



**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2015 AND 2014**

**BOARDSOURCE  
DECEMBER 31, 2015 AND 2014  
TABLE OF CONTENTS**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>5</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>6</b>

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
BoardSource  
Washington, DC

We have audited the accompanying financial statements of BoardSource, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

Board of Directors  
BoardSource

**Opinion**

In our opinion, the 2015 financial statements referred to above present fairly, in all material respects, the financial position of BoardSource as of December 31, 2015, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

The 2014 financial statements of BoardSource were audited by other auditors whose report dated March 30, 2015, expressed an unmodified opinion on those financial statements.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Calverton, Maryland  
March 10, 2016

**BOARDSOURCE  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 510,373	\$ 165,101
Investments	2,414,127	2,434,547
Accounts Receivable, Net	326,577	167,815
Grants Receivable	366,475	242,700
Inventory	151,794	228,273
Prepaid Expenses	155,869	140,315
Property and Equipment, Net	1,098,778	1,153,364
Total Assets	\$ 5,023,993	\$ 4,532,115
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 227,842	\$ 185,184
Deferred Revenue	848,599	921,832
Deferred Construction Allowance	729,326	838,724
Deferred Rent	653,085	655,854
Total Liabilities	2,458,852	2,601,594
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	1,358,363	1,174,221
Board Designated - Judith O'Connor Memorial Fund	29,071	29,071
Total Unrestricted	1,387,434	1,203,292
Temporarily Restricted	966,307	515,829
Permanently Restricted - Judith O'Connor Memorial Fund	211,400	211,400
Total Net Assets	2,565,141	1,930,521
Total Liabilities and Net Assets	\$ 5,023,993	\$ 4,532,115

See accompanying Notes to Financial Statements.

**BOARDSOURCE  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>								
Consulting Services	\$ 1,557,504	\$ -	\$ -	\$ 1,557,504	\$ 1,316,008	\$ -	\$ -	\$ 1,316,008
Grants and Contributions	716,746	1,240,160	-	1,956,906	762,726	462,500	-	1,225,226
Membership Program	1,004,586	-	-	1,004,586	986,433	-	-	986,433
Publications	833,782	-	-	833,782	926,211	-	-	926,211
Assessment Services	513,379	-	-	513,379	450,115	-	-	450,115
BoardSource Leadership Forum	392,360	-	-	392,360	336,117	-	-	336,117
Public Trainings	268,785	-	-	268,785	244,298	-	-	244,298
Investment Income (Loss)	(18,324)	(1,750)	-	(20,074)	182,171	18,139	-	200,310
Other Income	151,043	-	-	151,043	130,164	-	-	130,164
Net Assets Released from Restrictions:								
Satisfaction of Program Restrictions	407,551	(407,551)	-	-	359,621	(359,621)	-	-
Satisfaction of Time Restrictions	380,381	(380,381)	-	-	50,000	(50,000)	-	-
Total Revenue and Support	<u>6,207,793</u>	<u>450,478</u>	<u>-</u>	<u>6,658,271</u>	<u>5,743,864</u>	<u>71,018</u>	<u>-</u>	<u>5,814,882</u>
<b>EXPENSES</b>								
Program Services:								
Consulting Services	1,486,972	-	-	1,486,972	1,283,690	-	-	1,283,690
BoardSource Leadership Forum	867,869	-	-	867,869	835,359	-	-	835,359
Membership Program	690,351	-	-	690,351	818,672	-	-	818,672
Sector Leadership Initiatives	577,591	-	-	577,591	582,290	-	-	582,290
Publications	565,123	-	-	565,123	480,764	-	-	480,764
Public Trainings	396,787	-	-	396,787	401,490	-	-	401,490
Assessment Services	447,872	-	-	447,872	364,792	-	-	364,792
Total Program	<u>5,032,565</u>	<u>-</u>	<u>-</u>	<u>5,032,565</u>	<u>4,767,057</u>	<u>-</u>	<u>-</u>	<u>4,767,057</u>
Supporting Services:								
General and Administrative	535,500	-	-	535,500	527,308	-	-	527,308
Development	455,586	-	-	455,586	391,069	-	-	391,069
Total Supporting Services	<u>991,086</u>	<u>-</u>	<u>-</u>	<u>991,086</u>	<u>918,377</u>	<u>-</u>	<u>-</u>	<u>918,377</u>
Total Expenses	<u>6,023,651</u>	<u>-</u>	<u>-</u>	<u>6,023,651</u>	<u>5,685,434</u>	<u>-</u>	<u>-</u>	<u>5,685,434</u>
<b>CHANGE IN NET ASSETS</b>	184,142	450,478	-	634,620	58,430	71,018	-	129,448
Net Assets, Beginning of Year	<u>1,203,292</u>	<u>515,829</u>	<u>211,400</u>	<u>1,930,521</u>	<u>1,144,862</u>	<u>444,811</u>	<u>211,400</u>	<u>1,801,073</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,387,434</u>	<u>\$ 966,307</u>	<u>\$ 211,400</u>	<u>\$ 2,565,141</u>	<u>\$ 1,203,292</u>	<u>\$ 515,829</u>	<u>\$ 211,400</u>	<u>\$ 1,930,521</u>

See accompanying Notes to Financial Statements.

**BOARDSOURCE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 634,620	\$ 129,448
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	171,206	252,095
Unrealized Loss (Gain) on Investments	65,700	(118,950)
Realized Gain on Investments	-	(43,832)
Changes in Assets and Liabilities:		
Accounts Receivable	(158,762)	53,487
Grants Receivable	(123,775)	(177,100)
Inventory	76,479	(44,369)
Prepaid Expenses	(15,554)	(52,176)
Accounts Payable and Accrued Expenses	42,658	(27,461)
Deferred Revenue	(73,233)	61,715
Deferred Construction Allowance	(109,398)	(109,398)
Deferred Rent	(2,769)	17,136
Net Cash Provided by (Used in) Operating Activities	507,172	(59,405)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(45,281)	(187,219)
Proceeds from Sales of Investments	-	150,000
Purchases of Property and Equipment	(116,619)	(18,055)
Net Cash Used in Investing Activities	(161,900)	(55,274)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	345,272	(114,679)
Cash and Cash Equivalents, Beginning of Year	165,101	279,780
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 510,373	\$ 165,101

See accompanying Notes to Financial Statements.

**BOARDSOURCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

BoardSource was organized in 1990 under the laws of the District of Columbia as a nonprofit organization. The primary purpose of BoardSource is to inspire and support excellence in nonprofit governance and board and staff leadership. The vision of BoardSource is a world where every social sector organization has the leadership it needs to fulfill its mission and advance the public good. These activities are funded primarily through public grants, product sales, consulting, training and assessment services, and member dues.

**Basis of Accounting**

BoardSource prepares its financial statements on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the obligation is incurred.

**Cash and Cash Equivalents**

For financial statement purposes, BoardSource considers all money market accounts to be cash equivalents.

**Accounts Receivable**

Accounts receivable consist of amounts due to BoardSource from consulting, trainings, assessments, organizational memberships and publications licensing. BoardSource's management periodically reviews the status of these receivables for collectability, which is assessed on management's knowledge of the relationship with the customer and the age of the receivable. Based on these reviews and the nature of the receivables, management has estimated that the \$5,016 allowance for doubtful accounts is reasonable for both of the years ended December 31, 2015 and 2014.

**Grants Receivable**

Grants receivable represent amounts due from corporate donors and foundations. All amounts are considered fully collectible and due within one year.

**Investments**

Investments consist of equity and fixed income mutual funds and are valued at fair value in the accompanying financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales are reflected on a trade date basis. All transactions that have not been settled or completed, but for which a receivable or an obligation exists, are reflected as investments in the accompanying statements of financial position. Investment income and realized gains and losses on sales of investments are computed on an average cost method, are recorded on the trade date of the transaction and are included in investment income in the accompanying statements of activities.

**Inventory**

Inventory, which consists principally of books, publications and other resource materials held for resale, is stated at the lower of cost or market value. The cost of inventory is calculated using the weighted-average method of accounting. Obsolete inventory is written off when identified.



**BOARDSOURCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Furniture, equipment and computer software are stated at cost and are depreciated or amortized on a straight-line basis over the estimated useful lives of the respective assets, which range from two to seven years. Leasehold improvements are amortized over the lease period or the useful lives of the improvements, whichever is shorter. Expenditures for major repairs and improvements that extend the useful life of an asset are capitalized, whereas expenditures for minor repairs and maintenance costs are expensed when incurred.

**Net Assets**

For financial statement purposes, net assets consist of the following:

*Unrestricted:* Represent funds available for general operations or that have been designated by the Board of Directors for a particular purpose.

*Temporarily restricted:* Represent resources that are specifically time-restricted or restricted by donors for various purposes.

*Permanently restricted:* represent amounts that are received with donor stipulations requiring the gift to be held in perpetuity, and only the income is used for the purpose designated by the donor.

**Revenue Recognition**

BoardSource reports grants and contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the assets. Limitations placed on granted assets may be in the form of permitting asset usage during a certain time period (time restriction) or for a particular program or project (purpose restriction). When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as satisfaction of a time or program restriction. However, donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

Unrestricted grants and contributions are reported as support in the year in which payments are received and/or unconditional promises are made.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned. Accordingly, advance collections from customers for consulting, public trainings and assessments are recorded as deferred revenue upon receipt and are recognized as revenue when the consulting engagement or training is completed or the meeting is held. Similarly, dues paid by members in advance of the period to which the dues pertain are also reflected in the accompanying statements of financial position as deferred revenue and are recognized as revenue in the period to which the dues relate. Product sales are recorded as revenue when the related product is shipped.

**BOARDSOURCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Expenses**

The costs of providing BoardSource's various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services based on the actual amount of time worked on each program or activity or some other reasonable basis.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

**Income Taxes**

BoardSource is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code as a Section 501(a) organization. The Internal Revenue Service has determined that BoardSource is a publicly supported organization.

BoardSource's income tax returns are subject to review and examination by federal and state authorities. BoardSource is not aware of any activities that would jeopardize its tax-exempt status.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation. The reclassifications had no impact on previously reported net assets or the change in net assets.

**Subsequent Events**

In preparing these financial statements, BoardSource has evaluated events and transactions for potential recognition or disclosure through March 10, 2016, the date the financial statements were available to be issued.

**NOTE 2 CONCENTRATION OF FINANCIAL AND CREDIT RISK**

**Credit Risk**

BoardSource places its cash and cash equivalents with various financial institutions and limits the amount of credit exposure by any one financial institution. BoardSource has not experienced any losses in such accounts.

**Market Value Risk**

BoardSource also invests in a professionally managed portfolio. Such investments are exposed to market and credit risks. Therefore, BoardSource's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

**BOARDSOURCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 3 INVESTMENTS**

A fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value is established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that BoardSource has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy. There have been no changes in methodologies used at December 31, 2015 and 2014.

*Equity and fixed income mutual funds* - valued using quoted prices for identical assets in active markets on a daily basis.

**BOARDSOURCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 3 INVESTMENTS (CONTINUED)**

The following table presents BoardSource's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31:

	2015			Total
	Level 1	Level 2	Level 3	
Equity Mutual Funds:				
Large Cap Equity Index Fund	\$ 1,001,689	\$ -	\$ -	\$ 1,001,689
Small Cap Equity Index Fund	802,617	-	-	802,617
Fixed Income Mutual Funds:				
Short-term Federal Fixed Income Mutual Funds	487,194	-	-	487,194
Short-term Corporate Fixed Income Mutual Funds	122,627	-	-	122,627
Total	<u>\$ 2,414,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,414,127</u>
	2014			Total
	Level 1	Level 2	Level 3	
Equity Mutual Funds:				
Large Cap Equity Index Fund	\$ 988,222	\$ -	\$ -	\$ 988,222
Small Cap Equity Index Fund	841,775	-	-	841,775
Fixed Income Mutual Funds:				
Short-term Federal Fixed Income Mutual Funds	483,293	-	-	483,293
Short-term Corporate Fixed Income Mutual Funds	121,257	-	-	121,257
Total	<u>\$ 2,434,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,434,547</u>

Investment income for the years ended December 31, 2015 and 2014, consisted of the following:

	2015	2014
Interest and Dividends	\$ 45,626	\$ 37,528
Realized Gain	-	43,832
Unrealized (Loss) Gain	(65,700)	118,950
Total	<u>\$ (20,074)</u>	<u>\$ 200,310</u>

**BOARDSOURCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 4 ACCOUNTS RECEIVABLE**

As of December 31, 2015 and 2014, accounts receivable are composed of the following:

	2015	2014
Consulting Services	\$ 229,132	\$ 116,633
Membership	64,735	26,500
Product Sales	16,664	24,650
Assessments	19,925	5,048
Training and Other	1,137	-
	<u>331,593</u>	<u>172,831</u>
Less: Allowance for Doubtful Accounts	(5,016)	(5,016)
Accounts Receivable, Net	<u>\$ 326,577</u>	<u>\$ 167,815</u>

**NOTE 5 PROPERTY AND EQUIPMENT**

BoardSource held the following property and equipment as of December 31, 2015 and 2014:

	2015	2014
Leasehold Improvements	\$ 1,220,933	\$ 1,220,933
Computer Software	894,817	779,263
Furniture and Equipment	460,217	460,218
	<u>2,575,967</u>	<u>2,460,414</u>
Less: Accumulated Depreciation and Amortization	(1,477,189)	(1,307,050)
Property and Equipment, Net	<u>\$ 1,098,778</u>	<u>\$ 1,153,364</u>

Depreciation and amortization expense totaled \$171,206 and \$252,095 for the years ended December 31, 2015 and 2014, respectively.

**NOTE 6 LINE OF CREDIT**

In May 2015, BoardSource entered into a \$200,000 line of credit agreement with a financial institution which matures May 2020. Interest is charged at a variable rate based on Prime Rate. BoardSource did not draw down any amounts on the line of credit during 2015.

**NOTE 7 RISKS AND COMMITMENTS**

**Hotel Commitment**

BoardSource has entered into an agreement with a hotel to provide conference facilities and room accommodations for its 2017 biennial leadership conference. The agreement contains a clause whereby BoardSource is liable for damages in the event of cancellation. However, if BoardSource is forced to cancel for economic reasons and rebooks a program of equal or greater revenue within one year of the date of the original event, 75% of the

**BOARDSOURCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 7 RISKS AND COMMITMENTS (CONTINUED)**

cancellation fees would be applied to the event. BoardSource's management does not believe that any losses will be incurred under this contract. The maximum possible amount of damages was approximately \$60,000 as of December 31, 2015.

**Operating Leases**

BoardSource has entered into a non-cancellable lease agreement for office space that expires on August 31, 2022. The lease can be extended for an additional five-year period, as long as BoardSource exercises this option by August 31, 2021. Under the terms of this lease, the base rent is subject to annual increases of 2.2%. In addition, the lessor has provided BoardSource with a seven-month rent abatement and a tenant improvement allowance toward leasehold construction costs of \$1,267,200 as an incentive to enter into the lease agreement.

Under GAAP, all fixed rent increases and lease incentives are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent and deferred construction allowance in the accompanying statements of financial position.

BoardSource subleases a portion of its office space to various tenants on a month to month basis. BoardSource can terminate the subleases upon 45 days' notice.

Future minimum lease payments required under the lease are as follows:

For the Year Ending December 31,	
2016	\$ 941,371
2017	967,507
2018	989,214
2019	1,011,542
2020	1,034,299
Thereafter	1,412,717
Total	<u>\$ 6,356,650</u>

Rent expense totaled \$905,650 and \$872,731 for the years ended December 31, 2015 and 2014, respectively. For the years ended December 31, 2015 and 2014, rental income related to the subleases was \$130,500 and \$120,000, respectively, and is included in other income in the accompanying statements of activities.

**BOARDSOURCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 8 TEMPORARILY RESTRICTED NET ASSETS**

As of December 31, 2015 and 2014, temporarily restricted net assets were restricted as follows:

	2015	2014
General Operations in Future Periods	\$ 215,000	\$ 95,381
Lectureship and Scholarships to Attend		
BoardSource Leadership Forum	57,659	75,752
Sector Leadership Initiatives and Other Programs	693,648	344,696
Total	\$ 966,307	\$ 515,829

**NOTE 9 ENDOWMENT FUNDS**

BoardSource's endowment consists primarily of a donor-restricted endowment that generates earnings to support the Judith O'Connor Memorial Fund, a lectureship that honors outstanding leaders and thinkers in the nonprofit sector for their achievements in nonprofit leadership or their contribution to the field of nonprofit governance, and scholarships to attend the BoardSource Leadership Forum. In addition, the Board of Directors has chosen to internally designate funds from unrestricted resources to support the same purposes. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

BoardSource's Board of Directors has interpreted the District of Columbia's 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, BoardSource 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 BoardSource in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, BoardSource considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of BoardSource and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of BoardSource.
- The investment policies of BoardSource.

**BOARDSOURCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 9 ENDOWMENT FUNDS (CONTINUED)**

As of December 31, 2015 and 2014, BoardSource's endowment had the following net asset composition:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	\$ -	\$ 57,659	\$ 211,400	\$ 269,059
Board-Designated	29,071	-	-	29,071
Total	\$ 29,071	\$ 57,659	\$ 211,400	\$ 298,130
	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	\$ -	\$ 75,752	\$ 211,400	\$ 287,152
Board-Designated	29,071	-	-	29,071
Total	\$ 29,071	\$ 75,752	\$ 211,400	\$ 316,223

For the years ended December 31, 2015 and 2014, the endowment funds had the following activity:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2014	\$ 29,071	\$ 78,695	\$ 211,400	\$ 319,166
Investment Return:				
Investment Income	-	3,398	-	3,398
Net Appreciation (Realized and Unrealized)	-	14,741	-	14,741
Total Investment Return	-	18,139	-	18,139
Release from Restrictions	-	(21,082)	-	(21,082)
Endowment Net Assets December 31, 2014	29,071	75,752	211,400	316,223
Investment Return:				
Investment Income	-	3,979	-	3,979
Net Appreciation (Realized and Unrealized)	-	(5,729)	-	(5,729)
Total Investment Return	-	(1,750)	-	(1,750)
Release from Restrictions	-	(16,343)	-	(16,343)
Endowment Net Assets December 31, 2015	\$ 29,071	\$ 57,659	\$ 211,400	\$ 298,130

**Funds with Deficiencies**

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires BoardSource to retain as a fund or perpetual duration. There were no such deficiencies as of December 31, 2015 and 2014.



**BOARDSOURCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 9    ENDOWMENT FUNDS (CONTINUED)**

**Investment Objectives and Risk Parameters**

BoardSource has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in funds to achieve growth in principal value and income over time sufficient to preserve or increase the purchasing power of the funds, thus protecting the funds against inflation. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate of return objectives, the investment strategy emphasizes total return, in which investment returns are achieved through both capital appreciation (realized and unrealized), and current yield (interest and dividends). BoardSource's current asset allocation for endowment funds targets a composition of between 50% and 70% in equity mutual funds and between 30% and 50% in fixed-income mutual funds.

**Spending Policy**

Expenditures from the Judith O'Connor Memorial Fund are released from restriction as scholarships are awarded, in accordance with donor stipulations or as appropriated by the Board of Directors.

**NOTE 10    PENSION PLAN**

BoardSource sponsors a defined-contribution plan under Section 401(k) of the Internal Revenue Code. Under the defined-contribution plan, employees may elect to contribute up to the federal tax limitation annually. An employee who is at least 21 years of age can elect to make contributions to the plan and is eligible for BoardSource's matching and discretionary contributions on the first quarter of his or her enrollment date after completing six months of service. BoardSource matches 100% of an employee's contributions up to 3% of his or her eligible compensation and 50% of an employee's contributions between 3% and 5% of his or her eligible compensation. An employee is vested in his or her own contributions and the employer matching contributions at the time the contributions are made. Contributions to the plan totaled \$66,324 and \$65,516 for the years ended December 31, 2015 and 2014, respectively.

Additionally, BoardSource may contribute a discretionary amount of up to 6% of an employee's compensation for all eligible participants. Employees are fully vested in employer discretionary contributions after three years of service. No discretionary contributions were made for the years ended December 31, 2015 and 2014.