

SEACHANGE CAPITAL PARTNERS, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

SEACHANGE CAPITAL PARTNERS, INC.
DECEMBER 31, 2018 AND 2017

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Independent Auditors' Report

To the Board of Directors of
SeaChange Capital Partners, Inc.
New York, New York

We have audited the accompanying financial statements of SeaChange Capital Partners, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, and statements of functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 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 financial position of SeaChange Capital Partners, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



October 16, 2019
Hauppauge, New York

**SEACHANGE CAPITAL PARTNERS, INC.
STATEMENTS OF FINANCIAL POSITION**

	As of December 31,	
	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents		
Cash	\$ 1,582,858	\$ 1,483,644
US Treasury money market funds	664,380	721,532
Cash and cash equivalents	2,247,238	2,205,176
Investments - Tweedy Brown Fund	17,322	19,965
Investments - The New York Pooled PRI Fund, LLC	208,441	214,007
Investments - Contact Fund	60,261	10,000
Pledges receivable, net	68,788	266,191
Prepaid expenses and other current assets	97,761	83,588
Total current assets	2,699,811	2,798,927
Due from New York Pooled PRI Fund, LLC	34,624	24,010
Loans receivable	50,000	50,000
Property and equipment, net of accumulated depreciation	5,861	8,116
Total Assets	\$ 2,790,296	\$ 2,881,053
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 9,328	\$ 39,742
Grants payable	17,000	6,875
Total Liabilities	26,328	46,617
Net Assets:		
Without donor restrictions	1,738,975	1,647,255
With donor restrictions	1,024,993	1,187,181
Total Net Assets	2,763,968	2,834,436
Total Liabilities and Net Assets	\$ 2,790,296	\$ 2,881,053

See independent auditors' report and notes to financial statements.

SEACHANGE CAPITAL PARTNERS, INC.
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions	\$ 920,072	\$ 391,498	\$ 1,311,570
In-kind contributions	295,008	-	295,008
Consulting income	50,318	-	50,318
Management fee income	375,468	-	375,468
Loan interest	2,500	-	2,500
Net assets released from restriction	553,686	(553,686)	-
Total Support and Revenue	2,197,052	(162,188)	2,034,864
Operating expenses			
Program services:			
Grant making	865,726	-	865,726
Credit	641,600	-	641,600
Analysis and advisory engagement	358,179	-	358,179
Total Program Services	1,865,505	-	1,865,505
Management and general	209,747	-	209,747
Fundraising	47,502	-	47,502
Total Operating expenses	2,122,754	-	2,122,754
Net Operating Loss	74,298	(162,188)	(87,890)
Non-operating income (expenses)			
Other income	420	-	420
Recovery on bad debt	22,250	-	22,250
Unrealized loss on investments	(18,566)	-	(18,566)
Interest and dividend income	13,318	-	13,318
Total Non-Operating Income (Expenses)	17,422	-	17,422
Decrease in net assets	91,720	(162,188)	(70,468)
Net assets - beginning of year	1,647,255	1,187,181	2,834,436
Net assets - end of year	\$ 1,738,975	\$ 1,024,993	\$ 2,763,968

See independent auditors' report and notes to financial statements.

SEACHANGE CAPITAL PARTNERS, INC.
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions	\$ 732,730	\$ 671,125	\$ 1,403,855
In-kind contributions	202,611	-	202,611
Consulting income	25,718	-	25,718
Management fee income	320,650	-	320,650
Loan interest	562	-	562
Net assets released from restriction	346,394	(346,394)	-
Total Support and Revenue	1,628,665	324,731	1,953,396
Operating expenses			
Program services:			
Grant making	591,354	-	591,354
Credit	396,759	-	396,759
Analysis and advisory engagement	230,695	-	230,695
Total Program Services	1,218,808	-	1,218,808
Management and general	215,922	-	215,922
Fundraising	50,660	-	50,660
Total Operating expenses	1,485,390	-	1,485,390
Net Operating Income	143,275	324,731	468,006
Non-operating income (expenses)			
Other income	1,115	-	1,115
Bad debt expense	(9,250)	-	(9,250)
Unrealized gain on investments	2,134	-	2,134
Interest and dividend income	4,680	-	4,680
Total Non-Operating Income (Expenses)	(1,321)	-	(1,321)
Increase in net assets	141,954	324,731	466,685
Net assets - beginning of year	1,505,301	862,450	2,367,751
Net assets - end of year	\$ 1,647,255	\$ 1,187,181	\$ 2,834,436

See independent auditors' report and notes to financial statements.

SEACHANGE CAPITAL PARTNERS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services			Total Expenses
	Grant Making	Credit	Analysis and Advisory Engagement	Total Program Services	Management and General	Fundraising		
Operating expenses:								
Grants made	\$ 419,036	\$ -	\$ -	\$ 419,036	\$ -	\$ -	\$ 419,036	
Salaries and benefits	395,664	285,246	239,239	920,149	142,404	32,862	1,095,415	
Professional fees	8,613	331,596	90,435	430,644	-	-	430,644	
Occupancy and utilities	30,604	22,064	18,505	71,173	19,236	5,771	96,180	
Travel	7,384	-	7,015	14,399	14,400	8,122	36,922	
Computer expenses	217	-	-	217	10,646	-	10,863	
Supplies	-	-	-	-	1,644	105	1,749	
Printing and production	272	17	527	816	885	-	1,701	
Insurance expenses	1,527	1,101	924	3,552	960	288	4,800	
Depreciation	1,548	1,116	936	3,599	973	292	4,864	
Dues and subscriptions	528	220	396	1,144	1,056	-	2,200	
Payroll service fee	-	-	-	-	17,333	-	17,333	
Miscellaneous	333	240	202	776	210	62	1,048	
Total Operating Expenses	\$ 865,726	\$ 641,600	\$ 358,179	\$ 1,865,505	\$ 209,747	\$ 47,502	\$ 2,122,754	

See independent auditors' report.

SEACHANGE CAPITAL PARTNERS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services				Supporting Services			Total Expenses
	Grant Making	Credit	Analysis and Advisory Engagement	Total Program Services	Management and General	Fundraising		
Operating expenses:								
Grants made	\$ 282,129	\$ -	\$ -	\$ 282,129	\$ -	\$ -	\$ 282,129	
Salaries and benefits	258,151	186,109	156,092	600,352	92,912	21,441	714,705	
Professional fees	4,817	185,466	50,582	240,866	82,423	1,123	324,412	
Occupancy and utilities	29,883	21,544	18,069	69,496	18,783	5,635	93,914	
Travel	2,619.76	-	2,490	5,110	2,556	17,889	25,555	
Computer expenses	8,655	-	-	8,655	2,339	702	11,696	
Supplies	417	416	416	1,249	338	101	1,688	
Printing and production	142	9	274	425	212	1,487	2,124	
Insurance expenses	1,770	1,276	1,070	4,116	1,112	334	5,562	
Depreciation	2,035	1,467	1,230	4,732	1,278	385	6,395	
Dues and subscriptions	193	80	144	417	208	1,460	2,085	
Payroll service fee	-	-	-	-	13,419	-	13,419	
Miscellaneous	542	391	328	1,261	342	103	1,706	
Total Operating Expenses	\$ 591,354	\$ 396,759	\$ 230,695	\$ 1,218,808	\$ 215,922	\$ 50,660	\$ 1,485,390	

See independent auditors' report.

SEACHANGE CAPITAL PARTNERS, INC.
STATEMENTS OF CASH FLOWS

	Years ended December 31,	
	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (70,468)	\$ 466,685
Adjustments to reconcile change in net assets to net cash from operating activities:		
Present value adjustment on pledges receivable	(2,848)	(1,886)
Net unrealized loss (gain) on investments	18,209	(249)
Depreciation	4,864	6,395
(Increase) decrease in assets		
Pledges receivable	200,251	(85,136)
Prepaid expenses and other current assets	(14,173)	(37,380)
Due from New York Pooled PRI Fund, LLC	(10,614)	(13,545)
Loan receivable	-	(50,000)
Increase (decrease) in liabilities		
Accounts payable	(30,414)	6,329
Grants payable	10,125	6,875
Net cash provided by operating activities	104,932	298,088
Cash flows from investing activities:		
Purchase of investments	(60,261)	(135,000)
Purchase of property and equipment	(2,609)	(4,667)
Net cash used in investing activities	(62,870)	(139,667)
Net increase in cash and cash equivalents	42,062	158,421
Cash and cash equivalents - beginning of year	2,205,176	2,046,755
Cash and cash equivalents - end of year	\$ 2,247,238	\$ 2,205,176

See independent auditors' report and notes to financial statements.

SEACHANGE CAPITAL PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES

SeaChange Capital Partners, Inc. ("SeaChange"), a Delaware corporation, was formed on June 28, 2006 and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. SeaChange is a champion for nonprofits and the partner of choice for those seeking to help. Nonprofits are critical, yet too often the deck is stacked against them – they're under-resourced and have little outside support. We relentlessly fight for and support them. We use our financial acumen to guide, provide resources, and make connections to help nonprofits navigate complex challenges. Our offerings include grants, loans, consulting services, and insights into issues facing the sector at large. We support nonprofits so they can become stronger and more sustainable, and we help investors find opportunities so that, together, we can fight for a healthier and more just society.

SeaChange launched in early 2008 with support from the Bill & Melinda Gates Foundation, Omidyar Network, the William and Flora Hewlett Foundation, the Surdna Foundation, Goldman Sachs, and a group of individual philanthropists. After an initial focus on education and youth development through the Catalyst Fund (2008-2016), SeaChange expanded into sustained collaboration with the SeaChange-Lodestar Fund for Nonprofit Collaboration (2009-present), the New York Merger and Collaboration Fund ("NYMAC," 2012-present), and the Greater Philadelphia Nonprofit Repositioning Fund ("Nonprofit Repositioning Fund," 2018-present); into credit with the Contact Fund (2013-present); and into impact investing with The New York Pooled PRI Fund ("NYPRI," 2014-present).

NYPRI and the Contact Fund are both separate legal entities; SeaChange serves as the Managing Member of NYPRI and manages Contact Fund pursuant to a management services agreement. NYMAC, the Catalyst Fund, the SeaChange-Lodestar Fund for Nonprofit Collaboration, and the Nonprofit Repositioning Fund are grantmaking programs of SeaChange that are referred to as "funds" because each has a distinct set of philanthropic funders to whom certain governance rights have been granted. None of these four programs are distinct legal entities.

In 2011, SeaChange began providing consulting services in response to requests from nonprofits and funders. Our work will continue to evolve in response to changes in the environment, feedback from the market, and reflection on our accomplishments and challenges. SeaChange also regularly release reports analyzing major issues for the nonprofit sector, as well as opinion pieces in various publications.

During 2018, SeaChange was involved in 50 sustained collaboration transactions across the SeaChange-Lodestar Fund (13), NYMAC (24), and the Nonprofit Repositioning Fund (13), compared to 33 total transactions in 2017. SeaChange had a staff of six full-time employees in 2018, and four full-time employees in 2017.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of SeaChange and changes therein, are classified and reported as without donor restrictions and with donor restrictions.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates and assumptions relates to the determination of the allowance for doubtful accounts, depreciation and functional expense allocation. Actual results could differ from those estimates.

SEACHANGE CAPITAL PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents - Cash and cash equivalents consist of cash and short-term investments with a maturity of three months or less, at the time of purchase.

Fair Value Measurement - SeaChange follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. US Treasury money market funds are carried at fair value in the statements of financial position valued using Level 1 inputs.

Investments- SeaChange carries its investments at fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Securities transactions are reported on a trade date basis.

SeaChange's investments are all in equity securities and are valued using Level 1 inputs.

Property, Equipment and Depreciation - Property and equipment are recorded at cost, or if received by donation, at estimated fair value at the time such items are received. Depreciation is provided using the straight-line method over estimated useful lives of five to seven years. Expenditures for maintenance and repairs are expensed as incurred. Expenditures that improve or extend the useful lives are capitalized. Leasehold improvements are amortized over the lesser of the useful life of the asset or the term of the lease.

Contributions - Contributions are recognized when a donor makes a promise to give to SeaChange that is, in substance, unconditional. Contributions are recorded at fair value, and in the case of pledges, net of estimated uncollectible amounts. Unconditional promises to give that are due in future periods are reported at the present value of their net realizable value, using risk-adjusted interest rates applicable to the years in which the promises are to be received. The pledge discount is amortized to contribution income over the pledge collection period. Support that is restricted by the donor is reported as net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is recorded as net assets with donor restrictions. Donor restricted contributions are reclassified to net assets without donor restrictions when the restriction is satisfied or the time restriction lapses.

SeaChange presents its financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) No. 958, "Not-for-Profit-Entities." Under ASU 2016-14, SeaChange's financial statements distinguish between net assets with and without donor restrictions. The presentation of the 2017 financials have been restated to reflect the new standards in ASU 2016-14. Change in net assets have not been effected by this update.

Net assets without donor restrictions – net assets of SeaChange which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of SeaChange.

Net assets with donor restrictions – net assets of SeaChange which have been limited by donor-imposed stipulations or by law, that either expire with the passage of time or can be fulfilled and removed by the actions of SeaChange pursuant to those stipulations

SEACHANGE CAPITAL PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Doubtful Pledges Receivable - SeaChange establishes an allowance for doubtful pledges receivable based on management's evaluation of collectability for outstanding pledges receivable.

Contributed Services –For the years ended December 31, 2018 and 2017, donated legal services totaling \$342,465 and \$202,611 were included in contributions and the related expense accounts on the statements of activities. In addition, volunteers have donated their time to SeaChange's programs and supporting services, which does not meet the requirements for recognition in the financial statements.

Transfers of Assets to a Not-for-Profit Organization That Raises Contributions for Others - U.S. GAAP establishes standards for transactions in which an entity ("the donor") makes a contribution by transferring assets to a not-for-profit organization ("the recipient organization") that accepts the assets from the donor and agrees to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both to another entity ("the beneficiary") that is specified by the donor. The guidance requires a recipient organization that accepts cash or other financial assets from a donor and agrees to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both to a specified unaffiliated beneficiary to recognize the fair value of those assets as a liability to the specified beneficiary concurrent with recognition of the assets received from the donor.

Grants - SeaChange records grants payable when the grants are approved by the Board of Directors. All grants made are in accordance with the terms of the various governing instruments and are subject to the approval of the Board.

Functional Expenses- SeaChange allocates its expenses on a functional basis among its program and supporting services. Expenses that can be specifically identified with a program or support service are allocated directly according to their natural classifications. Other expenses that are common to several functions are allocated based on estimates made by management.

SeaChange recognizes the effect of income tax positions only when they are more likely than not to be sustained. Management has determined that SeaChange had no uncertain tax positions that would require financial statement recognition or disclosure.

Recent Accounting Pronouncements - In May 2014, the FASB issued Accounting Standards Update No. 2014-09 ("ASU No. 2014-09"), an update to FASB ASC 606, Revenue from Contracts with Customers. This update revises previous revenue recognition standards to improve guidance on revenue recognition requirements. Under the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard will be effective for SeaChange beginning January 1, 2019. SeaChange has not determined what impact, if any, the adoption of ASU 2014-09 will have on its financial statements.

**SEACHANGE CAPITAL PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In March of 2016, the FASB issued Accounting Standards Update 2016-02, Leases, which requires all leases that have a term of more than 12 months will be required to be recognized as assets and liabilities on the balance sheet at inception. A lessee would recognize a lease liability to make lease payments owed to a lessor (liability) and a benefit for the right to use the leased asset (asset) for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee would depend on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset. This new guidance is effective for fiscal years beginning after December 15, 2019. SeaChange does not anticipate a significant impact on the results of operations, financial position, or cash flows as a result of this new standard.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities which is effective for fiscal years beginning after December 15, 2017. The primary impacts of ASU 2016-14 are as follows: a) Net Asset Classification: The three categories of net assets are condensed down to two categories: Without Donor Restrictions and With Donor Restrictions. Not-for-profits may choose to disaggregate net assets further within the two categories. b) Board-Designated Net Assets: Not-for-profits need to disclose the amount, purpose, and type of board designations either on the face of the financials or in the notes to the financial statements. Board-designated net assets remain a subgroup of net assets without donor restrictions. c) Underwater Endowment Assets: Although the underwater calculation remains unchanged, instead of classifying the underwater portion against unrestricted net assets, it will go against the Net Assets With Donor Restrictions. There are also certain additional disclosures such as any board policy or actions taken regarding appropriation from such funds. d) Cash Flow Statement: Not-for-profits still have the option of presenting operating cash flows using the direct method or the indirect method. If the direct method is chosen, the indirect reconciliation is not required. e) Expenses: Expenses are required to be presented both by function and by nature, but it is flexible as to how (in statement form vs. in the footnotes). A qualitative disclosure about how costs are allocated by function will also be required. External and internal direct investment expenses will be netted against investment return on the statement of activities. Disclosure of investment return components are no longer be required. f) Liquidity and Availability: The ASU will require (1) quantitative disclosure about availability of financial assets to meet cash needs for general expenditures within one year of the balance sheet date, and (2) qualitative disclosure about liquidity, presented in the notes, including information about liquidity risk and how the liquid available resources are managed.

NOTE 3 – PLEDGES RECEIVABLE

As of December 31, pledges receivable consisted of the following:

	2018	2017
Pledges receivable due in less than one year	\$ 52,500	\$ 225,000
Pledges receivable due in one to five years	25,000	75,000
	<u>77,500</u>	<u>300,000</u>
Less: discount to present value	(962)	(3,809)
Less: allowance for doubtful pledges receivable	<u>(7,750)</u>	<u>(30,000)</u>
Pledges Receivable, net	<u>\$ 68,788</u>	<u>\$ 266,191</u>

Pledges receivable over one year are discounted at a rate of 4% for the years ended December 31, 2018 and 2017.

**SEACHANGE CAPITAL PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – LOANS RECEIVABLE

On October 10, 2017, SeaChange made a loan of \$50,000 at 5.0% interest to Theatre of the Oppressed NYC to finance improvements to their office space. The outstanding balance as of December 31, 2018 and 2017 was \$50,000. The loan was subsequently repaid in full on June 21, 2019.

NOTE 5 – PROPERTY AND EQUIPMENT

At December 31, property and equipment and related accumulated depreciation consisted of the following:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 17,733	\$ 15,124
Website and database	32,019	32,019
	<u>49,752</u>	<u>47,143</u>
Less: Accumulated depreciation	<u>(43,891)</u>	<u>(39,027)</u>
Property and Equipment, net	<u>\$ 5,861</u>	<u>\$ 8,116</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$4,864 and \$6,395, respectively.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, net assets with donor restrictions were available for the following purposes:

	<u>2018</u>	<u>2017</u>
Educational Grantmaking	\$ 57,320	\$ 57,320
Catalyst Fund	110,914	110,914
Collaboration Funds	682,720	809,927
Advisory Services	34,492	134,982
National Field Building	52,247	-
NYPRI	21,964	-
Nonprofit Repositioning Fund	15,336	-
Time Restricted	<u>50,000</u>	<u>74,038</u>
Total net assets with donor restrictions	<u>\$ 1,024,993</u>	<u>\$ 1,187,181</u>

**SEACHANGE CAPITAL PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

For the years ended December 31, net assets released from restrictions were as follows:

	<u>2018</u>	<u>2017</u>
Catalyst Fund	\$ -	\$ 110,914
Collaboration Funds	428,196	187,980
Advisory Services	100,490	-
Donor Advised Fund	-	10,000
Time Restricted	<u>25,000</u>	<u>37,500</u>
Net assets released from restrictions	<u>\$ 553,686</u>	<u>\$ 346,394</u>

NOTE 7 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject SeaChange to concentrations of credit risk consist principally of cash and cash equivalents and pledges receivable. SeaChange maintains its cash accounts with a financial institution. At times during the year cash balances are in excess of federally insured amounts of \$250,000. Cash and cash equivalents exceeding FDIC insurance coverage were \$1,116,254 and \$888,033 at December 31, 2018 and 2017. SeaChange has not suffered any losses due to the uninsured amount. However, almost all of SeaChange's cash equivalents are in what management believes are the most conservative possible investments, United States Treasury instruments.

In 2018, three donors accounted for approximately 52% of total contributions. Two donors accounted for 97% of pledges receivable, and one of them alone accounted for 65% of total pledges receivable. In 2017, two donors accounted for approximately 42% of total contributions. Two donors accounted for 83% of pledges receivable, and one of them alone accounted for 50% of total pledges receivable.

NOTE 8 – RELATED PARTY TRANSACTIONS

In 2018, board members contributed approximately \$133,250, which represented 10% of total contribution revenue. In 2017, board members contributed approximately \$122,500, which represented 9% of total contribution revenue.

SeaChange serves as the Managing Member of The New York Pooled PRI Fund, LLC. As of December 31, 2018 and 2017, SeaChange contributed approximately \$224,007, with a commitment of \$300,000 and 214,006, with a commitment of \$300,000 to The New York Pooled PRI Fund, LLC.

Mark Reed, a SeaChange Board Member, is the principal and sole member of The Contact Fund, LLC, which SeaChange manages. In 2017, SeaChange purchased an unsecured note in the aggregate principal amount of \$10,000 from The Contact Fund, LLC, with a per annum interest rate of 3.0%. SeaChange purchased a second unsecured note in the aggregate principal amount of \$50,000 with a per annum interest rate of 3.75% in 2018. These notes are held in donor advised funds managed by SeaChange. As of December 31, 2018, the combined notes amounted to \$60,261 including accrued interest; as of December 31, 2017, the notes amounted to \$10,000.

**SEACHANGE CAPITAL PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 – RETIREMENT PLANS

SeaChange has a 403(b) retirement plan (the "403(b) plan") as of October 2007. Upon employment, an employee may elect to defer income into his or her retirement account. When an employee has completed six months at SeaChange, the firm will contribute 5% of the amount of his or her salary each pay period to his or her retirement account. The percentage will be prorated for a part-time employee to the percentage of the work week he or she is employed. In addition, an employee can contribute up to 5% of his or her salary to the 403(b) plan and SeaChange will match the contribution. Each employee is fully vested from the outset in the matching contributions. The 403(b) plan's expenses for the years ended December 31, 2018 and 2017 amounted to \$67,812 and \$45,981, respectively.

SeaChange also has a non-qualified 457(b) retirement plan (the "457(b) plan") for eligible employees. No expenses were incurred for the years ended December 31, 2018 and 2017 for the 457(b) plan.

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

SeaChange primarily generates financial assets from contributions received from Foundations and individuals as well as providing advisory services to other non-profits in exchange for a management fee. The financial assets are acquired throughout the year to help meet SeaChange's cash needs for general expenditures.

The following table presents SeaChange's financial assets available for general expenditures within of year of the financial position date:

	<u>2018</u>	<u>2017</u>
Current assets as of December 31, excluding non-financial assets:		
Cash and cash equivalents	\$ 2,246,266	\$ 2,205,176
Investments	285,763	243,972
Pledges receivable, net	68,788	266,191
Other current assets	95,221	81,147
	<u>2,696,038</u>	<u>2,796,486</u>
Less those unavailable for general expenditures due to:		
Donor restrictions:	<u>1,024,993</u>	<u>1,187,181</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,671,045</u>	<u>\$ 1,609,305</u>

NOTE 11 – SUBSEQUENT EVENTS

Subsequent Events - Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 16, 2019.