

BOARDSOURCE
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022



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**BOARDSOURCE
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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, 2023 and 2022, 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, 2023 and 2022, 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
April 24, 2024

**BOARDSOURCE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022**

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 866,903	\$ 5,182,112
Investments	7,162,779	3,196,615
Accounts Receivable, Net	114,780	146,922
Grants Receivable	203,500	208,150
Inventory, Net	58,392	92,211
Prepaid Expenses	214,278	183,435
Deposit	69,960	69,960
Right-of-Use Assets - Operating Leases	745,170	1,111,221
Right-of-Use Assets - Financing Leases	-	2,989
Property and Equipment, Net	675,966	666,819
Total Assets	\$ 10,111,728	\$ 10,860,434
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 250,824	\$ 186,180
Deferred Revenue	1,120,614	1,230,412
Lease Liability - Operating Leases	858,940	1,266,038
Lease Liability - Financing Leases	-	3,496
Total Liabilities	2,230,378	2,686,126
NET ASSETS		
Without Donor Restrictions	7,347,792	7,493,571
With Donor Restrictions	533,558	680,737
Total Net Assets	7,881,350	8,174,308
Total Liabilities and Net Assets	\$ 10,111,728	\$ 10,860,434

See accompanying Notes to Financial Statements.

**BOARDSOURCE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and Contributions	\$ 281,323	\$ 475,000	\$ 756,323
Donated Advertising Services	109,401	-	109,401
Membership Programs	1,846,637	-	1,846,637
Publications	296,205	-	296,205
Assessment Services	789,507	-	789,507
Professional Development Programs	193,562	-	193,562
Investment Income	540,944	12,921	553,865
Other Income	36,590	-	36,590
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	195,100	(195,100)	-
Satisfaction of Time Restrictions	440,000	(440,000)	-
Total Revenue and Support	<u>4,729,269</u>	<u>(147,179)</u>	<u>4,582,090</u>
EXPENSES			
Program Services:			
Sector Leadership Initiatives	1,294,393	-	1,294,393
Membership Programs	1,244,248	-	1,244,248
Professional Development Programs	165,229	-	165,229
Assessment Services	462,961	-	462,961
Publications	161,637	-	161,637
Total Program Services	<u>3,328,468</u>	<u>-</u>	<u>3,328,468</u>
Supporting Services:			
General and Administrative	1,275,790	-	1,275,790
Development	270,790	-	270,790
Total Supporting Services	<u>1,546,580</u>	<u>-</u>	<u>1,546,580</u>
Total Expenses	<u>4,875,048</u>	<u>-</u>	<u>4,875,048</u>
CHANGE IN NET ASSETS	(145,779)	(147,179)	(292,958)
Net Assets - Beginning of Year	<u>7,493,571</u>	<u>680,737</u>	<u>8,174,308</u>
NET ASSETS - END OF YEAR	<u>\$ 7,347,792</u>	<u>\$ 533,558</u>	<u>\$ 7,881,350</u>

See accompanying Notes to Financial Statements.

**BOARDSOURCE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and Contributions	\$ 459,558	\$ 260,000	\$ 719,558
Donated Advertising Services	105,322	-	105,322
Membership Programs	1,675,968	-	1,675,968
Publications	351,247	-	351,247
Assessment Services	752,744	-	752,744
Professional Development Programs	302,041	-	302,041
Investment Loss	(277,395)	(19,035)	(296,430)
Other Income	14,492	-	14,492
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	194,000	(194,000)	-
Satisfaction of Time Restrictions	140,000	(140,000)	-
Total Revenue and Support	3,717,977	(93,035)	3,624,942
EXPENSES			
Program Services:			
Sector Leadership Initiatives	772,154	-	772,154
Membership Programs	1,073,849	-	1,073,849
Professional Development Programs	244,292	-	244,292
Assessment Services	429,245	-	429,245
Publications	145,376	-	145,376
Total Program Services	2,664,916	-	2,664,916
Supporting Services:			
General and Administrative	1,095,348	-	1,095,348
Development	419,157	-	419,157
Total Supporting Services	1,514,505	-	1,514,505
Total Expenses	4,179,421	-	4,179,421
CHANGE IN NET ASSETS	(461,444)	(93,035)	(554,479)
Net Assets - Beginning of Year	7,955,015	773,772	8,728,787
NET ASSETS - END OF YEAR	\$ 7,493,571	\$ 680,737	\$ 8,174,308

See accompanying Notes to Financial Statements.

**BOARDSOURCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023**

	Program Activities						Supporting Activities			Total Expenses
	Sector	Membership Programs	Professional	Assessment	Publications	Total	General and Administrative	Development	Total	
	Leadership Initiatives		Development Programs	Services						
Salaries and Benefits	\$ 789,802	\$ 655,023	\$ 78,926	\$ 241,667	\$ 45,558	\$ 1,810,976	\$ 851,110	\$ 173,330	\$ 1,024,440	\$ 2,835,416
Other Expenses	203,498	176,660	22,622	147,611	9,857	560,248	153,017	43,736	196,753	757,001
Consultants and Professional Services	159,466	272,816	40,489	24,591	5,661	503,023	102,928	17,734	120,662	623,685
Occupancy Expenses	107,330	88,419	10,660	32,600	6,206	245,215	96,341	23,510	119,851	365,066
Banking and Investment Advisory Fees	5,854	27,595	4,397	10,506	6,007	54,359	54,704	1,282	55,986	110,345
Cost of Goods Sold	-	-	-	-	70,236	70,236	-	-	-	70,236
Depreciation and Amortization	15,943	13,134	1,583	4,843	922	36,425	14,311	3,492	17,803	54,228
Conferences and Meetings	12,500	10,601	6,552	1,143	218	31,014	3,379	7,706	11,085	42,099
Fulfillment Shipping Expenses	-	-	-	-	16,972	16,972	-	-	-	16,972
Total Expenses by Function	\$ 1,294,393	\$ 1,244,248	\$ 165,229	\$ 462,961	\$ 161,637	\$ 3,328,468	\$ 1,275,790	\$ 270,790	\$ 1,546,580	\$ 4,875,048

See accompanying Notes to Financial Statements.

**BOARDSOURCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	Program Activities						Supporting Activities			Total Expenses
	Sector Leadership Initiatives	Membership Programs	Professional Development Programs	Assessment Services	Publications	Total	General and Administrative	Development	Total	
	Salaries and Benefits	\$ 450,982	\$ 539,393	\$ 74,351	\$ 206,069	\$ 24,989	\$ 1,295,784	\$ 667,783	\$ 256,695	
Other Expenses	144,744	190,777	32,147	139,313	6,382	513,363	167,145	70,341	237,486	750,849
Consultants and Professional Services	78,969	198,629	58,033	30,238	3,623	369,492	121,597	37,436	159,033	528,525
Occupancy Expenses	73,384	89,777	12,340	34,428	4,126	214,055	109,200	41,840	151,040	365,095
Conferences and Meetings	9,094	13,526	58,690	2,311	277	83,898	7,330	4,304	11,634	95,532
Cost of Goods Sold	-	-	-	-	77,697	77,697	-	-	-	77,697
Depreciation and Amortization	12,394	15,162	2,084	5,815	697	36,152	18,443	7,066	25,509	61,661
Credit Card Processing Fees	2,587	26,585	6,647	11,071	5,817	52,707	3,850	1,475	5,325	58,032
Fulfillment Shipping Expenses	-	-	-	-	21,768	21,768	-	-	-	21,768
Total Expenses by Function	\$ 772,154	\$ 1,073,849	\$ 244,292	\$ 429,245	\$ 145,376	\$ 2,664,916	\$ 1,095,348	\$ 419,157	\$ 1,514,505	\$ 4,179,421

See accompanying Notes to Financial Statements.

**BOARDSOURCE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (292,958)	\$ (554,479)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Depreciation and Amortization	54,228	61,661
Loss on Disposition of Property and Equipment	-	5,976
Amortization of Right-of-Use Asset - Operating	366,051	361,898
Amortization of Right-of-Use Asset - Finance	2,989	2,989
Net Unrealized and Realized (Gain) on Investments	(311,220)	362,027
Changes in Assets and Liabilities:		
Accounts Receivable	32,142	(78,857)
Grants Receivable	4,650	198,850
Inventory	33,819	52,422
Prepaid Expenses	(30,843)	(4,016)
Accounts Payable and Accrued Expenses	64,644	(121,293)
Deferred Revenue	(109,798)	99,358
Deferred Rent	-	(185,701)
Lease Liability - Operating Leases	(407,098)	(216,048)
Net Cash Used by Operating Activities	(593,394)	(15,213)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(4,526,431)	(52,199)
Proceeds from Sales of Investments	871,469	-
Purchases of Property and Equipment	(63,375)	(531,250)
Net Cash Used by Investing Activities	(3,718,337)	(583,449)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Principal on Finance Leases	(3,478)	(3,478)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,315,209)	(602,140)
Cash and Cash Equivalents - Beginning of Year	5,182,112	5,784,252
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 866,903	\$ 5,182,112

See accompanying Notes to Financial Statements.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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 12 months or less to be cash equivalents.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable consist of amounts due to BoardSource from organizational memberships and assessment services. The carrying amount of accounts receivable is reduced by a valuation allowance for credit losses that reflects management's best estimate of amounts that will not be collected. The expected credit losses is based on management's assessment of the collectability of specific accounts, aging of the receivable, historical collection experience, and the current and expected economic environment, and BoardSource's assessment of specific risks associated with each customer. BoardSource's estimate of the expected credit losses is subject to inherent uncertainty, and actual losses could differ from estimates. BoardSource reviews its estimate of expected credit losses on a regular basis and adjusts as necessary based on changes in economic conditions, customer creditworthiness, and other factors. All accounts or portions thereof deemed to be uncollectible are written off. The allowance for credit losses is \$5,016 for December 31, 2023 and 2022.

Grants Receivable

Grants receivable represent amounts due from foundations. For the year ended December 31, 2023, \$178,500 are due within one year with the remaining \$25,000 due in 2025. For the year ended, December 31, 2022, \$208,150 was due within one year. All amounts were considered fully collectible for both years ended December 31, 2023 and 2022.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of equity and fixed income mutual funds and are valued at fair value in the accompanying financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales are reflected on a trade date basis. All transactions that have not been settled or completed, but for which a receivable or an obligation exists, are reflected as investments in the accompanying statements of financial position. Investment income and realized gains and losses on sales of investments are computed on an average cost method, are recorded on the trade date of the transaction, and are included in investment income in the accompanying statements of activities.

Inventory

Inventory, which consists principally of 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.

Leases

BoardSource leases office space and equipment. BoardSource determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating ROU lease liabilities on the statements of financial position. Finance leases are included in financing lease ROU assets and financing ROU lease liabilities on the statements of financial position.

ROU assets represent BoardSource's right to use an underlying asset for the lease term and lease liabilities represent BoardSource's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, BoardSource uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that BoardSource will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. BoardSource has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the statements of financial position.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

BoardSource has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

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.

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.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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 \$309,000 and \$302,500 in assessments which are included as part of the membership services for the years ended December 31, 2023 and 2022, respectively.

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.

Donated advertising services are recognized when the advertising expense is incurred.

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 BoardSource presented in the statements 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.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

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 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.

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 (IRS) 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.

Recently Adopted New Accounting Standards

BoardSource has adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. BoardSource adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on BoardSource’s financial statements but did change how the allowance for credit losses is determined.

Subsequent Events

In preparing these financial statements, BoardSource has evaluated events and transactions for potential recognition or disclosure through April 24, 2024, the date the financial statements were available to be issued.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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.

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>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 866,903	\$ 5,182,112
Accounts Receivable, Net	114,780	146,922
Grants Receivable	203,500	208,150
Investments	7,162,779	3,196,615
Less: Donor Restrictions	<u>(533,558)</u>	<u>(680,737)</u>
Total	<u>\$ 7,814,404</u>	<u>\$ 8,053,062</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.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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.

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, 2023 and 2022.

Equity and Fixed Income Mutual Funds – valued using quoted prices for identical assets in active markets on a daily basis.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 INVESTMENTS (CONTINUED)

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

	2023			Total
	Level 1	Level 2	Level 3	
Exchange Traded Funds	\$ 1,139,634	\$ -	\$ -	\$ 1,139,634
Fixed Income Mutual Funds	6,023,145	-	-	6,023,145
Total	<u>\$ 7,162,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,162,779</u>

	2022			Total
	Level 1	Level 2	Level 3	
Fixed Income Mutual Funds	\$ 1,949,267	\$ -	\$ -	\$ 1,949,267
Equity Mutual Funds	1,247,348	-	-	1,247,348
Total	<u>\$ 3,196,615</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,196,615</u>

NOTE 5 CONTRACT ASSETS AND CONTRACT LIABILITIES

The beginning and ending contract balances as of December 31:

	2023	2022	2021
Accounts Receivable:			
Consulting Services	\$ -	\$ -	\$ 600
Membership Programs	116,450	142,378	65,500
Assessments	3,346	3,345	766
Training and Other	-	6,215	6,215
Subtotal	119,796	151,938	73,081
Less: Allowance for Doubtful Accounts	(5,016)	(5,016)	(5,016)
Total Accounts Receivable, Net	<u>\$ 114,780</u>	<u>\$ 146,922</u>	<u>\$ 68,065</u>
Deferred Revenue:			
Consulting Services	\$ 38,417	\$ 65,834	\$ 75,353
Membership Programs	845,436	867,998	714,062
Assessments	151,949	114,117	71,204
Training	-	81,876	24,565
Customer Credits and Other	84,812	100,587	245,870
Total Deferred Revenue	<u>\$ 1,120,614</u>	<u>\$ 1,230,412</u>	<u>\$ 1,131,054</u>

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 6 PROPERTY AND EQUIPMENT

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

	2023	2022
Computer Software	\$ 1,227,217	\$ 1,163,842
Less: Accumulated Depreciation and Amortization	(551,251)	(497,023)
Property and Equipment, Net	\$ 675,966	\$ 666,819

Depreciation and amortization expense totaled \$54,228 and \$61,661 for the years ended December 31, 2023 and 2022, respectively.

NOTE 7 RISKS AND COMMITMENTS

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 8 LEASES

BoardSource entered into a noncancellable lease agreement for 15,840 square feet 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 lease terms were renegotiated in 2020 and effective December 31, 2020, BoardSource relocated to new space (5,943 square feet) 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.

The following tables provide quantitative information concerning the BoardSource's leases:

	2023	2022
Lease Costs:		
Finance Lease Costs:		
Amortization of Right-of-Use-Assets	\$ -	\$ 2,989
Interest on Lease Liabilities	-	432
Operating Lease Costs	377,281	377,281
Total Lease Costs	\$ 377,281	\$ 380,702

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 8 LEASES (CONTINUED)

	2023	2022
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Financing Leases	\$ -	\$ 432
Operating Cash Flows from Operating Leases	418,328	408,165
Financing Cash Flows from Financing Leases	-	3,222
Weighted-Average Remaining Lease Term:		
Financing Leases	N/A	1.0 Years
Operating Leases	2.0 Years	3.0 Years
Weighted-Average Discount Rate:		
Financing Leases	N/A	8.20%
Operating Leases	1.04%	1.04%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2023, is as follows:

Year Ending December 31,	Operating Leases
2024	\$ 428,787
2025	439,544
Total Lease Payments	868,331
Less: Interest	(9,392)
Present Value of Lease Liabilities	\$ 858,939

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specific Time and Purpose: Sector Leadership Initiatives and Other Programs	\$ 30,843	\$ 225,944
Subject to Expenditure for Specific Time: Sector Leadership Initiatives and Other Programs	175,000	140,000
Subject to BoardSource's Spending Policy and Appropriation: Investment in Perpetuity (Including Amounts Above Original Gift Amount of \$116,314 in 2023 and \$103,393 in 2022), the Income from Which is Expendable to Support the Judith O'Connor Memorial Fund for Scholarships Awarded	<u>327,715</u>	<u>314,793</u>
Total Net Assets with Donor Restrictions	<u>\$ 533,558</u>	<u>\$ 680,737</u>

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>December 31, 2023</u>			
Donor-Restricted	\$ -	\$ 327,714	\$ 327,714
Board-Designated	29,071	-	29,071
Total	<u>\$ 29,071</u>	<u>\$ 327,714</u>	<u>\$ 356,785</u>
 <u>December 31, 2022</u>			
Donor-Restricted	\$ -	\$ 314,793	\$ 314,793
Board-Designated	29,071	-	29,071
Total	<u>\$ 29,071</u>	<u>\$ 314,793</u>	<u>\$ 343,864</u>

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

Interpretation of Relevant Law (Continued)

For the years ended December 31, 2023 and 2022, the endowment funds had the following activity:

December 31, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 29,071	\$ 314,793	\$ 343,864
Investment Return:			
Net Investment Income	-	5,761	5,761
Net Appreciation (Realized and Unrealized)	-	7,160	7,160
Total Investment Return	-	12,921	12,921
Endowment Net Assets - End of Year	<u>\$ 29,071</u>	<u>\$ 327,714</u>	<u>\$ 356,785</u>
December 31, 2022			
Endowment Net Assets - Beginning of Year	\$ 29,071	\$ 333,828	\$ 362,899
Investment Return:			
Net Investment Income	-	3,704	3,704
Net Depreciation (Realized and Unrealized)	-	(22,739)	(22,739)
Total Investment Return	-	(19,035)	(19,035)
Endowment Net Assets - End of Year	<u>\$ 29,071</u>	<u>\$ 314,793</u>	<u>\$ 343,864</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, 2023 and 2022.

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, 2023 AND 2022**

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 0% and 20% in equity mutual funds and between 80% and 100% 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 DONATED SERVICES

For the years ended December 31, 2023 and 2022, respectively, BoardSource received \$109,401 and \$105,332 in donated advertising services from Google, that would typically be purchased if not provided as an in-kind contribution. These services, which require specialized skills are recognized as in-kind contributions at fair value when the pledge is made and are expensed when the services are rendered. The estimate fair value of these professional services is provided by the service provider, who estimates the fair value based on the quantifiable data and metrics obtained from website traffic.

NOTE 12 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 \$68,297 and \$51,281 for the years ended December 31, 2023 and 2022, respectively.



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