,083,410
Mid cap equity	270,744	-	-	270,744
Small Cap Equity	77,527	-	-	77,527
International Equity	114,775	-	-	114,775
REITs and MLPs	<u>287,966</u>	<u>-</u>	<u>-</u>	<u>287,966</u>
Total	<u>\$8,440,987</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$8,440,987</u>

**CREW NETWORK, CREW NETWORK FOUNDATION AND
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Notes to Combined Financial Statements
Years Ended December 31, 2017 and 2016

3. Investments at Fair Value (Continued)

The following table presents the investments by hierarchy level as of December 31, 2016:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Brokerage cash	\$ 291,706	\$ -	\$ -	\$ 291,706
Certificates of deposit	4,196,922	-	-	4,196,922
Investment securities:				
Short-term fixed income	413,539	-	-	413,539
Intermediate fixed income	1,309,206	-	-	1,309,206
Long-term fixed income	78,141	-	-	78,141
Large cap equity	771,624	-	-	771,624
Mid cap equity	195,494	-	-	195,494
Small Cap Equity	100,003	-	-	100,003
International Equity	171,738	-	-	171,738
REITs and MLPs	<u>193,945</u>	<u>-</u>	<u>-</u>	<u>193,945</u>
Total	<u>\$7,722,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$7,722,318</u>

Following is a summary of the investment returns for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest	\$147,216	\$153,104
Change in market value	<u>264,829</u>	<u>52,807</u>
Total investment income	<u>\$412,045</u>	<u>\$205,911</u>

4. Concentrations

From time to time, balances in operating accounts may exceed FDIC insurance thresholds. The respective banks are monitored for financial stability by management.

5. Pledges Receivable

Unconditional promises to give are recorded as receivables and revenue when received. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Management believes outstanding pledges will be fully collected within 24 months and, therefore, no allowance for uncollectible pledges has been established. Pledges receivable consist of the following:

	<u>2017</u>	<u>2016</u>
Unconditional promises to give	\$ 3,920	\$ 7,210
Annual Scholarships fund pledges	65	35
Scholarship endowment pledges	<u>50,786</u>	<u>22,832</u>
Total pledges receivable	<u>\$54,771</u>	<u>\$30,077</u>

**CREW NETWORK, CREW NETWORK FOUNDATION AND
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Notes to Combined Financial Statements
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6. Prepaid Expenses

Prepaid expenses are as follows:

	<u>2017</u>	<u>2016</u>
Software support	\$65,975	\$143,605
Office rent	8,160	8,160
Insurance	22,484	4,999
Other	<u>7,666</u>	<u>5,000</u>
Total prepaid expenses	<u>\$104,285</u>	<u>\$161,764</u>

7. Agency Funds

CREW Network acts as an agent on behalf of various member chapters where CREW Network has entered into an agreement to provide accounting services for the chapter. Funds held on behalf of these chapters are classified as both chapter agency accounts and a corresponding liability to the chapters.

Chapter agency funds are held in separate bank and investment accounts. These funds are not considered cash equivalents or investments for financial reporting purposes and, therefore, are not included in the statement of cash flows. Certificates of deposit held in investment accounts are stated at cost. Bank and investment account balances were as follows at December 31:

	<u>2017</u>	<u>2016</u>
Bank checking accounts	\$2,996,683	\$2,604,570
Certificates of deposit held in investment accounts	<u>2,465,086</u>	<u>1,969,906</u>
Total agency funds	<u>\$5,461,769</u>	<u>\$4,574,476</u>

8. Board Designated Net Assets

The CREW Network and the CREW Network Foundation Boards have designated certain portions of reserves for various purposes. Further descriptions of the respective Board designated net assets are as follows:

CREW Network:

Sustaining Reserves: The purpose of the Sustaining Reserves is to enable operations to continue in the event of future catastrophic events or downturns in the economy. The Board has designated a contribution of 50% of the current annual change in net assets when the annual change in net assets exceeds \$0. The target level for this reserve is 100% of the annual operating expenses of CREW Network as calculated based on a rolling average of the actual operating expenses for the prior 3 fiscal years. The Sustaining Reserve is currently funded at 88% of its target balance as of December 31, 2017.

Business Development Reserves: The purpose of the Business Development Reserve is to provide funding for major business initiatives requiring significant developmental or start-up costs, which are not covered by current operating income. The target balance for this reserve is \$500,000. The Business Development Reserve was fully funded as of December 31, 2017.

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Notes to Combined Financial Statements
Years Ended December 31, 2017 and 2016

8. Board Designated Net Assets (Continued)

CREW Network (Continued):

Infrastructure Reserves: The purpose of the Infrastructure Reserve is to provide funding for future technology or facility needs that are unable to be covered by current operating income. The target balance for this reserve is \$400,000. The Infrastructure Reserve was fully funded as of December 31, 2017.

CREW Network Foundation:

Career Outreach: The Career Outreach reserves include funds that the CREW Network Foundation Board of Trustees has agreed to set aside for funding future year career outreach programs including: CREW Careers: Building Opportunities, University Outreach (UCREW) and eMentoring. The majority of the funds consist of revenue from prior year CREW Careers sponsors.

Operating: The CREW Network Foundation Board has designated funds to be set aside to protect the Organization against future unforeseen economic circumstances with respect to its operations. The target balance for this reserve at \$120,000 is based on the annual core business operating expenses. The Operating Reserve was fully funded as of December 31, 2017.

9. Temporarily Restricted Net Assets

CREW Network Foundation:

Chapter Partnership Activity: Temporarily restricted net assets include certain contributions that are to be donated to charitable organizations, which have been selected by the chapters that solicited the contributions. The balance of temporarily restricted net assets related to chapter partnership activity at December 31, 2017 and 2016 was \$115,830 and \$124,534, respectively.

Annual Scholarships: Temporarily restricted net assets include donor restricted funds and investment earnings on endowed funds for scholarships to be used for funding current scholarships. The balance of temporarily restricted net assets related to annual scholarship contributions and investment activity at December 31, 2017 and 2016 was \$108,999 and \$133,355, respectively.

Research: Temporarily restricted net assets include donor restricted funds to be used for industry research studies. The balance of temporarily restricted net assets related to research at December 31, 2017 and 2016 was \$35,602 and \$37,632, respectively.

CREW Network Foundation Canada:

Annual Scholarships: Temporarily restricted net assets include donor restricted funds to be used for funding current scholarships. The balance of temporarily restricted net assets related to annual scholarship contributions at December 31, 2017 and 2016 was \$15,136 and \$3,507, respectively.

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Notes to Combined Financial Statements
Years Ended December 31, 2017 and 2016

10. Endowment

CREW Network Foundation:

Scholarship Endowment Fund: In an effort to provide for the continuance of the scholarship program currently facilitated by CREW Network, CREW Network Foundation has established an endowment fund. Donor contributions are set aside to build a permanent fund, with a goal of providing scholarships from the investment earnings. In addition to donor contributions, the Board of Trustees has allocated funds from the Board designated grants reserve and has made additional designations from unrestricted net assets to provide initial funding for the Scholarship Endowment Fund.

As donations and pledge payments are received, funds are deposited into a separate investment account. Any investment earnings are added to the temporarily restricted-annual scholarship net asset balance.

Endowment net asset composition by type of fund as of December 31 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
<u>2017</u>				
Donor restricted endowment funds	\$ -	\$ -	\$813,979	\$ 813,979
Board designated endowment funds	<u>282,988</u>	<u>-</u>	<u>-</u>	<u>282,988</u>
	<u>\$282,988</u>	<u>\$ -</u>	<u>\$813,979</u>	<u>\$1,096,967</u>
<u>2016</u>				
Donor restricted endowment funds	\$ -	\$ -	\$745,433	\$745,433
Board designated endowment funds	<u>282,988</u>	<u>-</u>	<u>-</u>	<u>282,988</u>
	<u>\$282,988</u>	<u>\$ -</u>	<u>\$745,433</u>	<u>\$1,028,421</u>

Changes in endowment net assets for the years ended December 31 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Endowment net assets, December 31, 2015	\$282,988	\$ -	\$658,192	\$941,180
Contributions	<u>-</u>	<u>-</u>	<u>87,241</u>	<u>87,241</u>
Endowment net assets, December 31, 2016	282,988	-	745,433	1,028,421
Contributions	<u>-</u>	<u>-</u>	<u>68,546</u>	<u>68,546</u>
Endowment net assets, December 31, 2017	<u>\$ 282,988</u>	<u>\$ -</u>	<u>\$813,979</u>	<u>\$1,096,967</u>

**CREW NETWORK, CREW NETWORK FOUNDATION, AND
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11. Fixed Assets

The Organization capitalizes property, equipment and software with a cost of over \$1,000 and an estimated useful life of three years or more. Leasehold improvements, equipment and computer hardware are depreciated over their respective useful lives of three to seven years. Depreciation expense for 2017 and 2016 was \$29,034 and \$31,203, respectively. Software is amortized over three years. Amortization expense for 2017 and 2016 was \$190,423 and \$48,252, respectively.

12. Operating Lease

The Organization leases office space in Lawrence, Kansas. A new four-year lease will commence on June 1, 2018. The future minimum rent payments required under the lease terms are as follows:

Year ending December 31,	
2018	\$ 92,900
2019	101,044
2020	103,064
2021	105,126
Thereafter	<u>44,163</u>
Total	<u>\$446,297</u>

Rent expense was \$103,234 and \$101,210, respectively, for the years ending December 31, 2017 and 2016.

13. Income Tax

CREW Network is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code and CREW Network Foundation is exempt under Section 501(c)(3) of the Internal Revenue Code. CREW Network Foundation Canada is a Canadian charity and is exempt from Canadian income tax under Section 149(1)(f) of the Canadian Income Tax Act, and exempt from United States federal income tax under the United States-Canada Income Tax Treaty.

The Organization's present accounting policy for the evaluation of uncertain tax positions is to review those positions on an annual basis. A liability would be recorded in the financial statements during the period in which, based on all available evidence, management believes it is more likely than not that the tax position would not be sustained upon examination by taxing authorities and the liability would be incurred by the Organization.

The Organization's income tax returns are subject to review and examination by U.S. federal, state and Canadian taxing authorities. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

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Notes to Combined Financial Statements
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14. Retirement Plan

The Organization maintains a defined contribution pension plan that covers substantially all of its employees. The plan permits employees to make contributions to the plan. The Organization matches 25% of the employee's contributions, up to a maximum of 1.5% of total compensation. The matching contributions are fully vested immediately.

In addition, the Organization may make discretionary annual contributions to the plan up to 5% of the employee's annual salary. The annual contribution is subject to a graduated six-year vesting schedule.

Total retirement expense for 2017 and 2016 was \$84,540 and \$82,813, respectively.

15. Pending Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*, which, among other things, requires the recognition of lease assets and lease liabilities for operating leases on the statement of financial position for lessees, and the disclosure of key information about leasing arrangements. The standard is effective for fiscal years beginning after December 15, 2019. Early application is permitted. The standard will need to be applied retrospectively in the year adopted. It is management's responsibility to ensure appropriate adoption of ASU 2016-02.

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses and liquidity and availability of resources. The standard is effective for fiscal years beginning after December 15, 2017. Early application is permitted. The standard will need to be applied retrospectively in the year adopted. It is management's responsibility to ensure appropriate adoption of ASU 2016-14.

16. Subsequent Events

Management has evaluated subsequent events through June 5, 2018, the date which the financial statements were available to be issued.