

BoardSource[®]

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018



CLAconnect.com

WEALTH ADVISORY

OUTSOURCING

AUDIT, TAX, AND
CONSULTING

**BOARDSOURCE
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES – 2019	5
STATEMENT OF FUNCTIONAL EXPENSES – 2018	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8



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, 2019 and 2018, 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, 2019 and 2018, 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.

Other Matters

Effect of Adopting New Accounting Standard

As discussed in Note 1 to the financial statements, management has adopted Accounting Standards Updates (ASU) No. 2014-09, *Revenue from Contracts with Customers*, and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.



CliftonLarsonAllen LLP

Greenbelt, Maryland
March 18, 2020

**BOARDSOURCE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 301,523	\$ 918,021
Investments	3,357,353	2,932,514
Accounts Receivable, Net	204,823	166,376
Grants Receivable	460,500	1,240,000
Deferred Rent Receivable	25,690	25,137
Inventory, Net	134,264	125,974
Prepaid Expenses	151,007	179,008
Property and Equipment, Net	818,686	1,002,927
Total Assets	\$ 5,453,846	\$ 6,589,957
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 337,798	\$ 193,536
Deferred Revenue	1,406,299	1,021,178
Deferred Construction Allowance	291,731	401,130
Deferred Rent	382,864	485,531
Total Liabilities	2,418,692	2,101,375
NET ASSETS		
Without Donor Restrictions	1,676,685	2,280,747
With Donor Restrictions	1,358,469	2,207,835
Total Net Assets	3,035,154	4,488,582
Total Liabilities and Net Assets	\$ 5,453,846	\$ 6,589,957

See accompanying Notes to Financial Statements.

**BOARDSOURCE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Consulting Services	\$ 898,079	\$ -	\$ 898,079	\$ 1,241,715	\$ -	\$ 1,241,715
Grants and Contributions	430,608	182,000	612,608	811,978	2,211,000	3,022,978
Membership Programs	1,461,981	-	1,461,981	1,587,929	-	1,587,929
Publications	433,488	-	433,488	428,561	-	428,561
Assessment Services	584,368	-	584,368	690,769	-	690,769
Public Trainings	300,828	-	300,828	357,793	-	357,793
Investment Income	443,773	31,918	475,691	(145,482)	(11,235)	(156,717)
Other Income	298,278	-	298,278	265,921	-	265,921
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	1,063,284	(1,063,284)	-	928,863	(928,863)	-
Total Revenue and Support	<u>5,914,687</u>	<u>(849,366)</u>	<u>5,065,321</u>	<u>6,168,047</u>	<u>1,270,902</u>	<u>7,438,949</u>
EXPENSES						
Program Services:						
Sector Leadership Initiatives	1,133,780	-	1,133,780	1,052,695	-	1,052,695
Membership Programs	1,300,298	-	1,300,298	1,323,782	-	1,323,782
Consulting Services	1,275,565	-	1,275,565	1,637,580	-	1,637,580
BoardSource Leadership Forum	373,296	-	373,296	54,679	-	54,679
Public Trainings	233,054	-	233,054	393,824	-	393,824
Assessment Services	554,496	-	554,496	452,168	-	452,168
Publications	332,043	-	332,043	380,075	-	380,075
Total Program Services	<u>5,202,532</u>	<u>-</u>	<u>5,202,532</u>	<u>5,294,803</u>	<u>-</u>	<u>5,294,803</u>
Supporting Services:						
General and Administrative	968,468	-	968,468	723,294	-	723,294
Development	347,749	-	347,749	348,395	-	348,395
Total Supporting Services	<u>1,316,217</u>	<u>-</u>	<u>1,316,217</u>	<u>1,071,689</u>	<u>-</u>	<u>1,071,689</u>
Total Expenses	<u>6,518,749</u>	<u>-</u>	<u>6,518,749</u>	<u>6,366,492</u>	<u>-</u>	<u>6,366,492</u>
CHANGE IN NET ASSETS	(604,062)	(849,366)	(1,453,428)	(198,445)	1,270,902	1,072,457
Net Assets, Beginning of Year	<u>2,280,747</u>	<u>2,207,835</u>	<u>4,488,582</u>	<u>2,479,192</u>	<u>936,933</u>	<u>3,416,125</u>
NET ASSETS, END OF YEAR	<u>\$ 1,676,685</u>	<u>\$ 1,358,469</u>	<u>\$ 3,035,154</u>	<u>\$ 2,280,747</u>	<u>\$ 2,207,835</u>	<u>\$ 4,488,582</u>

See accompanying Notes to Financial Statements.

**BOARDSOURCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Program Activities								Supporting Activities			Total Expenses
	Sector Leadership Initiatives	Membership Programs	Consulting Services	BoardSource Leadership Forum	Public Trainings	Assessment Services	Publications	Total	General and Administrative	Development	Total	
Salaries and Benefits	\$ 614,408	\$ 704,940	\$ 269,271	\$ 216,095	\$ 59,905	\$ 285,586	\$ 129,038	\$ 2,279,243	\$ 600,284	\$ 188,209	\$ 788,493	\$ 3,067,736
Consulting Delivery Fees	1,856	-	491,326	-	-	-	-	493,182	-	-	-	493,182
Occupancy Expenses	178,753	214,283	81,883	66,524	18,134	87,712	39,785	687,074	182,732	55,421	238,153	925,227
Cost of Good Sold	-	-	-	-	-	-	62,400	62,400	-	-	-	62,400
Fulfillment Shipping Expenses	-	-	-	-	-	-	24,238	24,238	-	24	24	24,262
Credit Card Processing Fees	2,109	27,612	966	5,831	7,279	12,033	10,280	66,110	2,156	654	2,810	68,920
Conferences and Meetings	9,846	4,678	869	706	45,710	931	422	63,162	1,939	2,187	4,126	67,288
Consultants and Professional Svcs	120,584	123,152	213,785	16,146	30,602	21,289	25,707	551,265	44,352	55,673	100,025	651,290
Printing, Postage, Shipping	1,382	1,312	5,544	406	6,097	536	246	15,523	1,116	480	1,596	17,119
IT Related Expenses	2,120	2,541	971	789	215	1,040	472	8,148	2,167	657	2,824	10,972
Depreciation and Amortization	51,748	62,034	23,705	19,258	5,250	25,392	11,518	198,905	52,900	16,044	68,944	267,849
Other Expenses	150,974	159,746	187,245	47,541	59,862	119,977	27,937	753,282	80,822	28,400	109,222	862,504
Total Expenses	\$ 1,133,780	\$ 1,300,298	\$ 1,275,565	\$ 373,296	\$ 233,054	\$ 554,496	\$ 332,043	\$ 5,202,532	\$ 968,468	\$ 347,749	\$ 1,316,217	\$ 6,518,749

See accompanying Notes to Financial Statements.

**BOARDSOURCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Activities								Supporting Activities			Total Expenses
	Sector Leadership Initiatives	Membership Programs	Consulting Services	BoardSource Leadership Forum	Public Trainings	Assessment Services	Publications	Total	General and Administrative	Development	Total	
Salaries and Benefits	\$ 567,671	\$ 761,621	\$ 374,269	\$ 32,431	\$ 119,631	\$ 237,027	\$ 162,342	\$ 2,254,992	\$ 445,535	\$ 202,924	\$ 648,459	\$ 2,903,451
Consulting Delivery Fees	-	-	717,108	-	-	-	-	717,108	-	-	-	717,108
Occupancy Expenses	177,299	245,590	118,291	10,386	37,776	70,497	52,298	712,137	143,659	63,328	206,987	919,124
Cost of Good Sold	-	-	-	-	-	-	60,714	60,714	-	-	-	60,714
Fulfillment Shipping Expenses	-	-	-	-	-	-	34,566	34,566	-	-	-	34,566
Credit Card Processing Fees	2,648	18,834	2,257	155	10,230	12,421	10,908	57,453	2,146	946	3,092	60,545
Conferences and Meetings	4,794	5,928	2,855	251	65,700	1,702	1,262	82,492	3,468	2,162	5,630	88,122
Consultants and Professional Svcs	90,870	83,341	215,255	1,691	54,052	11,480	11,246	467,935	23,394	10,312	33,706	501,641
Printing, Postage, Shipping	15,832	5,894	797	63	11,951	428	318	35,283	873	1,555	2,428	37,711
IT Related Expenses	13,286	18,403	8,864	778	2,831	5,283	3,919	53,364	10,765	4,745	15,510	68,874
Depreciation and Amortization	50,880	70,478	33,946	2,981	10,841	20,231	15,008	204,365	41,226	18,173	59,399	263,764
Other Expenses	129,415	113,693	163,938	5,943	80,812	93,099	27,494	614,394	52,228	44,250	96,478	710,872
Total Expenses	\$ 1,052,695	\$ 1,323,782	\$ 1,637,580	\$ 54,679	\$ 393,824	\$ 452,168	\$ 380,075	\$ 5,294,803	\$ 723,294	\$ 348,395	\$ 1,071,689	\$ 6,366,492

See accompanying Notes to Financial Statements.

**BOARDSOURCE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,453,428)	\$ 1,072,457
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	267,849	263,764
Unrealized Loss on Investments	259,126	314,195
Realized Gains on Investments	(652,842)	(89,743)
Changes in Assets and Liabilities:		
Accounts Receivable	(38,447)	216,980
Grants Receivable	779,500	(1,125,000)
Deferred Rent Receivable	(553)	(5,451)
Inventory	(8,290)	(41,739)
Prepaid Expenses	28,001	(656)
Accounts Payable and Accrued Expenses	144,262	(81,705)
Deferred Revenue	385,121	51,460
Deferred Construction Allowance	(109,399)	(109,399)
Deferred Rent	(102,667)	(80,544)
Net Cash Provided (Used) by Operating Activities	(501,767)	384,619
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,351,123)	(244,341)
Proceeds from Sales of Investments	1,320,000	180,000
Purchases of Property and Equipment	(83,608)	(156,114)
Net Cash Used by Investing Activities	(114,731)	(220,455)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(616,498)	164,164
Cash and Cash Equivalents, Beginning of Year	918,021	753,857
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 301,523	\$ 918,021
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment Financed through Capital Lease Arrangement	\$ -	\$ 14,943

See accompanying Notes to Financial Statements.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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 without donor restriction and project-specific grants, membership revenue, training and assessment service revenue, publication sales, and revenue from consulting engagements.

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 deposit 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, 2019 and 2018.

Grants Receivable

Grants receivable represent amounts due from corporate donors and foundations. For the years ended December 31, 2019 and 2018, all amounts were 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, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory, which consists principally of publications and other resource materials held for resale, is stated at the lower of cost or net realizable 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, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Consulting services provided on an hourly basis are recognized as consulting hours are completed and are billed on a monthly basis. Consulting services provided on a fixed fee basis are recognized when the related project is completed and require a 50% payment at the signing of the contract with the remainder invoiced upon completion. Payments on invoices are due in 30 days. Termination clauses are as dictated by the contract.

Membership programs are on an anniversary-date basis and, except for assessments, are recognized ratably over the membership period since there are no distinct performance obligations and the general member benefits are considered a bundled group of performance obligations that are delivered to members throughout the membership period. For membership programs that include an assessment and employee matching, a portion of the member dues are allocated to the assessment which are considered separate performance obligations that are satisfied when the final assessment report is delivered and when the employee matching occurs, respectively. Payment is due in full at purchase for on-line purchases or within 30 days of the date invoiced. Individual memberships can be cancelled within a 30-day period and are eligible for a full refund less any membership discounts received prior to cancellation. The portion of membership programs allocated to assessments are classified within assessment services on the statements of activities.

Publications include sales of hard copies and access to download on-line publications and are recognized when the hard copy is shipped or access is granted. Payment is due in full at purchase. Also included within publications are revenue sharing royalties from advertising sales which are recognized over the period of time access to BoardSource's membership data is provided. Revenue sharing is paid on a quarterly basis following the quarter it relates to.

Assessment services are recognized when the final assessment report is delivered. Assessments must be used within one year of the purchase date. Payment is due in full at purchase.

Public trainings and BoardSource Leadership Forum revenues if delivered in person are recognized when the trainings and events are held. Payment is due in full at purchase. The allocable portion of conference sponsorships attributed to advertising are recognized when the events are held with the balance of the sponsorship amount included within contribution revenue. Sponsorships are due the earlier of the event date or thirty days following the execution of the agreement. Cancellation fees apply based on how close the registration cancellation is to the actual event. Full refunds of registration fees and sponsorships are provided if the event is cancelled. Public trainings provided on-line allow for indefinite access and are recognized when the access is granted.

Unearned revenues are reflected as deferred revenue on the statements of financial position.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Adoption of New Accounting Standards:

In 2019, BoardSource adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, and ASU 2018-08, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services, and Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides clarification and improves the scope and accounting guidance for contributions received and contributions made. There was no material impact on the entity's financial position and changes in net assets as a result of the adoption of these accounting standards.

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.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent to year-end, a pandemic of the Corona Virus (COVID-19) was declared by the World Health Organization. This resulted in an 8-week ban on all events of more than 50 people in the city of St. Louis, which forced the cancellation of the BoardSource Leadership Forum which had been scheduled for May 7-8, 2020. The cancellation of the event will result in lost revenues, including the need to refund most of the registration fees and sponsorships that had been secured. As of March 18, 2020, the estimated maximum possible amount of refunds that will be issued is \$640,000. While it's uncertain how extensively the pandemic will impact BoardSource in 2020, most in-person events and consulting engagements have been canceled through May, and the status of events later in the year are uncertain. In addition, both domestic and international equity markets have experienced significant declines since December 31, 2019. As of March 18, 2020, the amount and likelihood of loss relating to these events is not determined.

In preparing these financial statements, BoardSource has evaluated events and transactions for potential recognition or disclosure through March 18, 2020, 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 statements of financial position.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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:

	2019	2018
Cash and Cash Equivalents	\$ 301,523	918,021
Accounts Receivable, Net	204,823	166,376
Grants Receivable	460,500	865,000
Investments	3,056,226	2,663,305
Total	\$ 4,023,072	\$ 4,612,702

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.

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.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 4 INVESTMENTS (CONTINUED)

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, 2019 and 2018.

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

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

	2019			Total
	Level 1	Level 2	Level 3	
Equity Mutual Funds	\$ 2,341,834	\$ -	\$ -	\$ 2,341,834
Fixed Income Mutual Funds	1,015,519	-	-	1,015,519
Total	<u>\$ 3,357,353</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,357,353</u>
	2018			Total
	Level 1	Level 2	Level 3	
Equity Mutual Funds	\$ 1,958,725	\$ -	\$ -	\$ 1,958,725
Fixed Income Mutual Funds	973,789	-	-	973,789
Total	<u>\$ 2,932,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,932,514</u>

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 5 CONTRACT ASSETS AND CONTRACT LIABILITIES

BoardSource's contract assets and liabilities were composed of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Accounts Receivable		
Consulting Services	\$ 123,105	\$ 93,894
Membership Programs	55,500	73,806
Publication Sales and Assessments	1,557	2,688
Training and Other	29,677	1,004
Subtotal	<u>209,839</u>	<u>171,392</u>
Less: Allowance for Doubtful Accounts	(5,016)	(5,016)
Total Accounts Receivable, Net	<u>\$ 204,823</u>	<u>\$ 166,376</u>
Deferred Revenue		
Consulting Services	\$ 291,323	\$ 419,271
Membership Programs	644,860	568,869
BoardSource Leadership Forum	182,655	-
Assessments	160,695	24,559
Customer Credits and Other	126,766	8,479
Total Deferred Revenue	<u>\$ 1,406,299</u>	<u>\$ 1,021,178</u>

NOTE 6 PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Leasehold Improvements	\$ 1,317,991	\$ 1,317,991
Computer Software	639,299	555,691
Furniture and Equipment	507,655	507,655
Subtotal	<u>2,464,945</u>	<u>2,381,337</u>
Less: Accumulated Depreciation and Amortization	(1,646,259)	(1,378,410)
Property and Equipment, Net	<u>\$ 818,686</u>	<u>\$ 1,002,927</u>

Depreciation and amortization expense totaled \$267,849 and \$263,764 for the years ended December 31, 2019 and 2018, 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.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 8 RISKS AND COMMITMENTS

Hotel Commitment

BoardSource entered into an agreement with a hotel to provide conference facilities and room accommodations for its 2020 leadership conference. The agreement contains a clause whereby BoardSource is liable for damages in the event of cancellation, except in the case of force majeure. As indicated in the subsequent event disclosure in Note 1, in March 2020, BoardSource was forced to cancel the BoardSource Leadership Forum due to the COVID-19 pandemic and the force majeure clause in the contract was invoked. As of March 18, 2020, it is management's position that because of the force majeure provision in the contract, there will be no damages owed to the hotel from the cancellation of the event.

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.

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 <u>December 31,</u>	
2020	\$ 1,026,643
2021	1,049,770
2022	710,266
Total	<u>\$ 2,786,679</u>

BoardSource entered into long-term subtenant leases which expire on August 31, 2022.

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

For the Year Ending <u>December 31,</u>	
2020	\$ 225,604
2021	178,622
2022	122,872
Total	<u>\$ 527,098</u>

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 8 RISKS AND COMMITMENTS (CONTINUED)

Rent expense totaled \$925,227 and \$919,123 for the years ended December 31, 2019 and 2018, respectively. For the years ended December 31, 2019 and 2018, rental income related to the subleases was \$296,045 and \$261,955, respectively, and is included in other income in the accompanying statements of activities.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
Subject to expenditure for specific purpose:		
Sector Leadership Initiatives and Other Programs	\$ 1,057,342	\$ 1,938,626
 Subject to BoardSource's spending policy and appropriation:		
Investment in perpetuity (including amounts above original gift amount of \$89,727 and \$69,044, respectively), the income from which is expendable to support the Judith O'Connor Memorial Fund for scholarships awarded	301,127	269,209
Total net assets with donor restrictions	\$ 1,358,469	\$ 2,207,835

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 its 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, 2019 AND 2018**

NOTE 10 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 net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. All amounts, including appreciation and corpus, are presented as with donor 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, BoardSource's endowment had the following net asset composition:

		2019		
		Without Donor Restrictions	With Donor Restrictions	Total
	Donor-Restricted	\$ -	\$ 301,127	\$ 301,127
	Board-Designated	29,071		29,071
	Total	\$ 29,071	\$ 301,127	\$ 330,198
		2018		
		Without Donor Restrictions	With Donor Restrictions	Total
	Donor-Restricted	\$ -	\$ 269,209	\$ 269,209
	Board-Designated	29,071	-	29,071
	Total	\$ 29,071	\$ 269,209	\$ 298,280

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

For the years ended December 31, 2019 and 2018, the endowment funds had the following activity:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2018	\$ 29,071	\$ 280,444	\$ 309,515
Investment Return:			
Investment Income	-	4,515	4,515
Net Depreciation (Realized and Unrealized)	-	(15,750)	(15,750)
Total Investment Return	-	(11,235)	(11,235)
Release from Restrictions	-	-	-
Endowment Net Assets December 31, 2018	29,071	269,209	298,280
Investment Return:			
Investment Income	-	5,453	5,453
Net Appreciation (Realized and Unrealized)	-	26,465	26,465
Total Investment Return	-	31,918	31,918
Release from Restrictions	-	-	-
Endowment Net Assets December 31, 2019	<u>\$ 29,071</u>	<u>\$ 301,127</u>	<u>\$ 330,198</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, 2019 and 2018.

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 30% and 50% in equity mutual funds and between 50% and 70% in fixed-income mutual funds.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 10 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 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 \$77,789 and \$79,192 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018.