



Financial Statements

For the Years Ended December 31, 2013 and 2012



**and
Report Thereon**





Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
BoardSource

Report on the Financial Statements

We have audited the accompanying financial statements of BoardSource, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities 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 BoardSource as of December 31, 2013 and 2012, 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.

Raffa, P.C.

Raffa, P.C.

Washington, DC
April 2, 2014

BOARDSOURCE
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 279,780	\$ 251,330
Investments	2,234,546	1,916,766
Accounts receivable, net	221,302	322,252
Grants receivable	65,600	390,440
Inventory	183,904	173,498
Prepaid expenses	88,139	17,192
Property and equipment, net	1,387,404	1,625,924
TOTAL ASSETS	\$ 4,460,675	\$ 4,697,402
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 212,645	\$ 364,348
Deferred revenue	860,117	1,075,029
Deferred construction allowance	948,122	1,057,520
Deferred rent	638,718	602,099
TOTAL LIABILITIES	2,659,602	3,098,996
Net Assets		
Unrestricted:		
Undesignated	1,115,791	734,643
Board designated - Reserve Fund	-	57,586
Board designated - Judith O'Connor Memorial Fund	29,071	29,071
Total Unrestricted	1,144,862	821,300
Temporarily restricted	444,811	565,706
Permanently restricted - Judith O'Connor Memorial Fund	211,400	211,400
TOTAL NET ASSETS	1,801,073	1,598,406
TOTAL LIABILITIES AND NET ASSETS	\$ 4,460,675	\$ 4,697,402

The accompanying notes are an integral part of these financial statements.

BOARDSOURCE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Consulting	\$ 1,392,689	\$ -	\$ -	\$ 1,392,689
Grants and contributions	938,838	350,000	-	1,288,838
Membership dues	1,028,859	-	-	1,028,859
Product sales	916,242	-	-	916,242
Investment income	364,056	41,283	-	405,339
Assessments	356,161	-	-	356,161
BoardSource Leadership Forum	300,635	-	-	300,635
Training fees	268,812	-	-	268,812
Other income	60,925	-	-	60,925
Net assets released from restrictions:				
Satisfaction of program restrictions	162,178	(162,178)	-	-
Satisfaction of time restrictions	350,000	(350,000)	-	-
TOTAL REVENUE AND SUPPORT	6,139,395	(120,895)	-	6,018,500
EXPENSES				
Program Services:				
Consulting	1,434,208	-	-	1,434,208
Publications and research	619,385	-	-	619,385
BoardSource Leadership Forum	679,094	-	-	679,094
Membership	960,459	-	-	960,459
Assessments	624,883	-	-	624,883
Training	612,053	-	-	612,053
Total Program Services	4,930,082	-	-	4,930,082
Supporting Services:				
General and administrative	432,830	-	-	432,830
Development	452,921	-	-	452,921
Total Supporting Services	885,751	-	-	885,751
TOTAL EXPENSES	5,815,833	-	-	5,815,833
CHANGE IN NET ASSETS	323,562	(120,895)	-	202,667
NET ASSETS, BEGINNING OF YEAR	821,300	565,706	211,400	1,598,406
NET ASSETS, END OF YEAR	\$ 1,144,862	\$ 444,811	\$ 211,400	\$ 1,801,073

The accompanying notes are an integral part of these financial statements.

BOARDSOURCE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Consulting	\$ 1,866,709	\$ -	\$ -	\$ 1,866,709
Grants and contributions	1,119,050	225,000	-	1,344,050
Membership dues	1,070,467	-	-	1,070,467
Product sales	857,033	-	-	857,033
Assessments	382,706	-	-	382,706
BoardSource Leadership Forum	302,229	-	-	302,229
Investment income	286,183	26,809	-	312,992
Training fees	256,046	-	-	256,046
Net assets released from restrictions:				
Satisfaction of program restrictions	74,203	(74,203)	-	-
Satisfaction of time restrictions	185,000	(185,000)	-	-
TOTAL REVENUE AND SUPPORT	6,399,626	(7,394)	-	6,392,232
EXPENSES				
Program Services:				
Consulting	1,682,966	-	-	1,682,966
Publications and research	1,721,727	-	-	1,721,727
BoardSource Leadership Forum	1,102,389	-	-	1,102,389
Membership	1,011,015	-	-	1,011,015
Assessments	351,023	-	-	351,023
Training	635,054	-	-	635,054
Total Program Services	6,504,174	-	-	6,504,174
Supporting Services:				
General and administrative	526,500	-	-	526,500
Development	661,797	-	-	661,797
Total Supporting Services	1,188,297	-	-	1,188,297
TOTAL EXPENSES	7,692,471	-	-	7,692,471
CHANGE IN NET ASSETS	(1,292,845)	(7,394)	-	(1,300,239)
NET ASSETS, BEGINNING OF YEAR	2,114,145	573,100	211,400	2,898,645
NET ASSETS, END OF YEAR	\$ 821,300	\$ 565,706	\$ 211,400	\$ 1,598,406

The accompanying notes are an integral part of these financial statements.

BOARDSOURCE

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2013 and 2012

Increase (Decrease) in Cash and Cash Equivalents

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 202,667	\$ (1,300,239)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	309,471	254,571
Unrealized gains on investments	(221,036)	(33,371)
Realized gains on investments	(151,227)	(230,551)
Changes in assets and liabilities:		
Accounts receivable	100,950	19,463
Grants receivable	324,840	16,810
Inventory	(10,406)	56,801
Prepaid expenses	(70,947)	2,185
Accounts payable and accrued expenses	(151,703)	(86,493)
Deferred revenue	(214,912)	325,736
Deferred construction allowance	(109,398)	(109,398)
Deferred rent	36,619	55,628
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	44,918	(1,028,858)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(663,915)	(53,538)
Proceeds from sales of investments	718,398	1,420,000
Purchases of property and equipment	(70,951)	(101,959)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(16,468)	1,264,503
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,450	235,645
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	251,330	15,685
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 279,780	\$ 251,330

The accompanying notes are an integral part of these financial statements.

BOARDSOURCE

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2013 and 2012

1. Organization and Summary of Significant Accounting Policies

Organization

BoardSource was organized in 1991 under the laws of the District of Columbia as a 501(c)(3) nonprofit organization. The primary purpose of BoardSource is to advance the public good by building exceptional nonprofit boards and inspiring board service. These activities are funded primarily through public grants, product sales, consulting and training services, and member dues.

Cash Equivalents

BoardSource considers all money market accounts to be cash equivalents.

Investments

Investments consist of equity and fixed-income mutual funds. These investments are recorded in the accompanying financial statements at fair value. 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. 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.

Property and Equipment and Related Depreciation and Amortization

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 six 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.

Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic *Fair Value Measurements and Disclosures* defines fair value and establishes a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the *Fair Value Measurements and Disclosures* Topic, BoardSource has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level3). For BoardSource, the financial assets and liabilities reported at fair value are based

BOARDSOURCE

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2013 and 2012

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

upon quoted prices for identical assets or liabilities in an active market that BoardSource has the ability to access (Level 1). As of and for the years ended December 31, 2013 and 2012, only BoardSource's investments, as described in Note 2 to these financial statements, were measured at fair value on a recurring basis and are subject to the *Fair Value Measurements and Disclosures* Topic of the FASB ASC.

Classification of Net Assets

BoardSource's net assets are reported as follows:

- Unrestricted net assets represent the accumulation of assets that are available for support of BoardSource's operations or that have been designated by its Board of Directors for a particular purpose.
- Temporarily restricted net assets are specifically restricted by donors for various programs and/or future periods.
- Permanently restricted net assets 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, training and meeting registrations 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 For the Years Ended December 31, 2013 and 2012

1. Organization and 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.

Estimates

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

2. Investments

As of December 31, 2013 and 2012, BoardSource has valued all of its investments using quoted prices in active markets for identical assets (Level 1, as described in Note 1 to these financial statements).

BoardSource's investments are summarized as follows:

	<u>2013</u>	<u>2012</u>
Equity mutual funds:		
Large cap equity index fund	\$ 869,589	\$ 508,402
Small cap equity index fund	768,361	808,565
Fixed-income mutual funds:		
Short-term federal fixed-income mutual funds	477,558	482,027
Short-term corporate fixed-income mutual funds	<u>119,038</u>	<u>117,772</u>
Total	<u>\$ 2,234,546</u>	<u>\$ 1,916,766</u>

Equity and fixed-income mutual funds are valued using Level 1 inputs as quoted prices are available in active markets. Mutual funds are valued at net asset value at the closing price reported in the active market in which the mutual funds are traded.

Investment income, including interest income earned on cash and cash equivalents, are summarized as follows:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 33,076	\$ 49,070
Realized gains	151,227	230,551
Unrealized gains	<u>221,036</u>	<u>33,371</u>
Total Investment Income	<u>\$ 405,339</u>	<u>\$ 312,992</u>

Continued

BOARDSOURCE

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2013 and 2012

3. Accounts Receivable

As of December 31, 2013 and 2012, accounts receivable are composed of the following:

	<u>2013</u>	<u>2012</u>
Consulting services	\$ 146,506	\$ 256,219
Membership	39,365	48,273
Product sales	39,171	21,288
Training	<u>1,276</u>	<u>1,488</u>
Total Accounts Receivable	226,318	327,268
Less: Allowance for Doubtful Accounts	<u>(5,016)</u>	<u>(5,016)</u>
Accounts Receivable, Net	<u>\$ 221,302</u>	<u>\$ 322,252</u>

4. Grants Receivable

Grants receivable represent amounts due from corporate donors and foundations. As of December 31, 2013 and 2012, grants receivable are expected to be collected as follows:

	<u>2013</u>	<u>2012</u>
Due in less than 1 year	\$ 65,600	\$ 315,440
Due in 1 to 5 years	<u>-</u>	<u>75,000</u>
Total	<u>\$ 65,600</u>	<u>\$ 390,440</u>

As of December 31, 2013 and 2012, all amounts are considered fully collectible.

5. Property and Equipment and Accumulated Depreciation and Amortization

BoardSource held the following property and equipment as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Leasehold improvements	\$ 1,244,742	\$ 1,244,742
Computer software	755,454	684,504
Furniture and equipment	<u>442,163</u>	<u>455,862</u>
Total Property and Equipment	2,442,359	2,385,108
Less: Accumulated Depreciation and Amortization	<u>(1,054,955)</u>	<u>(759,184)</u>
Property and Equipment, Net	<u>\$ 1,387,404</u>	<u>\$ 1,625,924</u>

Depreciation and amortization expense totaled \$309,471 and \$254,571 for the years ended December 31, 2013 and 2012, respectively.

Continued

BOARDSOURCE

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2013 and 2012

6. Risks and Commitments

Hotel Commitment

BoardSource has entered into an agreement with a hotel to provide conference facilities and room accommodations for its 2014 annual meeting. 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 cancellation, no penalties will be assessed. BoardSource's management does not believe that any losses will be incurred under this contract. The maximum possible amount of damages was approximately \$260,000 as of December 31, 2013.

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.

During 2013, BoardSource subleased a portion of its office space under one year leases to various tenants. The subleases will expire at various dates through December 31, 2014 and can be terminated by BoardSource upon 45 days' notice.

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

For the Year Ending <u>December 31,</u>	
2014	\$ 884,294
2015	904,200
2016	929,491
2017	960,379
2018	981,974
Thereafter	<u>3,790,776</u>
Total	<u>\$ 8,451,114</u>

Continued

BOARDSOURCE

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2013 and 2012

6. Risks and Commitments (continued)

Operating Leases (continued)

Rent expense totaled \$812,761 and \$831,880 for the years ended December 31, 2013 and 2012, respectively. For the year ended December 31, 2013, rent income related to the subleases was \$39,500 and is included in other income in the accompanying statements of activities.

7. Temporarily Restricted Net Assets

As of December 31, 2013 and 2012, temporarily restricted net assets were restricted as follows:

	<u>2013</u>	<u>2012</u>
General operations in future periods	\$ 85,000	\$ 285,000
Lectureship and scholarships to attend BoardSource Leadership Forum	78,695	54,032
Governance programs	<u>281,116</u>	<u>226,674</u>
Total	<u>\$ 444,811</u>	<u>\$ 565,706</u>

8. 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

The Board of Directors of BoardSource has interpreted the District of Columbia 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

BOARDSOURCE

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2013 and 2012

8. Endowment Funds (continued)

Interpretation of Relevant Law (continued)

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.

The endowment's net asset composition by type of fund is as follows as of December 31:

		2013			
		<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
	Donor-restricted endowment funds	\$ -	\$ 78,695	\$ 211,400	\$ 290,095
	Board-designated endowment funds	29,071	-	-	29,071
	Total Funds	\$ 29,071	\$ 78,695	\$ 211,400	\$ 319,166
		2012			
		<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
	Donor-restricted endowment funds	\$ -	\$ 54,032	\$ 211,400	\$ 265,432
	Board-designated endowment funds	29,071	-	-	29,071
	Total Funds	\$ 29,071	\$ 54,032	\$ 211,400	\$ 294,503

BOARDSOURCE

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2013 and 2012

8. Endowment Funds (continued)

Interpretation of Relevant Law (continued)

Changes in endowment net assets are as follows for the years ended December 31, 2013 and 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, January 1, 2012	\$ 29,071	\$ 52,900	\$ 211,400	\$ 293,371
Investment return:				
Investment income	-	4,203	-	4,203
Net appreciation (realized and unrealized)	-	22,606	-	22,606
Total Investment Return	-	26,809	-	26,809
Release from restrictions	-	(25,677)	-	(25,677)
Endowment Net Assets, December 31, 2012	<u>\$ 29,071</u>	<u>\$ 54,032</u>	<u>\$ 211,400</u>	<u>\$ 294,503</u>
Investment return:				
Investment income	-	3,369	-	3,369
Net appreciation (realized and unrealized)	-	37,914	-	37,914
Total Investment Return	-	41,283	-	41,283
Release from restrictions	-	(16,620)	-	(16,620)
Endowment Net Assets, December 31, 2013	<u>\$ 29,071</u>	<u>\$ 78,695</u>	<u>\$ 211,400</u>	<u>\$ 319,166</u>

BOARDSOURCE

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2013 and 2012

8. Endowment Funds (continued)

Interpretation of Relevant Law (continued)

	<u>2013</u>	<u>2012</u>
Permanently restricted net assets:		
The portion of perpetual endowment funds that is required to be retained permanently, either by explicit donor stipulation or by UPMIFA	\$ <u>211,400</u>	\$ <u>211,400</u>
Temporarily restricted net assets:		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
With purpose restrictions	\$ <u>78,695</u>	\$ <u>54,032</u>

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 of perpetual duration. There were no such deficiencies as of December 31, 2013 or 2012.

Return 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. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for donor-specified periods, as well as board-designated funds. 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.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, BoardSource relies on a total return strategy, 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 and How the Investment Objectives Relate to 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.

BOARDSOURCE

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2013 and 2012

9. Pension Plan

Defined-Contribution 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 of \$17,500 and \$17,000 annually for 2013 and 2012, respectively. 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 \$69,401 and \$97,884 for the years ended December 31, 2013 or 2012, 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, 2013 and 2012.

10. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, BoardSource is exempt from federal taxes on income other than net unrelated business income. For the years ended December 31, 2013 and 2012, no provision for income taxes was required, as BoardSource had no net unrelated business income.

BoardSource follows the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. BoardSource performed an evaluation of uncertain tax positions for the years ended December 31, 2013 and 2012, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2013, the statute of limitations for tax years 2010 through 2012 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which BoardSource files tax returns. It is BoardSource's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2013 and 2012, BoardSource had no accrual for interest and/or penalties.

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For the Years Ended December 31, 2013 and 2012

11. Subsequent Events

In preparing the financial statements, BoardSource has evaluated events and transactions for potential recognition or disclosure through April 2, 2014, the date the financial statements were available to be issued. There were no subsequent events identified that require recognition of, or disclosure in, these financial statements.