

OFFICE COPY

**Association of Black Foundation Executives, Inc.**

Financial Statements

December 31, 2012

## Independent Auditors' Report

Board of Directors  
Association of Black Foundation Executives, Inc.

We have audited the accompanying financial statements of the Association of Black Foundation Executives, Inc. (the "Association") which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Board of Directors  
Association of Black Foundation Executives, Inc.  
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*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association of Black Foundation Executives, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Report on Summarized Comparative Information*

We have previously audited Association of Black Foundation Executives, Inc.'s December 31, 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 30, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*O'Connor Davies, LLP*

November 4, 2013

Association of Black Foundation Executives, Inc.

Statement of Financial Position

December 31, 2012

(with comparative amounts at December 31, 2011)

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 900,285	\$ 1,074,188
Contributions and pledges receivable, net	854,702	1,208,574
Prepaid expenses and other assets	7,672	4,902
Furniture and fixtures, net of accumulated depreciation of \$74,946 and \$58,482	<u>14,816</u>	<u>31,279</u>
	<u>\$ 1,777,475</u>	<u>\$ 2,318,943</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 75,023	\$ 62,551
Deferred revenue	<u>66,300</u>	<u>35,833</u>
Total Liabilities	<u>141,323</u>	<u>98,384</u>
 Net Assets		
Unrestricted	365,589	279,089
Temporarily restricted	<u>1,270,563</u>	<u>1,941,470</u>
Total Net Assets	<u>1,636,152</u>	<u>2,220,559</u>
	<u>\$ 1,777,475</u>	<u>\$ 2,318,943</u>

See notes to financial statements

Association of Black Foundation Executives, Inc.

Statement of Activities  
 Year Ended December 31, 2012  
 (with summarized comparative totals for 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 268,702	\$ 387,626	\$ 656,328	\$ 2,679,207
Membership and other fees	112,083	-	112,083	146,026
Interest and dividends	2,157	-	2,157	3,626
Net assets released from restrictions	<u>1,058,533</u>	<u>(1,058,533)</u>	-	-
Total Support and Revenue	<u>1,441,475</u>	<u>(670,907)</u>	<u>770,568</u>	<u>2,828,859</u>
<b>EXPENSES</b>				
Program services	903,029	-	903,029	653,737
Management and general	208,032	-	208,032	147,084
Fundraising	<u>243,914</u>	-	<u>243,914</u>	<u>176,318</u>
Total Expenses	<u>1,354,975</u>	-	<u>1,354,975</u>	<u>977,139</u>
Change in Net Assets	86,500	(670,907)	(584,407)	1,851,720
<b>NET ASSETS</b>				
Beginning of year	<u>279,089</u>	<u>1,941,470</u>	<u>2,220,559</u>	<u>368,839</u>
End of year	<u>\$ 365,589</u>	<u>\$ 1,270,563</u>	<u>\$ 1,636,152</u>	<u>\$ 2,220,559</u>

Association of Black Foundation Executives, Inc.

Statement of Functional Expenses  
 Year Ended December 31, 2012  
 (with summarized comparative totals for 2011)

	2012			2011
	Program Services	Management and General	Fundraising	
Personnel				
Salaries and wages	\$ 319,652	\$ 74,121	\$ 86,907	\$ 480,680
Payroll taxes and employee benefits	65,165	15,111	17,717	97,993
Total personnel expense	384,817	89,232	104,624	578,673
Professional fees	243,960	56,570	66,328	366,858
Office supplies and expenses	7,609	1,764	2,069	11,442
Occupancy	41,663	9,661	11,327	62,651
Organization meetings and travel	182,629	42,348	49,653	274,630
Insurance	3,737	867	1,016	5,620
Staff development	599	139	163	901
Telephone and answering machines	10,823	2,510	2,943	16,276
Printing and publication	2,679	621	728	4,028
Postage and shipping	1,891	439	514	2,844
Repairs and maintenance	897	208	244	1,349
Interest	-	-	-	-
Honararia and grants	5,894	-	-	5,894
Miscellaneous	4,884	1,132	1,328	7,344
Total Expenses Before Depreciation	892,082	205,491	240,937	1,338,510
Depreciation	10,947	2,541	2,977	16,465
Total Expenses	\$ 903,029	\$ 208,032	\$ 243,914	\$ 1,354,975
				\$ 456,233
				100,607
				556,840
				161,618
				1,858
				69,740
				131,048
				6,736
				-
				15,848
				-
				1,470
				-
				4,210
				-
				11,309
				960,677
				16,462

See notes to financial statements

**Association of Black Foundation Executives, Inc.**

Statement of Cash Flows  
Year Ended December 31, 2012  
(with comparative amounts for 2011)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (584,407)	\$ 1,851,720
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	16,465	16,462
Changes in operating assets and liabilities		
Contributions and pledges receivable	353,872	(1,108,574)
Prepaid expenses	(2,770)	1,639
Accounts payable and accrued expenses	12,472	20,639
Deferred revenue	30,467	(2,917)
Net Cash from Operating Activities	(173,901)	778,969
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of line of credit	-	(50,000)
Net Cash from Financing Activities	-	(50,000)
Net Change in Cash and Cash Equivalents	(173,901)	728,969
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	1,074,188	345,219
End of year	\$ 900,287	\$ 1,074,188
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ -	\$ 4,210

See notes to financial statements

## Association of Black Foundation Executives, Inc.

Notes to Financial Statements  
December 31, 2012

### 1. Organization

The Association of Black Foundation Executives, Inc. (the Association) was incorporated as a not-for-profit organization in 1971 under the laws of the State of Indiana.

The Association is a membership organization of men and women who are on the staff or boards of corporate and foundation grant making organizations. The Association was established to:

- Encourage increased grant making that addresses issues and problems facing African Americans.
- Promote the status and number of African Americans as grant making professionals.
- Help corporations and foundations improve their performance in supporting efforts of African Americans to address social, economic, and educational problems.
- Assist its members in doing their jobs more effectively.

The Association is substantially funded through grant awards, institutional and individual membership dues and registration fees. Its primary service is to promote sustainable philanthropy in Black communities and encourage Black leadership and participation within organized philanthropy.

The Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and is classified as other than a private foundation.

### 2. Summary of Significant Accounting Policies

#### ***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include highly liquid investments with maturities of three months or less at the time of purchase.

#### ***Promises to Give***

Unconditional promises to give are recognized as revenues when pledged. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.



Association of Black Foundation Executives, Inc.

Notes to Financial Statements  
December 31, 2012

2. Summary of Significant Accounting Policies (*continued*)

*Promises to Give (continued)*

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates applicable to the years in which the promises are received and consider market and credit risk as applicable. Amortization of the discount is included in contribution revenue over the life of the pledge.

*Furniture and Fixtures*

Furniture and fixtures are stated at cost less accumulated depreciation. Donated assets are stated at the fair value of the asset at the time of gift. Depreciation is computed using the straight-line method over the estimated useful life of 5 years.

*Net Asset Presentation*

Net assets and revenues are classified based on the existence or absence of donor imposed restrictions. Unrestricted amounts are those currently available at the discretion of the board for use in the Association's operations. Temporarily restricted amounts are those which are stipulated by donors for specific purposes or time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted amounts result from contributions and other inflows of assets whose use by the Association is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Association. At December 31, 2012, there were no permanently restricted net assets.

*Support Recognition*

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*In-Kind Contributions*

Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services that do not meet the above criteria are not recognized.

*Functional Allocation of Expenses*

The cost of providing program and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between programs and other activities.

Association of Black Foundation Executives, Inc.

Notes to Financial Statements  
December 31, 2012

2. Summary of Significant Accounting Policies (*continued*)

***Comparative Financial Statements***

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP.

***Accounting for Uncertainty in Income Taxes***

The Association recognizes the effect of tax positions when they are more likely than not to be sustained. Management is not aware of any violations of its tax status as an organization exempt from income tax, nor of any exposure to unrelated business income tax that would require disclosure and/or recognition. The Association is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2009.

***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 4, 2013.

***Reclassification***

Certain amounts in 2011 have been reclassified to conform to the 2012 presentation.

3. Concentration of Credit Risk

The Association's financial instruments that are potentially exposed to concentration of credit risk consist of cash and cash equivalents and contributions receivables. The Association places its cash and cash equivalents with quality financial institutions in the United States. At times, cash balances may be in excess of FDIC insurance limits. The Association routinely assesses the financial strength of its cash and cash equivalents. As a consequence, concentrations of credit risk are limited. Concentrations of credit risk with respect to contributions receivables are generally diversified due to the large number of entities composing the Association's donor base.

4. Contributions and pledges receivables

Unconditional promises to give are included in the financial statements as contributions and pledges receivables, net of present value discount of 2.9% of expected future cash flows. Management expects contributions and pledges receivable at December 31, to be collected in the following periods:

	2012	2011
In one year or less	\$ 420,090	\$ 380,000
Two to three years	447,216	867,306
	867,306	1,247,306
Less present value discount	(12,604)	(38,732)
	<u>\$ 854,702</u>	<u>\$ 1,208,574</u>

**Association of Black Foundation Executives, Inc.**

Notes to Financial Statements  
December 31, 2012

**5. Line of Credit**

The Association has a \$50,000 line of credit with a local bank that expires February 17, 2014. Borrowings under this line of credit bear interest of 2.9%. The line is secured by the Association's certificate of deposit.

**6. Temporarily Restricted Net Assets**

At December 31, temporarily restricted net assets are available for the following:

	<u>2012</u>	<u>2011</u>
Time restriction	\$ 988,035	\$ 1,603,866
Campaign for Black Men and Boys	-	24,926
Connecting Leaders Fellowship	278,188	312,678
2025 Campaign	4,340	-
	<u>\$ 1,270,563</u>	<u>\$ 1,941,470</u>

Net assets released from restriction for the years ended December 31, consist of the following:

	<u>2012</u>	<u>2011</u>
Time restriction	\$ 691,959	\$ 474,069
Campaign for Black Men and Boys	97,626	105,557
Connecting Leaders Fellowship	104,490	67,651
Development of Roundtables	-	35,400
Anne Casey Foundation Grant	-	435
Meeting and Cosponsorships	-	2,527
Responsive Philanthropy in the Black Community	115,000	-
2025 Campaign	49,458	-
	<u>\$ 1,058,533</u>	<u>\$ 685,639</u>

**7. Pension Plan**

The Association maintains a 401(k) defined contribution pension plan covering eligible employees. The Association matches contributions to the plan with annual contributions of an amount equal to one hundred percent of the elective deferral not exceeding four percent of the participants' compensation. Contributions are made based on approval by the board of directors at the beginning of the year. The Association did not make contributions to the plan in 2012 and 2011.

**Association of Black Foundation Executives, Inc.**

Notes to Financial Statements  
December 31, 2012

**8. Lease Commitment**

The Association has a 7-year lease that expires in December 2016 for its office space. Minimum lease payments are as follows:

2013	\$ 60,300
2014	61,620
2015	63,000
2016	64,440

\* \* \* \* \*