

BoardSource[®]

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

**BOARDSOURCE
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YEARS ENDED DECEMBER 31, 2020 AND 2019**

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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, 2020 and 2019, 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.

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, 2020 and 2019, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenbelt, Maryland
March 24, 2021

**BOARDSOURCE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 297,790	\$ 301,523
Investments	3,360,676	3,357,353
Accounts Receivable, Net	42,387	204,823
Grants Receivable	5,000	460,500
Deferred Rent Receivable	-	25,690
Inventory, Net	144,902	134,264
Prepaid Expenses	147,698	151,007
Deposit	69,960	-
Property and Equipment, Net	292,847	818,686
Total Assets	\$ 4,361,260	\$ 5,453,846
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 412,539	\$ 337,798
PPP Loan	456,412	-
Deferred Revenue	1,110,070	1,406,299
Deferred Construction Allowance	-	291,731
Deferred Rent	257,652	382,864
Total Liabilities	2,236,673	2,418,692
NET ASSETS		
Without Donor Restrictions	1,663,758	1,676,685
With Donor Restrictions	460,829	1,358,469
Total Net Assets	2,124,587	3,035,154
Total Liabilities and Net Assets	\$ 4,361,260	\$ 5,453,846

See accompanying Notes to Financial Statements.

**BOARDSOURCE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Consulting Services	\$ 307,581	\$ -	\$ 307,581	\$ 898,079	\$ -	\$ 898,079
Grants and Contributions	833,511	-	833,511	430,608	182,000	612,608
Membership Programs	1,505,618	-	1,505,618	1,461,981	-	1,461,981
Publications	316,605	-	316,605	433,488	-	433,488
Assessment Services	600,500	-	600,500	584,368	-	584,368
Public Trainings	75,287	-	75,287	300,828	-	300,828
Investment Income	200,237	13,424	213,661	443,773	31,918	475,691
Other Income	270,486	-	270,486	298,278	-	298,278
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	911,064	(911,064)	-	1,063,284	(1,063,284)	-
Total Revenue and Support	<u>5,020,889</u>	<u>(897,640)</u>	<u>4,123,249</u>	<u>5,914,687</u>	<u>(849,366)</u>	<u>5,065,321</u>
EXPENSES						
Program Services:						
Sector Leadership Initiatives	1,044,798	-	1,044,798	1,133,780	-	1,133,780
Membership Programs	1,207,374	-	1,207,374	1,300,298	-	1,300,298
Consulting Services	641,253	-	641,253	1,275,565	-	1,275,565
BoardSource Leadership Forum	234,283	-	234,283	373,296	-	373,296
Public Trainings	208,886	-	208,886	233,054	-	233,054
Assessment Services	498,339	-	498,339	554,496	-	554,496
Publications	110,293	-	110,293	332,043	-	332,043
Total Program Services	<u>3,945,226</u>	<u>-</u>	<u>3,945,226</u>	<u>5,202,532</u>	<u>-</u>	<u>5,202,532</u>
Supporting Services:						
General and Administrative	911,238	-	911,238	968,468	-	968,468
Development	177,352	-	177,352	347,749	-	347,749
Total Supporting Services	<u>1,088,590</u>	<u>-</u>	<u>1,088,590</u>	<u>1,316,217</u>	<u>-</u>	<u>1,316,217</u>
Total Expenses	<u>5,033,816</u>	<u>-</u>	<u>5,033,816</u>	<u>6,518,749</u>	<u>-</u>	<u>6,518,749</u>
CHANGE IN NET ASSETS	(12,927)	(897,640)	(910,567)	(604,062)	(849,366)	(1,453,428)
Net Assets - Beginning 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>
NET ASSETS - END OF YEAR	<u>\$ 1,663,758</u>	<u>\$ 460,829</u>	<u>\$ 2,124,587</u>	<u>\$ 1,676,685</u>	<u>\$ 1,358,469</u>	<u>\$ 3,035,154</u>

See accompanying Notes to Financial Statements.

**BOARDSOURCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	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	\$ 525,547	\$ 566,191	\$ 123,284	\$ 87,892	\$ 90,191	\$ 207,195	\$ 24,726	\$ 1,625,026	\$ 457,588	\$ 70,982	\$ 528,570	\$ 2,153,596
Consulting Delivery Fees	-	-	176,092	-	-	-	-	176,092	-	-	-	176,092
Occupancy Expenses	221,000	242,634	53,432	36,927	41,496	91,477	10,910	697,876	205,894	28,721	234,615	932,491
Cost of Good Sold	-	-	-	-	-	-	33,899	33,899	-	-	-	33,899
Fulfillment Shipping Expenses	-	-	-	-	-	-	13,311	13,311	-	-	-	13,311
Credit Card Processing Fees	4,097	30,943	991	(108)	3,088	11,385	7,687	58,083	3,817	533	4,350	62,433
Conferences and Meetings	93	(76)	87	2,085	261	149	18	2,617	335	47	382	2,999
Consultants and Professional Svcs	99,012	120,683	237,632	44,440	27,999	33,947	10,883	574,596	76,406	52,246	128,652	703,248
Printing, Postage, Shipping	313	344	125	52	59	130	15	1,038	292	41	333	1,371
Depreciation and Amortization	62,835	68,986	15,192	10,499	11,798	26,009	3,102	198,421	58,539	8,166	66,705	265,126
Other Expenses	131,901	177,669	34,418	52,496	33,994	128,047	5,742	564,267	108,367	16,616	124,983	689,250
Total Expenses	\$ 1,044,798	\$ 1,207,374	\$ 641,253	\$ 234,283	\$ 208,886	\$ 498,339	\$ 110,293	\$ 3,945,226	\$ 911,238	\$ 177,352	\$ 1,088,590	\$ 5,033,816

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
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (910,567)	\$ (1,453,428)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	265,126	267,849
Abandoned Property and Equipment Due to Office Move	275,165	-
Write-off of Construction Allowance Due to Office Move	(160,574)	-
Net Unrealized and Realized Gain on Investments	(144,378)	(393,716)
Changes in Assets and Liabilities:		
Accounts Receivable	162,436	(38,447)
Grants Receivable	455,500	779,500
Deferred Rent Receivable	25,690	(553)
Inventory	(10,638)	(8,290)
Prepaid Expenses	3,309	28,001
Deposit	(69,960)	-
Accounts Payable and Accrued Expenses	74,741	144,262
Deferred Revenue	(296,229)	385,121
Deferred Construction Allowance	(131,157)	(109,399)
Deferred Rent	(125,212)	(102,667)
Net Cash Used by Operating Activities	(586,748)	(501,767)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(68,905)	(1,351,123)
Proceeds from Sales of Investments	209,960	1,320,000
Purchases of Property and Equipment	(14,452)	(83,608)
Net Cash Provided (Used) by Investing Activities	126,603	(114,731)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Payroll Protection Program (PPP) Loan	456,412	-
Net Cash Provided by Financing Activities	456,412	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,733)	(616,498)
Cash and Cash Equivalents - Beginning of Year	301,523	918,021
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 297,790	\$ 301,523

See accompanying Notes to Financial Statements.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, 2020 and 2019.

Grants Receivable

Grants receivable represent amounts due from corporate donors and foundations. For the years ended December 31, 2020 and 2019, 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, 2020 AND 2019**

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, 2020 AND 2019

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 board matching services, 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 board matching services 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, 2020 AND 2019

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 (IRC) 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

For comparative purposes, certain 2019 amounts have been reclassified to conform to the 2020 presentation. These reclassifications had no effect on previously reported net asset amounts.

Subsequent Events

In preparing these financial statements, BoardSource has evaluated events and transactions for potential recognition or disclosure through March 24, 2021, 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, 2020 AND 2019**

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:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 297,790	\$ 301,523
Accounts Receivable, Net	42,387	204,823
Grants Receivable	5,000	460,500
Investments	3,046,125	3,056,226
Total	<u>\$ 3,391,302</u>	<u>\$ 4,023,072</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.

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, 2020 AND 2019

NOTE 4 INVESTMENTS (CONTINUED)

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:

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, 2020 and 2019.

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:

	2020			
	Level 1	Level 2	Level 3	Total
Fixed Income Mutual Funds	\$ 2,238,749	\$ -	\$ -	\$ 2,238,749
Equity Mutual Funds	1,121,927	-	-	1,121,927
Total	<u>\$ 3,360,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,360,676</u>
	2019			
	Level 1	Level 2		Total
Fixed Income Mutual Funds	\$ 2,341,835	\$ -	\$ -	\$ 2,341,835
Equity Mutual Funds	1,015,518	-	-	1,015,518
Total	<u>\$ 3,357,353</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,357,353</u>

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5 CONTRACT ASSETS AND CONTRACT LIABILITIES

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

	<u>2020</u>	<u>2019</u>
Accounts Receivable		
Consulting Services	\$ 3,363	\$ 123,105
Membership Programs	37,500	55,500
Publication Sales and Assessments	325	1,557
Training and Other	6,215	29,677
Subtotal	<u>47,403</u>	<u>209,839</u>
Less: Allowance for Doubtful Accounts	<u>(5,016)</u>	<u>(5,016)</u>
Total Accounts Receivable, Net	<u>\$ 42,387</u>	<u>\$ 204,823</u>
Deferred Revenue		
Consulting Services	\$ 158,671	\$ 291,323
Membership Programs	698,457	644,860
BoardSource Leadership Forum	-	182,655
Assessments	171,127	160,695
Customer Credits and Other	81,815	126,766
Total Deferred Revenue	<u>\$ 1,110,070</u>	<u>\$ 1,406,299</u>

NOTE 6 PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Leasehold Improvements	\$ -	\$ 1,317,991
Computer Software	653,750	639,299
Furniture and Equipment	14,943	507,655
Subtotal	<u>668,693</u>	<u>2,464,945</u>
Less: Accumulated Depreciation and Amortization	<u>(375,846)</u>	<u>(1,646,259)</u>
Property and Equipment, Net	<u>\$ 292,847</u>	<u>\$ 818,686</u>

Depreciation and amortization expense totaled \$265,126 and \$267,849 for the years ended December 31, 2020 and 2019, 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 2022. 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, 2020 AND 2019

NOTE 8 RISKS AND COMMITMENTS

Operating Lease

BoardSource entered into a noncancellable lease agreement for 15,840 sq. ft. of office space that was to expire on August 31, 2022. Under the terms of this lease, the base rent was subject to annual increases of 2.2%. In addition, the lessor 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.

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

The lease terms were renegotiated in 2020 and effective December 31, 2020, BoardSource relocated to new space (5,943 sq. ft) under the amended lease terms (Amendment 1). Amendment 1 extended the lease through December 31, 2025 and required a cash security deposit of \$69,960. Under the terms of Amendment 1, the base rent is subject to annual increases of 2.5%. The new space came fully furnished and no additional rent abatement or tenant improvement allowance was provided.

In conjunction with Amendment 1, the net book value and corresponding deferred rent associated with any leasehold improvements for the surrendered space were written off effective December 31, 2020, resulting in a net loss of \$114,591 that was included in other expenses in the 2020 statement of functional expenses. The remaining rent abatement from the original lease is to be amortized on a straight-line basis over the new lease term of 5 years.

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

For the Year Ending <u>December 31,</u>	<u>Amount</u>
2021	\$ 398,181
2022	408,165
2023	418,328
2024	428,787
2025	439,544
Total	<u>\$ 2,093,005</u>

Rent expense totaled \$932,491 and \$925,227 for the years ended December 31, 2020 and 2019, respectively. For the years ended December 31, 2020 and 2019, rental income related to the subleases was \$266,223 and \$296,045, respectively, and is included in other income in the accompanying statements of activities.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 8 RISKS AND COMMITMENTS (CONTINUED)

COVID-19

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. BoardSource is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on BoardSource's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on BoardSource's stakeholders, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact BoardSource's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Severance Pay

BoardSource has salary continuation and/or severance agreements with certain employees that would require BoardSource to provide termination pay to the employees if terminated without cause.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purpose:		
Sector Leadership Initiatives and Other Programs	\$ 146,278	\$ 1,057,342
Subject to BoardSource's spending policy and appropriation:		
Investment in perpetuity (including amounts above original gift amount of \$103,151 and \$89,727, respectively), the income from which is expendable to support the Judith O'Connor Memorial Fund for scholarships awarded	314,551	301,127
Total Net Assets with Donor Restrictions	<u>\$ 460,829</u>	<u>\$ 1,358,469</u>

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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.

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.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

Interpretation of Relevant Law (Continued)

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

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted	\$ -	\$ 314,551	\$ 314,551
Board-Designated	29,071	-	29,071
Total	\$ 29,071	\$ 314,551	\$ 343,622
	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

For the years ended December 31, 2020 and 2019, the endowment funds had the following activity:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2019	\$ 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
Endowment Net Assets December 31, 2019	29,071	301,127	330,198
Investment Return:			
Investment Income	-	4,337	4,337
Net Appreciation (Realized and Unrealized)	-	9,087	9,087
Total Investment Return	-	13,424	13,424
Release from Restrictions	-	-	-
Endowment Net Assets December 31, 2020	\$ 29,071	\$ 314,551	\$ 343,622

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, 2020 and 2019.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

Investment Objectives and Risk Parameters

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

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 IRC. 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. 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.

Contributions to the plan totaled \$57,189 and \$77,789 for the years ended December 31, 2020 and 2019, respectively.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 12 PPP LOAN

On April 5, 2020, BoardSource received a loan from JPMorgan Chase Bank in the amount of \$456,412 to fund payroll, rent, and utilities through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if BoardSource fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.