

# BoardSource®

## FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

**BOARDSOURCE  
DECEMBER 31, 2016 AND 2015  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
BoardSource  
Washington, DC

We have audited the accompanying financial statements of BoardSource (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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.

### Auditors' 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 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 financial statements referred to above present fairly, in all material respects, the financial position of BoardSource as of December 31, 2016 and 2015, 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.

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

**CliftonLarsonAllen LLP**

Calverton, Maryland  
March 29, 2017

**BOARDSOURCE  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 760,666	\$ 510,373
Investments	2,741,951	2,414,127
Accounts Receivable, Net	123,570	326,577
Grants Receivable	290,300	366,475
Deferred Rent Receivable	9,437	-
Inventory	135,214	151,794
Prepaid Expenses	117,938	145,192
Property and Equipment, Net	<u>1,200,861</u>	<u>1,098,778</u>
Total Assets	<u>\$ 5,379,937</u>	<u>\$ 5,013,316</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 169,742	\$ 217,165
Deferred Revenue	1,130,717	848,599
Deferred Construction Allowance	619,927	729,326
Deferred Rent	<u>625,024</u>	<u>653,085</u>
Total Liabilities	2,545,410	2,448,175
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	1,699,748	1,358,363
Board Designated - Judith O'Connor Memorial Fund	<u>29,071</u>	<u>29,071</u>
Total Unrestricted	1,728,819	1,387,434
Temporarily Restricted	894,308	966,307
Permanently Restricted - Judith O'Connor Memorial Fund	<u>211,400</u>	<u>211,400</u>
Total Net Assets	<u>2,834,527</u>	<u>2,565,141</u>
Total Liabilities and Net Assets	<u>\$ 5,379,937</u>	<u>\$ 5,013,316</u>

See accompanying Notes to Financial Statements.

**BOARDSOURCE  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT								
Consulting Services	\$ 1,121,766	\$ -	\$ -	\$ 1,121,766	\$ 1,557,504	\$ -	\$ -	\$ 1,557,504
Grants and Contributions	740,675	832,875	-	1,573,550	716,746	1,240,160	-	1,956,906
Membership Program	1,185,927	-	-	1,185,927	1,004,586	-	-	1,004,586
Publications	502,479	-	-	502,479	833,782	-	-	833,782
Assessment Services	543,645	-	-	543,645	513,379	-	-	513,379
BoardSource Leadership Forum	-	-	-	-	392,360	-	-	392,360
Public Trainings	342,554	-	-	342,554	268,785	-	-	268,785
Investment Income (Loss)	301,514	26,881	-	328,395	(18,324)	(1,750)	-	(20,074)
Other Income	245,322	-	-	245,322	151,043	-	-	151,043
Net Assets Released from Restrictions:								
Satisfaction of Program Restrictions	691,755	(691,755)	-	-	407,551	(407,551)	-	-
Satisfaction of Time Restrictions	240,000	(240,000)	-	-	380,381	(380,381)	-	-
Total Revenue and Support	5,915,637	(71,999)	-	5,843,638	6,207,793	450,478	-	6,658,271
EXPENSES								
Program Services:								
Consulting Services	1,253,407	-	-	1,253,407	1,486,972	-	-	1,486,972
Sector Leadership Initiatives	929,366	-	-	929,366	577,591	-	-	577,591
Publications	788,397	-	-	788,397	565,123	-	-	565,123
Membership Program	747,395	-	-	747,395	690,351	-	-	690,351
Assessment Services	392,310	-	-	392,310	447,872	-	-	447,872
Public Trainings	344,363	-	-	344,363	396,787	-	-	396,787
BoardSource Leadership Forum	86,687	-	-	86,687	867,869	-	-	867,869
Total Program	4,541,925	-	-	4,541,925	5,032,565	-	-	5,032,565
Supporting Services:								
General and Administrative	590,908	-	-	590,908	535,500	-	-	535,500
Development	441,419	-	-	441,419	455,586	-	-	455,586
Total Supporting Services	1,032,327	-	-	1,032,327	991,086	-	-	991,086
Total Expenses	5,574,252	-	-	5,574,252	6,023,651	-	-	6,023,651
CHANGE IN NET ASSETS								
	341,385	(71,999)	-	269,386	184,142	450,478	-	634,620
Net Assets, Beginning of Year	1,387,434	966,307	211,400	2,565,141	1,203,292	515,829	211,400	1,930,521
NET ASSETS, END OF YEAR	\$ 1,728,819	\$ 894,308	\$ 211,400	\$ 2,834,527	\$ 1,387,434	\$ 966,307	\$ 211,400	\$ 2,565,141

See accompanying Notes to Financial Statements.

**BOARDSOURCE**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 269,386	\$ 634,620
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	171,597	171,206
Unrealized (Gain) Loss on Investments	(278,320)	65,700
Changes in Assets and Liabilities:		
Accounts Receivable	203,007	(158,762)
Grants Receivable	76,175	(123,775)
Deferred Rent Receivable	(9,437)	-
Inventory	16,580	76,479
Prepaid Expenses	27,254	(15,554)
Accounts Payable and Accrued Expenses	(47,423)	42,658
Deferred Revenue	282,118	(73,233)
Deferred Construction Allowance	(109,399)	(109,398)
Deferred Rent	(28,061)	(2,769)
Net Cash Provided by Operating Activities	<u>573,477</u>	<u>507,172</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(49,504)	(45,281)
Purchases of Property and Equipment	(273,680)	(116,619)
Net Cash Used in Investing Activities	<u>(323,184)</u>	<u>(161,900)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	250,293	345,272
Cash and Cash Equivalents, Beginning of Year	<u>510,373</u>	<u>165,101</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 760,666</u>	<u>\$ 510,373</u>

See accompanying Notes to Financial Statements.

**BOARDSOURCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**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, and organizational memberships. 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, 2016 and 2015.

**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, 2016 AND 2015**

**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 greater than \$5,000 for major repairs and improvements that extend the useful life of an asset and 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, 2016 AND 2015**

**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 (GAAP) 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 reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**Subsequent Events**

In preparing these financial statements, BoardSource has evaluated events and transactions for potential recognition or disclosure through March 29, 2017, 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.

**Risk and Uncertainties**

BoardSource's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with these investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

**BOARDSOURCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**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, 2016 and 2015.

*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, 2016 AND 2015**

**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:

	<b>2016</b>			
	Level 1	Level 2	Level 3	Total
Equity Mutual Funds:				
500 Equity Index Fund	\$ 1,121,153	\$ -	\$ -	\$ 1,121,153
Small Cap Equity Index Fund	1,001,482	-	-	1,001,482
Fixed Income Mutual Funds:				
Short-term Federal Fixed Income Mutual Funds	493,227	-	-	493,227
Short-term Corporate Fixed Income Mutual Funds	126,089	-	-	126,089
Total	<u>\$ 2,741,951</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,741,951</u>
	<b>2015</b>			
	Level 1	Level 2	Level 3	Total
Equity Mutual Funds:				
500 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>

Investment income for the years ended December 31, 2016 and 2015, consisted of the following:

	<b>2016</b>	<b>2015</b>
Interest and Dividends	\$ 50,075	\$ 45,626
Unrealized Gain (Loss)	278,320	(65,700)
Total	<u>\$ 328,395</u>	<u>\$ (20,074)</u>

**BOARDSOURCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 4    ACCOUNTS RECEIVABLE**

As of December 31, 2016 and 2015, accounts receivable are composed of the following:

	<b>2016</b>	<b>2015</b>
Consulting Services	\$ 76,754	\$ 229,132
Membership	48,322	64,735
Product Sales	-	16,664
Assessments	3,297	19,925
Training and Other	213	1,137
	<u>128,586</u>	<u>331,593</u>
Less: Allowance for Doubtful Accounts	(5,016)	(5,016)
Accounts Receivable, Net	<u>\$ 123,570</u>	<u>\$ 326,577</u>

**NOTE 5    PROPERTY AND EQUIPMENT**

BoardSource held the following property and equipment as of December 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Leasehold Improvements	\$ 1,317,991	\$ 1,220,933
Computer Software	1,059,070	894,817
Furniture and Equipment	472,587	460,217
	<u>2,849,648</u>	<u>2,575,967</u>
Less: Accumulated Depreciation and Amortization	(1,648,787)	(1,477,189)
Property and Equipment, Net	<u>\$ 1,200,861</u>	<u>\$ 1,098,778</u>

Depreciation and amortization expense totaled \$171,597 and \$171,206 for the years ended December 31, 2016 and 2015, respectively.

**NOTE 6    LINE OF CREDIT**

In May 2015, as part of a board-approved strategy for managing cash flow within annual budget parameters, 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 has not drawn down any amounts since the opening of the line, and there is no outstanding balance.

**BOARDSOURCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 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 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 \$206,000 as of December 31, 2016.

**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.

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

For the Year Ending December 31,	
2017	\$ 960,379
2018	981,974
2019	1,004,098
2020	1,026,643
2021	1,049,770
Thereafter	710,266
Total	<u>\$ 5,733,130</u>

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. In addition, in May 2016, BoardSource entered into a long-term subtenant lease which expires on August 31, 2022.

**BOARDSOURCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

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

**Operating Leases (continued)**

Future minimum sublease payments required under the long-term subtenant lease are as follows:

For the Year Ending December 31,	
2017	\$ 132,010
2018	137,290
2019	142,782
2020	148,493
2021	154,433
Thereafter	106,202
Total	<u>\$ 821,210</u>

Rent expense totaled \$881,005 and \$905,650 for the years ended December 31, 2016 and 2015, respectively. For the years ended December 31, 2016 and 2015, rental income related to the subleases was \$195,280 and \$130,500, respectively, and is included in other income in the accompanying statements of activities.

**NOTE 8 TEMPORARILY RESTRICTED NET ASSETS**

As of December 31, 2016 and 2015, temporarily restricted net assets were restricted as follows:

	<b>2016</b>	<b>2015</b>
General Operations in Future Periods	\$ -	\$ 215,000
Lectureship and Scholarships to Attend BoardSource Leadership Forum	84,540	57,659
Sector Leadership Initiatives and Other Programs	809,768	693,648
Total	<u>\$ 894,308</u>	<u>\$ 966,307</u>

**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.



**BOARDSOURCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 9    ENDOWMENT FUNDS (CONTINUED)**

**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.

As of December 31, 2016 and 2015, BoardSource's endowment had the following net asset composition:

2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	\$ -	\$ 84,540	\$ 211,400	\$ 295,940
Board-Designated	29,071	-	-	29,071
Total	<u>\$ 29,071</u>	<u>\$ 84,540</u>	<u>\$ 211,400</u>	<u>\$ 325,011</u>

2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	\$ -	\$ 57,659	\$ 211,400	\$ 269,059
Board-Designated	29,071	-	-	29,071
Total	<u>\$ 29,071</u>	<u>\$ 57,659</u>	<u>\$ 211,400</u>	<u>\$ 298,130</u>



**BOARDSOURCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 9    ENDOWMENT FUNDS (CONTINUED)**

For the years ended December 31, 2016 and 2015, the endowment funds had the following activity:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2015	\$ 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
Investment Return:				
Investment Income	-	4,059	-	4,059
Net Appreciation (Unrealized)	-	22,822	-	22,822
Total Investment Return	-	26,881	-	26,881
Release from Restrictions	-	-	-	-
Endowment Net Assets December 31, 2016	<u>\$ 29,071</u>	<u>\$ 84,540</u>	<u>\$ 211,400</u>	<u>\$ 325,011</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 or perpetual duration. There were no such deficiencies as of December 31, 2016 and 2015.

**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, and allow distribution of income for designated uses. 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.

**BOARDSOURCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**NOTE 9    ENDOWMENT FUNDS (CONTINUED)**

**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 \$80,307 and \$66,324 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015.