

BoardSource[®]

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020



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**BOARDSOURCE
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YEARS ENDED DECEMBER 31, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
BoardSource
Washington, DC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of BoardSource (a Washington, DC 501(c)(3) organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, statements of functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BoardSource as of December 31, 2021 and 2020, and change in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BoardSource and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BoardSource's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 BoardSource's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BoardSource's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Greenbelt, Maryland
March 30, 2022

**BOARDSOURCE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 5,784,252	\$ 297,790
Investments	3,506,443	3,360,676
Accounts Receivable, Net	68,065	42,387
Grants Receivable	407,000	5,000
Inventory, Net	144,633	144,902
Prepaid Expenses	179,419	147,698
Deposit	69,960	69,960
Property and Equipment, Net	200,217	292,847
Total Assets	\$ 10,359,989	\$ 4,361,260
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 339,012	\$ 412,539
PPP Loan	-	456,412
Deferred Revenue	1,106,489	1,110,070
Deferred Rent	185,701	257,652
Total Liabilities	1,631,202	2,236,673
NET ASSETS		
Without Donor Restrictions	7,955,015	1,663,758
With Donor Restrictions	773,772	460,829
Total Net Assets	8,728,787	2,124,587
Total Liabilities and Net Assets	\$ 10,359,989	\$ 4,361,260

See accompanying Notes to Financial Statements.

**BOARDSOURCE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Grants and Contributions	\$ 6,010,166	\$ 545,000	\$ 6,555,166	\$ 833,511	\$ -	\$ 833,511
Membership Programs	1,539,698	-	1,539,698	1,505,618	-	1,505,618
Publications	316,678	-	316,678	316,605	-	316,605
Assessment Services	709,091	-	709,091	600,500	-	600,500
Professional Development Programs	185,955	-	185,955	75,287	-	75,287
Consulting Services	94,438	-	94,438	307,581	-	307,581
Investment Income	293,812	19,277	313,089	200,237	13,424	213,661
Other Income	100,810	-	100,810	270,486	-	270,486
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	251,334	(251,334)	-	911,064	(911,064)	-
Total Revenue and Support	<u>9,501,982</u>	<u>312,943</u>	<u>9,814,925</u>	<u>5,020,889</u>	<u>(897,640)</u>	<u>4,123,249</u>
EXPENSES						
Program Services:						
Sector Leadership Initiatives	816,356	-	816,356	1,037,008	-	1,037,008
Membership Programs	765,963	-	765,963	1,199,273	-	1,199,273
BoardSource Leadership Forum	-	-	-	233,037	-	233,037
Professional Development Programs	179,012	-	179,012	207,639	-	207,639
Consulting Services	86,380	-	86,380	639,384	-	639,384
Assessment Services	349,776	-	349,776	495,223	-	495,223
Publications	113,774	-	113,774	109,981	-	109,981
Total Program Services	<u>2,311,261</u>	<u>-</u>	<u>2,311,261</u>	<u>3,921,545</u>	<u>-</u>	<u>3,921,545</u>
Supporting Services:						
General and Administrative	739,707	-	739,707	935,855	-	935,855
Development	159,757	-	159,757	176,416	-	176,416
Total Supporting Services	<u>899,464</u>	<u>-</u>	<u>899,464</u>	<u>1,112,271</u>	<u>-</u>	<u>1,112,271</u>
Total Expenses	<u>3,210,725</u>	<u>-</u>	<u>3,210,725</u>	<u>5,033,816</u>	<u>-</u>	<u>5,033,816</u>
CHANGE IN NET ASSETS	6,291,257	312,943	6,604,200	(12,927)	(897,640)	(910,567)
Net Assets - Beginning 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>
NET ASSETS - END OF YEAR	<u>\$ 7,955,015</u>	<u>\$ 773,772</u>	<u>\$ 8,728,787</u>	<u>\$ 1,663,758</u>	<u>\$ 460,829</u>	<u>\$ 2,124,587</u>

See accompanying Notes to Financial Statements.

**BOARDSOURCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	Program Activities						Supporting Activities			Total Expenses	
	Sector Leadership Initiatives	Membership Programs	Consulting Services	Professional Development Programs	Assessment Services	Publications	Total	General and Administrative	Development		Total
Salaries and Benefits	\$ 496,848	\$ 436,456	\$ -	\$ 87,358	\$ 158,523	\$ 29,970	\$ 1,209,155	\$ 435,615	\$ 98,294	\$ 533,909	\$ 1,743,064
Other Expenses	114,599	126,804	418	19,880	119,425	6,209	387,335	89,956	22,207	112,163	499,498
Consultants and Professional Svcs	85,224	71,003	51,403	46,577	25,814	7,771	287,792	109,812	15,847	125,659	413,451
Occupancy Expenses	89,427	78,503	-	15,779	28,539	5,394	217,642	78,146	17,535	95,681	313,323
Depreciation and Amortization	26,438	23,209	-	4,665	8,437	1,595	64,344	23,102	5,184	28,286	92,630
Credit Card Processing Fees	3,352	25,792	-	4,723	8,984	5,855	48,706	2,929	657	3,586	52,292
Cost of Good Sold	-	-	-	-	-	37,292	37,292	-	-	-	37,292
Consulting Delivery Fees	-	-	34,559	-	-	-	34,559	-	-	-	34,559
Fulfillment Shipping Expenses	-	-	-	-	-	19,678	19,678	-	-	-	19,678
Conferences and Meetings	299	4,048	-	-	-	-	4,347	-	-	-	4,347
Printing, Postage, Shipping	169	148	-	30	54	10	411	147	33	180	591
Total Expenses	\$ 816,356	\$ 765,963	\$ 86,380	\$ 179,012	\$ 349,776	\$ 113,774	\$ 2,311,261	\$ 739,707	\$ 159,757	\$ 899,464	\$ 3,210,725

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	Professional Development Programs	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
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
Consultants and Professional Svcs	91,222	112,582	235,763	43,194	26,752	30,831	10,571	550,915	101,023	51,310	152,333	703,248
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
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
Consulting Delivery Fees	-	-	176,092	-	-	-	-	176,092	-	-	-	176,092
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
Cost of Good Sold	-	-	-	-	-	-	33,899	33,899	-	-	-	33,899
Fulfillment Shipping Expenses	-	-	-	-	-	-	13,311	13,311	-	-	-	13,311
Conferences and Meetings	93	(76)	87	2,085	261	149	18	2,617	335	47	382	2,999
Printing, Postage, Shipping	313	344	125	52	59	130	15	1,038	292	41	333	1,371
Total Expenses	\$ 1,037,008	\$ 1,199,273	\$ 639,384	\$ 233,037	\$ 207,639	\$ 495,223	\$ 109,981	\$ 3,921,545	\$ 935,855	\$ 176,416	\$ 1,112,271	\$ 5,033,816

See accompanying Notes to Financial Statements.

**BOARDSOURCE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 6,604,200	\$ (910,567)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	92,630	265,126
Abandoned Property and Equipment Due to Office Move	-	275,165
Write-off of Construction Allowance Due to Office Move	-	(160,574)
Paycheck Protection Program Loan Forgiveness	(456,412)	-
Net Unrealized and Realized Gain on Investments	(247,277)	(144,378)
Changes in Assets and Liabilities:		
Accounts Receivable	(25,678)	162,436
Grants Receivable	(402,000)	455,500
Deferred Rent Receivable	-	25,690
Inventory	269	(10,638)
Prepaid Expenses	(31,721)	3,309
Deposit	-	(69,960)
Accounts Payable and Accrued Expenses	(73,527)	74,741
Deferred Revenue	(3,581)	(296,229)
Deferred Construction Allowance	-	(131,157)
Deferred Rent	(71,951)	(125,212)
Net Cash Provided (Used) by Operating Activities	5,384,952	(586,748)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(62,195)	(68,905)
Proceeds from Sales of Investments	163,705	209,960
Purchases of Property and Equipment	-	(14,452)
Net Cash Provided by Investing Activities	101,510	126,603
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	5,486,462	(3,733)
Cash and Cash Equivalents - Beginning of Year	297,790	301,523
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,784,252	\$ 297,790

See accompanying Notes to Financial Statements.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 mission of BoardSource is to inspire and support nonprofit boards and executives to lead justly and with purpose. BoardSource envisions a future where the nonprofit community has the leadership to fulfill its purpose and create a just world where all can thrive. These activities are funded primarily through public grants without donor restriction and project-specific grants, membership revenue, assessment service revenue, professional development programs, and revenue from educational resource sales.

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 organizational memberships and assessment services. 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, 2021 and 2020.

Grants Receivable

Grants receivable represent amounts due from foundations. For the year ended December 31, 2021, \$209,000 is due within one year with the remaining \$198,000 due in 2023. For the year ended, December 31, 2020, 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, 2021 AND 2020**

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. 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, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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. Assessment revenue includes \$271,000 and \$245,000 in assessments which are included as part of the membership services for the years ended December 31, 2021 and 2020.

Professional development programs, if delivered in person are recognized when the trainings and events are held. Payment is due in full at purchase. Full refunds of registration fees and sponsorships are provided if the event is cancelled. Professional development programs 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, 2021 AND 2020

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, and marketing, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

The following are major programs of the organization presented in the statement of functional expenses:

- *Section Leadership Initiatives* – BoardSource’s research and leadership calls attention to the importance of strong boards, creating awareness and action around challenges facing nonprofit leaders and identifying opportunities to unleash greater impact for the sector as a whole. BoardSource’s leadership also focuses on identifying and interpreting trends impacting nonprofit leadership performance and effectiveness and generating evidence-based recommendations for Board practice.
- *Assessment Services* – BoardSource’s assessment services help organizations identify core issues in their Board performance and development.
- *Membership Programs* – BoardSource has several membership programs to meet the needs of organizations, networks, and individual leaders. BoardSource’s core membership program is the Board Support Program, which provides organizations with fundamental set of board development resources including an annual board self-assessment and unlimited access to on-demand certificate of nonprofit board education and email-based technical assistance.

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.

Reclassifications

Certain balances for the fiscal year ended December 31, 2020 have been reclassified to reflect comparative presentation with the fiscal year ended December 31, 2021.

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.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 was issued to increase the transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statements of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. With the extension provided by ASU 2020-05, the standard will be effective for BoardSource for annual reporting period beginning January 1, 2022. BoardSource is assessing the impact this standard will have on its financial statements.

In September of 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires new disclosures and presentation for contributed nonfinancial assets, or more commonly known as gifts-in-kind. The guidance is effective for annual periods beginning after June 15, 2021. BoardSource is in the process of assessing the impact on this standard on the financial statements beginning in fiscal year 2022.

Subsequent Events

In preparing these financial statements, BoardSource has evaluated events and transactions for potential recognition or disclosure through March 30, 2022, 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, 2021 AND 2020

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>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 5,784,252	\$ 297,790
Accounts Receivable, Net	68,065	42,387
Grants Receivable	209,000	5,000
Investments	2,930,671	2,899,847
Total	<u>\$ 8,991,988</u>	<u>\$ 3,245,024</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, 2021 AND 2020

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, 2021 and 2020.

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:

	2021			
	Level 1	Level 2	Level 3	Total
Fixed Income Mutual Funds	\$ 2,066,790	\$ -	\$ -	\$ 2,066,790
Equity Mutual Funds	1,439,653	-	-	1,439,653
Total	<u>\$ 3,506,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,506,443</u>
	2020			
	Level 1	Level 2		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>

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 5 CONTRACT ASSETS AND CONTRACT LIABILITIES

The beginning and ending contract balances as of December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts Receivable			
Consulting Services	\$ 600	\$ 3,363	\$ 123,105
Membership Programs	65,500	37,500	55,500
Publication Sales and Assessments	766	325	1,557
Training and Other	6,215	6,215	29,677
Subtotal	<u>73,081</u>	<u>47,403</u>	<u>209,839</u>
Less: Allowance for Doubtful Accounts	(5,016)	(5,016)	(5,016)
Total Accounts Receivable, Net	<u>\$ 68,065</u>	<u>\$ 42,387</u>	<u>\$ 204,823</u>
Deferred Revenue			
Consulting Services	\$ 75,353	\$ 158,671	\$ 291,323
Membership Programs	714,062	698,457	644,860
BoardSource Leadership Forum	-	-	182,655
Assessments	71,204	171,127	160,695
Customer Credits and Other	245,870	81,815	126,766
Total Deferred Revenue	<u>\$ 1,106,489</u>	<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>2021</u>	<u>2020</u>
Computer Software	653,750	653,750
Furniture and Equipment	14,943	14,943
Subtotal	<u>668,693</u>	<u>668,693</u>
Less: Accumulated Depreciation and Amortization	(468,476)	(375,846)
Property and Equipment, Net	<u>\$ 200,217</u>	<u>\$ 292,847</u>

Depreciation and amortization expense totaled \$92,630 and \$265,126 for the years ended December 31, 2021 and 2020, 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, 2021 AND 2020

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:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 408,165
2023	418,328
2024	428,787
2025	439,544
Total	<u><u>\$ 1,694,824</u></u>

Rent expense totaled \$313,323 and \$932,491 for the years ended December 31, 2021 and 2020, respectively. For the years ended December 31, 2021 and 2020, rental income related to the subleases was \$0 and \$266,223, respectively, and is included in other income in the accompanying statements of activities.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 RISKS AND COMMITMENTS (CONTINUED)

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:

	2021	2020
Subject to Expenditure for Specific Time and Purpose:		
Sector Leadership Initiatives and Other Programs	\$ 169,944	\$ 146,278
Subject to Expenditure for Specific Time:		
Sector Leadership Initiatives and Other Programs	270,000	-
Subject to BoardSource's Spending Policy and Appropriation:		
Investment in perpetuity (including amounts above original gift amount of \$122,428 and \$103,151, respectively), the income from which is expendable to support the Judith O'Connor Memorial Fund for scholarships awarded	333,828	314,551
Total Net Assets with Donor Restrictions	\$ 773,772	\$ 460,829

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, 2021 AND 2020**

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:

		2021		
		Without Donor Restrictions	With Donor Restrictions	Total
	Donor-Restricted	\$ -	\$ 333,828	\$ 333,828
	Board-Designated	29,071	-	29,071
	Total	\$ 29,071	\$ 333,828	\$ 362,899
		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

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

Interpretation of Relevant Law (Continued)

For the years ended December 31, 2021 and 2020, the endowment funds had the following activity:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2020	\$ 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
Endowment Net Assets December 31, 2020	29,071	314,551	343,622
Investment Return:			
Investment Income	-	4,051	4,051
Net Appreciation (Realized and Unrealized)	-	15,226	15,226
Total Investment Return	-	19,277	19,277
Release from Restrictions	-	-	-
Endowment Net Assets December 31, 2021	\$ 29,071	\$ 333,828	\$ 362,899

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, 2021 and 2020.

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, 2021 AND 2020**

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 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 \$51,146 and \$57,189 for the years ended December 31, 2021 and 2020, respectively.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 12 PAYCHECK PROTECTION PROGRAM 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.

On July 22, 2021 the Small Business Administration authorized full forgiveness of the loan amount. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the BoardSource's financial position.

NOTE 13 EMPLOYEE RETENTION CREDIT

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. During the year ended December 31, 2021, BoardSource applied for Employee Retention Credit (ERC) funding from the Internal Revenue Service (IRS). BoardSource recognized \$100,584 of other income related to performance requirements being met in compliance with the program during the year ended December 31, 2021. Payment from the IRS for the ERC was received in May 2021.

Eligibility and conditions for the ERC program may be audited by the IRS. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; management is of the opinion that any audit will not have a material adverse impact on BoardSource's financial position.