

BOARDSOURCE
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023



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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, 2024 and 2023, 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, 2024 and 2023, 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 18, 2025

BOARDSOURCE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and Cash Equivalents	\$ 299,648	\$ 866,903
Investments	6,613,452	7,162,779
Accounts Receivable, Net	47,804	114,780
Grants Receivable	419,980	203,500
Inventory, Net	70,278	58,392
Prepaid Expenses	335,789	214,278
Deposit	69,960	69,960
Right-of-Use Assets - Operating Leases	374,815	745,170
Property and Equipment, Net	<u>752,208</u>	<u>675,966</u>
Total Assets	<u><u>\$ 8,983,934</u></u>	<u><u>\$ 10,111,728</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 255,469	\$ 250,824
Deferred Revenue	1,198,796	1,120,614
Lease Liability - Operating Leases	<u>437,078</u>	<u>858,940</u>
Total Liabilities	1,891,343	2,230,378
NET ASSETS		
Without Donor Restrictions	6,287,645	7,347,792
With Donor Restrictions	<u>804,946</u>	<u>533,558</u>
Total Net Assets	<u>7,092,591</u>	<u>7,881,350</u>
Total Liabilities and Net Assets	<u><u>\$ 8,983,934</u></u>	<u><u>\$ 10,111,728</u></u>

See accompanying Notes to Financial Statements.

**BOARDSOURCE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Membership Programs	\$ 1,627,842	\$ -	\$ 1,627,842
Grants and Contributions	373,317	655,000	1,028,317
Assessment Services	650,026	-	650,026
Investment Income	443,246	10,456	453,702
Publications	257,159	-	257,159
Professional Development Programs	176,246	-	176,246
Donated Advertising Services	105,970	-	105,970
Other Income	3,739	-	3,739
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	77,400	(77,400)	-
Satisfaction of Time Restrictions	316,668	(316,668)	-
Total Revenue and Support	<u>4,031,613</u>	<u>271,388</u>	<u>4,303,001</u>
EXPENSES			
Program Services:			
Fee for Service	1,980,202	-	1,980,202
Thought Leadership	<u>1,664,378</u>	<u>-</u>	<u>1,664,378</u>
Total Program Services	<u>3,644,580</u>	<u>-</u>	<u>3,644,580</u>
Supporting Services:			
General and Administrative	1,104,322	-	1,104,322
Development	<u>342,858</u>	<u>-</u>	<u>342,858</u>
Total Supporting Services	<u>1,447,180</u>	<u>-</u>	<u>1,447,180</u>
Total Expenses	<u>5,091,760</u>	<u>-</u>	<u>5,091,760</u>
CHANGE IN NET ASSETS	(1,060,147)	271,388	(788,759)
Net Assets - Beginning of Year	<u>7,347,792</u>	<u>533,558</u>	<u>7,881,350</u>
NET ASSETS - END OF YEAR	<u>\$ 6,287,645</u>	<u>\$ 804,946</u>	<u>\$ 7,092,591</u>

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Membership Programs	\$ 1,846,637	\$ -	\$ 1,846,637
Grants and Contributions	281,323	475,000	756,323
Assessment Services	789,507	-	789,507
Investment Income	540,944	12,921	553,865
Publications	296,205	-	296,205
Professional Development Programs	193,562	-	193,562
Donated Advertising Services	109,401	-	109,401
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:			
Fee for Service	2,034,075	-	2,034,075
Thought Leadership	1,294,393	-	1,294,393
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><u>\$ 7,347,792</u></u>	<u><u>\$ 533,558</u></u>	<u><u>\$ 7,881,350</u></u>

See accompanying Notes to Financial Statements.

**BOARDSOURCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024**

	Program Activities			Supporting Activities			Total Expenses
	Fee for Service	Thought Leadership	Total	General and Administrative	Development	Total	
Salaries and Benefits	\$ 1,086,265	\$ 967,911	2,054,176	\$ 611,167	\$ 224,054	\$ 835,221	\$ 2,889,397
Technology and Other Expenses	374,178	245,017	619,195	221,409	49,281	270,690	889,885
Consultants and Professional Services	304,716	200,851	505,567	115,390	27,959	143,349	648,916
Occupancy Expenses	140,423	128,347	268,770	77,579	29,768	107,347	376,117
Conferences and Meetings	8,315	94,556	102,871	4,594	5,373	9,967	112,838
Banking and Investment Advisory Fees	42,750	6,167	48,917	61,169	1,430	62,599	111,516
Depreciation and Amortization	23,555	21,529	45,084	13,014	4,993	18,007	63,091
Total Expenses by Function	<u>\$ 1,980,202</u>	<u>\$ 1,664,378</u>	<u>\$ 3,644,580</u>	<u>\$ 1,104,322</u>	<u>\$ 342,858</u>	<u>\$ 1,447,180</u>	<u>\$ 5,091,760</u>

See accompanying Notes to Financial Statements.

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

	Program Activities			Supporting Activities			Total Expenses
	Fee for Service	Thought Leadership	Total	General and Administrative	Development	Total	
Salaries and Benefits	\$ 1,021,174	\$ 789,802	1,810,976	\$ 851,110	\$ 173,330	\$ 1,024,440	\$ 2,835,416
Technology and Other Expenses	443,958	203,498	647,456	153,017	43,736	196,753	844,209
Consultants and Professional Services	343,557	159,466	503,023	102,928	17,734	120,662	623,685
Occupancy Expenses	137,885	107,330	245,215	96,341	23,510	119,851	365,066
Banking and Investment Advisory Fees	48,505	5,854	54,359	54,704	1,282	55,986	110,345
Depreciation and Amortization	20,482	15,943	36,425	14,311	3,492	17,803	54,228
Conferences and Meetings	18,514	12,500	31,014	3,379	7,706	11,085	42,099
Total Expenses by Function	<u>\$ 2,034,075</u>	<u>\$ 1,294,393</u>	<u>\$ 3,328,468</u>	<u>\$ 1,275,790</u>	<u>\$ 270,790</u>	<u>\$ 1,546,580</u>	<u>\$ 4,875,048</u>

See accompanying Notes to Financial Statements.

BOARDSOURCE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (788,759)	\$ (292,958)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Depreciation and Amortization	63,091	54,228
Amortization of Right-of-Use Asset - Operating	370,355	366,051
Amortization of Right-of-Use Asset - Finance	-	2,989
Net Unrealized and Realized Gain on Investments	(125,190)	(311,220)
Changes in Assets and Liabilities:		
Accounts Receivable	66,976	32,142
Grants Receivable	(216,480)	4,650
Inventory	(11,886)	33,819
Prepaid Expenses	(121,511)	(30,843)
Accounts Payable and Accrued Expenses	4,645	64,644
Deferred Revenue	78,182	(109,798)
Lease Liability - Operating Leases	(421,862)	(407,098)
Net Cash Used by Operating Activities	<u>(1,102,439)</u>	<u>(593,394)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,211,156)	(4,526,431)
Proceeds from Sales of Investments	1,885,673	871,469
Purchases of Property and Equipment	(139,333)	(63,375)
Net Cash Provided (Used) by Investing Activities	<u>535,184</u>	<u>(3,718,337)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Principal on Finance Leases	<u>-</u>	<u>(3,478)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(567,255)	(4,315,209)
Cash and Cash Equivalents - Beginning of Year	<u>866,903</u>	<u>5,182,112</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 299,648</u></u>	<u><u>\$ 866,903</u></u>

See accompanying Notes to Financial Statements.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

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, 2024 and 2023.

Grants Receivable

Grants receivable represent amounts due from foundations. For the year ended December 31, 2024, \$253,314 is due within one year and \$166,666 is due within one to five years. For the year ended, December 31, 2023, \$178,500 was due within one year and \$25,000 is due within one to five years. All amounts were considered fully collectible for both years ended December 31, 2024 and 2023.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of exchange traded funds and fixed income mutual funds and are valued at fair value in the accompanying financial statements. 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. Inventory is presented net of reserves of \$67,000 and \$65,000 as of December 31, 2024 and 2023, respectively.

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 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, 2024 AND 2023**

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.

Contribution Revenue

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.

Donated advertising services are recorded in in-kind contributions and are recognized when the advertising expense is incurred.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fee for Service Revenues

Membership programs are on an anniversary-date basis and are recognized over-time or ratably over the membership period since there are no distinct performance obligations and the general member benefits are considered bundled 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.

Included in deferred revenue in the statements of financial position are membership dues including board matching funds, received in advance of \$789,914 and \$845,436 as of December 31, 2024 and 2023, respectively.

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 time as access to BoardSource's membership data is provided. Revenue sharing is received quarterly.

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 \$269,000 and \$309,000 in assessments which are included as part of the membership services for the years ended December 31, 2024 and 2023, respectively. Included in deferred revenue in the statements of financial position are assessment fees received in advance of \$225,945 and \$151,949 as of December 31, 2024 and 2023, 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.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

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 BoardSource presented in the statements of functional expenses:

Fee for Service – BoardSource program offerings include membership, publications, trainings, and assessment services. The costs of maintaining these programs, including core membership programs, allows member boards access to annual board self-assessment and unlimited access to on-demand certificate of nonprofit board education and email-based technical assistance. BoardSource’s assessment services help organizations identify core issues in their Board performance and development.

Thought Leadership – 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.

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 (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.

Subsequent Events

In preparing these financial statements, BoardSource has evaluated events and transactions for potential recognition or disclosure through March 18, 2025, the date the financial statements were available to be issued.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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:

	2024	2023
Cash and Cash Equivalents	\$ 299,648	\$ 866,903
Accounts Receivable, Net	47,804	114,780
Grants Receivable	419,980	203,500
Investments	6,613,452	7,162,779
Less: Donor Restrictions	(804,946)	(533,558)
Total	<u>\$ 6,575,938</u>	<u>\$ 7,814,404</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, 2024 AND 2023

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENT

BoardSource accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. BoardSource accounts for certain financial assets and liabilities at fair value under various accounting literature.

BoardSource has categorized its financial instruments, namely investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that BoardSource has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include among others, quoted prices for similar assets or liabilities in active or nonactive markets.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The tables below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31:

2024				
	Level 1	Level 2	Level 3	Total
Exchange Traded Funds	\$ 1,116,167	\$ -	\$ -	\$ 1,116,167
Fixed Income Mutual Funds	5,497,285	-	-	5,497,285
Total	<u>\$ 6,613,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,613,452</u>
2023				
	Level 1	Level 2	Level 3	Total
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>

Exchange Traded Funds and Fixed Income Mutual Funds are valued using quoted prices for identical assets in active markets on a daily basis. There have been no changes in methodologies used at December 31, 2024 and 2023.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 5 CONTRACT ASSETS AND CONTRACT LIABILITIES

The beginning and ending contract balances as of December 31 consisted of the following:

	2024	2023
Accounts Receivable:		
Membership Programs	\$ 47,500	\$ 116,450
Assessments	1,500	3,346
Training and Other	3,820	-
Subtotal	52,820	119,796
Less: Allowance for Doubtful Accounts	(5,016)	(5,016)
Total Accounts Receivable, Net	<u>\$ 47,804</u>	<u>\$ 114,780</u>
Deferred Revenue:		
Consulting Services	\$ 38,417	\$ 38,417
Membership Programs	789,914	845,436
Assessments	225,945	151,949
Customer Credits and Other	144,520	84,812
Total Deferred Revenue	<u>\$ 1,198,796</u>	<u>\$ 1,120,614</u>

NOTE 6 PROPERTY AND EQUIPMENT

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

	2024	2023
Computer Software	\$ 1,297,130	\$ 1,227,217
Less: Accumulated Depreciation and Amortization	(544,922)	(551,251)
Property and Equipment, Net	<u>\$ 752,208</u>	<u>\$ 675,966</u>

Depreciation and amortization expense totaled \$63,091 and \$54,228 for the years ended December 31, 2024 and 2023, 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.

Hotel Commitments

BoardSource has entered into agreements with Loews Hotels and Co for meeting facilities, catering, and accommodations for conferences in 2025. The agreements contain a clause whereby BoardSource is liable for liquidated damages in the event of cancellation.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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 as of and for the year ending December 31:

	<u>2024</u>	<u>2023</u>
Lease Costs:		
Operating Lease Costs	<u>377,281</u>	<u>377,281</u>
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	\$ 428,787	\$ 418,328
Weighted-Average Remaining Lease Term:		
Operating Leases	1.0 Year	2.0 Years
Weighted-Average Discount Rate:		
Operating Leases	1.04%	1.04%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2024, is as follows:

<u>Year Ending December 31,</u>	<u>Operating</u>
<u>2025</u>	<u>Leases</u>
	\$ 439,544
Less: Interest	(2,466)
Present Value of Lease Liabilities	<u>\$ 437,078</u>

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

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

	2024	2023
Subject to Expenditure for Specific Time and Purpose:		
Sector Leadership Initiatives and Other Programs	\$ 108,443	\$ 30,844
Subject to Expenditure for Specific Time:		
Sector Leadership Initiatives and Other Programs	358,333	175,000
Subject to BoardSource's Spending Policy and Appropriation:		
Investment in Perpetuity (Including Amounts Above Original Gift Amount of \$126,771 in 2024 and \$116,314 in 2023), the Income from Which is Expendable to Support the Judith O'Connor Memorial Fund for Scholarships Awarded	338,170	327,714
Total Net Assets with Donor Restrictions	<u>\$ 804,946</u>	<u>\$ 533,558</u>

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.

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.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

In accordance with UPMIFA, BoardSource considers the following factors in making a determination to appropriated or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of BoardSource and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of BoardSource
- The investment policies of BoardSource

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.

Investment Objectives, Risk Parameters and Strategies

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.

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.

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, 2024 and 2023.

BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

Change in Endowment Net Assets

Changes in endowment net assets were as follows for the year ended December 31, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 29,071	\$ 327,714	\$ 356,785
Investment Return:			
Net Investment Income	-	8,132	8,132
Net Appreciation (Realized and Unrealized)	-	2,324	2,324
Total Investment Return	-	10,456	10,456
Release from Restrictions	-	-	-
Endowment Net Assets - End of Year	<u>\$ 29,071</u>	<u>\$ 338,170</u>	<u>\$ 367,241</u>

Changes in endowment net assets were as follows for the year ended 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
Release from Restrictions	-	-	-
Endowment Net Assets - End of Year	<u>\$ 29,071</u>	<u>\$ 327,714</u>	<u>\$ 356,785</u>

NOTE 11 DONATED SERVICES

For the years ended December 31, 2024 and 2023, respectively, BoardSource received \$105,970 and \$109,401 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.

**BOARDSOURCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

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 \$76,401 and \$68,297 for the years ended December 31, 2024 and 2023, respectively.



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