

BoardSource[®]

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

**BOARDSOURCE
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YEARS ENDED DECEMBER 31, 2017 AND 2016**

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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, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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.

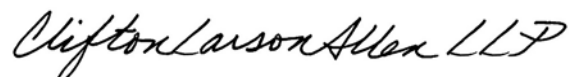
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017 and 2016, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. BoardSource early-adopted ASU 2016-14. The ASU has been applied retrospectively to all periods presented. There has been no net asset impact as a result of this application. Our opinion is not modified with respect to this matter.



CliftonLarsonAllen LLP

Greenbelt, Maryland
March 28, 2018

**BOARDSOURCE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 753,857	\$ 760,666
Investments	3,092,625	2,741,951
Accounts Receivable, Net	383,356	123,570
Grants Receivable	115,000	290,300
Deferred Rent Receivable	19,686	9,437
Inventory	84,235	135,214
Prepaid Expenses	178,352	117,938
Property and Equipment, Net	1,110,577	1,200,861
Total Assets	\$ 5,737,688	\$ 5,379,937
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 275,241	\$ 169,742
Deferred Revenue	969,718	1,130,717
Deferred Construction Allowance	510,529	619,927
Deferred Rent	566,075	625,024
Total Liabilities	2,321,563	2,545,410
NET ASSETS		
Without Donor Restrictions	2,479,192	1,728,819
With Donor Restrictions	936,933	1,105,708
Total Net Assets	3,416,125	2,834,527
Total Liabilities and Net Assets	\$ 5,737,688	\$ 5,379,937

See accompanying Notes to Financial Statements.

**BOARDSOURCE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			2016		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Consulting Services	\$ 1,538,050	\$ -	\$ 1,538,050	\$ 1,149,380	\$ -	\$ 1,149,380
Grants and Contributions	1,027,004	451,754	1,478,758	740,675	832,875	1,573,550
Membership Programs	1,447,835	-	1,447,835	1,185,927	-	1,185,927
Publications	434,508	-	434,508	502,479	-	502,479
Assessment Services	651,544	-	651,544	543,645	-	543,645
BoardSource Leadership Forum	694,355	-	694,355	-	-	-
Public Trainings	312,834	-	312,834	314,940	-	314,940
Investment Income	326,950	25,411	352,361	301,514	26,881	328,395
Other Income	270,252	-	270,252	245,322	-	245,322
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	645,940	(645,940)	-	691,755	(691,755)	-
Satisfaction of Time Restrictions	-	-	-	240,000	(240,000)	-
Total Revenue and Support	<u>7,349,272</u>	<u>(168,775)</u>	<u>7,180,497</u>	<u>5,915,637</u>	<u>(71,999)</u>	<u>5,843,638</u>
EXPENSES						
Program Services:						
Sector Leadership Initiatives	1,086,236	-	1,086,236	929,366	-	929,366
Membership Programs	1,010,984	-	1,010,984	747,395	-	747,395
Consulting Services	1,507,210	-	1,507,210	1,253,407	-	1,253,407
BoardSource Leadership Forum	747,165	-	747,165	86,687	-	86,687
Public Trainings	360,209	-	360,209	344,363	-	344,363
Assessment Services	345,762	-	345,762	392,310	-	392,310
Publications	358,442	-	358,442	788,397	-	788,397
Total Program Services	<u>5,416,008</u>	<u>-</u>	<u>5,416,008</u>	<u>4,541,925</u>	<u>-</u>	<u>4,541,925</u>
Supporting Services:						
General and Administrative	679,441	-	679,441	590,908	-	590,908
Development	503,450	-	503,450	441,419	-	441,419
Total Supporting Services	<u>1,182,891</u>	<u>-</u>	<u>1,182,891</u>	<u>1,032,327</u>	<u>-</u>	<u>1,032,327</u>
Total Expenses	<u>6,598,899</u>	<u>-</u>	<u>6,598,899</u>	<u>5,574,252</u>	<u>-</u>	<u>5,574,252</u>
CHANGE IN NET ASSETS	750,373	(168,775)	581,598	341,385	(71,999)	269,386
Net Assets, Beginning of Year	<u>1,728,819</u>	<u>1,105,708</u>	<u>2,834,527</u>	<u>1,387,434</u>	<u>1,177,707</u>	<u>2,565,141</u>
NET ASSETS, END OF YEAR	<u>\$ 2,479,192</u>	<u>\$ 936,933</u>	<u>\$ 3,416,125</u>	<u>\$ 1,728,819</u>	<u>\$ 1,105,708</u>	<u>\$ 2,834,527</u>

See accompanying Notes to Financial Statements.

**BOARDSOURCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017**

	Program Activities								Supporting Activities			Total Expenses
	Sector Leadership Initiatives	Membership Programs	Consulting Services	BoardSource Leadership Forum	Public Trainings	Assessment Services	Publications	Total	Management and General	Development	Total	
Salaries and Benefits	\$ 594,339	\$ 581,237	\$ 319,852	\$ 194,920	\$ 106,647	\$ 174,020	\$ 123,473	\$ 2,094,488	\$ 419,884	\$ 297,721	\$ 717,605	\$ 2,812,093
Consulting Delivery Fees	-	-	692,228	-	-	-	-	692,228	-	-	-	692,228
Occupancy Expenses	-	-	-	-	-	-	-	-	887,465	-	887,465	887,465
Cost of Good Sold	-	-	-	-	-	-	107,275	107,275	-	-	-	107,275
Fulfillment Shipping Expenses	-	-	-	-	-	-	31,275	31,275	-	-	-	31,275
Credit Card Processing Fees	-	13,260	-	14,081	7,896	10,701	9,859	55,797	9,259	-	9,259	65,056
Conferences & Meetings	45,874	-	-	198,034	26,182	1,698	-	271,788	12,733	3,620	16,353	288,141
Consultants & Professional Svcs	36,002	32,200	162,977	29,220	49,141	1,500	-	311,040	148,041	4,480	152,521	463,561
Printing, Postage, Shipping	11,791	7,905	795	28,120	9,375	-	-	57,986	3,211	234	3,445	61,431
IT Related Expenses	-	-	-	-	-	-	-	-	86,275	-	86,275	86,275
Depreciation & Amortization	-	-	-	-	-	-	-	-	227,224	-	227,224	227,224
Other Expenses	31,106	15,087	138,947	162,177	95,277	50,351	9,746	502,691	358,835	15,349	374,184	876,875
Office & Admin (Allocated)	367,124	361,295	192,411	120,613	65,691	107,492	76,814	1,291,440	(1,473,486)	182,046	(1,291,440)	-
Total Expenses	\$ 1,086,236	\$ 1,010,984	\$ 1,507,210	\$ 747,165	\$ 360,209	\$ 345,762	\$ 358,442	\$ 5,416,008	\$ 679,441	\$ 503,450	\$ 1,182,891	\$ 6,598,899

See accompanying Notes to Financial Statements.

**BOARDSOURCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016**

	Program Activities								Supporting Activities			Total Expenses
	Sector Leadership Initiatives	Membership Programs	Consulting Services	BoardSource Leadership Forum	Public Trainings	Assessment Services	Publications	Total	Management and General	Development	Total	
Salaries and Benefits	\$ 524,173	\$ 441,080	\$ 418,684	\$ 53,720	\$ 139,889	\$ 209,083	\$ 409,217	\$ 2,195,846	\$ 382,112	\$ 283,799	\$ 665,911	\$ 2,861,757
Consulting Delivery Fees	-	-	507,550	-	15,900	-	-	523,450	-	-	-	523,450
Occupancy Expenses	-	-	-	-	-	-	-	-	881,005	-	881,005	881,005
Cost of Good Sold	-	-	-	-	-	-	96,026	96,026	-	-	-	96,026
Fulfillment Shipping Expenses	-	-	-	-	-	-	29,506	29,506	-	-	-	29,506
Credit Card Processing Fees	-	22,297	-	-	-	12,470	15,279	50,046	10,762	-	10,762	60,808
Conferences & Meetings	551	-	10	-	44,080	-	-	44,641	10,329	5,471	15,800	60,441
Consultants & Professional Svcs	102,837	26,500	8,566	131	19,775	5,258	-	163,067	142,241	3,290	145,531	308,598
Printing, Postage, Shipping	5,998	8,603	13	71	5,656	-	-	20,341	5,093	878	5,971	26,312
IT Related Expenses	-	-	-	-	-	-	-	-	76,177	-	76,177	76,177
Depreciation & Amortization	-	-	-	-	-	-	-	-	171,597	-	171,597	171,597
Other Expenses	9,120	7,235	91,242	3,336	42,569	55,731	14,235	223,468	245,898	9,209	255,107	478,575
Office & Admin (Allocated)	286,687	241,680	227,342	29,429	76,494	109,768	224,134	1,195,534	(1,334,306)	138,772	(1,195,534)	-
Total Expenses	\$ 929,366	\$ 747,395	\$ 1,253,407	\$ 86,687	\$ 344,363	\$ 392,310	\$ 788,397	\$ 4,541,925	\$ 590,908	\$ 441,419	\$ 1,032,327	\$ 5,574,252

See accompanying Notes to Financial Statements.

**BOARDSOURCE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 581,598	\$ 269,386
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	227,224	171,597
Abandoned IT Project Costs	13,450	-
Unrealized Gain on Investments	(231,288)	(278,320)
Realized Gain on Investments	(65,855)	-
Changes in Assets and Liabilities:		
Accounts Receivable	(259,786)	203,007
Grants Receivable	175,300	76,175
Deferred Rent Receivable	(10,249)	(9,437)
Inventory	50,979	16,580
Prepaid Expenses	(60,414)	27,254
Accounts Payable and Accrued Expenses	105,499	(47,423)
Deferred Revenue	(160,999)	282,118
Deferred Construction Allowance	(109,398)	(109,399)
Deferred Rent	(58,949)	(28,061)
Net Cash Provided by Operating Activities	197,112	573,477
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(208,531)	(49,504)
Proceeds from Sales of Investments	155,000	-
Purchases of Property and Equipment	(150,390)	(273,680)
Net Cash Used in Investing Activities	(203,921)	(323,184)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,809)	250,293
Cash and Cash Equivalents, Beginning of Year	760,666	510,373
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 753,857	\$ 760,666

See accompanying Notes to Financial Statements.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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 and certificates of deposits with maturity dates twelve months or less 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, 2017 and 2016.

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.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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:

Net assets without donor restrictions: Represent funds available for general operations or that have been designated by the board of directors for a particular purpose.

Net assets with donor restrictions: Represent net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of BoardSource and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition

BoardSource reports grants and contributions as support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 contributions without donor restrictions.

Grants and contributions without donor restrictions are reported as support in the year in which payments are received and/or unconditional promises are made. Conditional promises are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash, which are primarily donated investment securities, are recorded at their estimated fair value at the date of donation.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization, office and occupancy, information technology, insurance, accounting fees, and marketing, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

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.

New Accounting Pronouncement

On August 18, 2016, the FASB issued Accounting Standards Update ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. BoardSource has elected to early adopt ASU 2016-14 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. There has been no net asset impact as a result of this application.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, BoardSource has evaluated events and transactions for potential recognition or disclosure through March 28, 2018, 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.

NOTE 3 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of December 31, 2017:

Cash and Cash Equivalents	\$ 753,857
Accounts Receivable, Net	383,356
Grants Receivable	65,000
Investments	2,812,181
Total	<u>\$ 4,014,394</u>

Endowment funds consist of donor-restricted endowments and board-designated endowments. Income from donor restricted endowments that is restricted for specific purposes is not available for general expenditure. Although BoardSource does not intend to spend from its board-designated endowment (other than amounts appropriated per the Board's appropriations approval), these amounts could be made available if necessary.

As part of BoardSource's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. BoardSource invests cash in excess of daily requirements in short-term investments, short-term certificates of deposit, and money market funds. To help manage unanticipated liquidity needs, BoardSource has a line of credit in the amount of \$200,000 which it could draw upon, but as of the date of this report, has not had the need to do so.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 4 INVESTMENTS

A fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value is established by GAAP. 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 GAAP 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, 2017 and 2016.

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, 2017 AND 2016

NOTE 4 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:

	2017		
	Level 1	Level 2	Total
Equity Mutual Funds:			
500 Equity Index Fund	\$ 1,190,919	\$ -	\$ 1,190,919
Small Cap Equity Index Fund	1,119,623	-	1,119,623
Fixed Income Mutual Funds:			
Short-term Federal Fixed Income Mutual Funds	497,156	-	497,156
Short-term Corporate Fixed Income Mutual Funds	284,927	-	284,927
Total	<u>\$ 3,092,625</u>	<u>\$ -</u>	<u>\$ 3,092,625</u>
	2016		
	Level 1	Level 2	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>\$ 2,741,951</u>

Investment income for the years ended December 31, 2017 and 2016, consisted of the following:

	2017	2016
Interest and Dividends	\$ 55,218	\$ 50,075
Realized Gain	65,855	-
Unrealized Gain	231,288	278,320
Total	<u>\$ 352,361</u>	<u>\$ 328,395</u>

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 5 ACCOUNTS RECEIVABLE

As of December 31, 2017 and 2016, accounts receivable are composed of the following:

	2017	2016
Consulting Services	\$ 275,382	\$ 76,754
Membership Programs	102,216	48,322
Product Sales and Assessments	10,774	3,297
Training and Other	-	213
Subtotal	<u>388,372</u>	<u>128,586</u>
Less: Allowance for Doubtful Accounts	(5,016)	(5,016)
Accounts Receivable, Net	<u>\$ 383,356</u>	<u>\$ 123,570</u>

NOTE 6 PROPERTY AND EQUIPMENT

BoardSource held the following property and equipment as of December 31, 2017 and 2016:

	2017	2016
Leasehold Improvements	\$ 1,317,991	\$ 1,317,991
Computer Software	1,182,052	1,059,070
Furniture and Equipment	486,545	472,587
Subtotal	<u>2,986,588</u>	<u>2,849,648</u>
Less: Accumulated Depreciation and Amortization	(1,876,011)	(1,648,787)
Property and Equipment, Net	<u>\$ 1,110,577</u>	<u>\$ 1,200,861</u>

Depreciation and amortization expense totaled \$227,224 and \$171,597 for the years ended December 31, 2017 and 2016, respectively.

NOTE 7 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.

NOTE 8 RISKS AND COMMITMENTS

Operating Leases

BoardSource has entered into a noncancellable 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.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 8 RISKS AND COMMITMENTS (CONTINUED)

Operating Leases (Continued)

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,	
2018	\$ 981,974
2019	1,004,098
2020	1,026,643
2021	1,049,770
2022	710,266
Total	<u>\$ 4,772,751</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.

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

For the Year Ending December 31,	
2018	\$ 137,080
2019	134,704
2020	138,532
2021	144,073
2022	99,077
Total	<u>\$ 653,466</u>

Rent expense totaled \$887,465 and \$881,005 for the years ended December 31, 2017 and 2016, respectively. For the years ended December 31, 2017 and 2016, rental income related to the subleases was \$261,010 and \$195,280, respectively, and is included in other income in the accompanying statements of activities.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2017 and 2016, net assets with donor restrictions were restricted as follows:

	2017	2016
Subject to expenditure for specific purpose:		
Sector Leadership Initiatives and Other Programs	\$ 656,489	\$ 809,768
 Subject to BoardSource's spending policy and appropriation:		
Investment in perpetuity (including amounts above original gift amount of \$69,044 and \$84,540, respectively), the income from which is expendable to support the Judith O'Connor Memorial Fund for scholarships awarded	280,444	295,940
Total net assets with donor restrictions	\$ 936,933	\$ 1,105,708

NOTE 10 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 net assets with donor restrictions (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.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

Interpretation of Relevant Law (Continued)

In accordance with UPMIFA, BoardSource considers the following factors in making a determination to appropriated 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, 2017 and 2016, BoardSource's endowment had the following net asset composition:

2017			
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted	\$ -	\$ 280,444	\$ 280,444
Board-Designated	29,071	-	29,071
Total	\$ 29,071	\$ 280,444	\$ 309,515
2016			
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted	\$ -	\$ 295,940	\$ 295,940
Board-Designated	29,071	-	29,071
Total	\$ 29,071	\$ 295,940	\$ 325,011

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

Interpretation of Relevant Law (Continued)

For the years ended December 31, 2017 and 2016, the endowment funds had the following activity:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2016	\$ 29,071	\$ 269,059	\$ 298,130
Investment Return:			
Investment Income	-	4,059	4,059
Net Appreciation (Realized and Unrealized)	-	22,822	22,822
Total Investment Return	-	26,881	26,881
Release from Restrictions	-	-	-
Endowment Net Assets December 31, 2016	29,071	295,940	325,011
Investment Return:			
Investment Income	-	8,774	8,774
Net Appreciation (Unrealized)	-	16,637	16,637
Total Investment Return	-	25,411	25,411
Release from Restrictions	-	(40,907)	(40,907)
Endowment Net Assets December 31, 2017	<u>\$ 29,071</u>	<u>\$ 280,444</u>	<u>\$ 309,515</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, 2017 and 2016.

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.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

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 11 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 \$81,732 and \$80,307 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016.