

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

Financial Statements

December 31, 2016

## 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. which comprise the statement of financial position as of December 31, 2016, 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.

***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, 2016, 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 the Association of Black Foundation Executives, Inc.'s December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statement from which it has been derived.

*PKF O'Connor Davies, LLP*

June 8, 2017

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

Statement of Financial Position  
December 31, 2016  
(with comparative amounts at December 31, 2015)

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash	\$ 592,287	\$ 274,103
Investments	300,120	298,200
Contributions and pledges receivable, net	596,993	1,052,264
Other receivables	21,000	49,164
Prepaid expenses and other assets	19,741	17,441
Furniture and equipment, net of accumulated depreciation of \$93,610 and \$90,940	<u>-</u>	<u>2,670</u>
	<u>\$ 1,530,141</u>	<u>\$ 1,693,842</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 110,072	\$ 105,640
Deferred revenue	<u>140,813</u>	<u>122,917</u>
Total Liabilities	<u>250,885</u>	<u>228,557</u>
Net Assets		
Unrestricted	173,242	265,900
Temporarily restricted	<u>1,106,014</u>	<u>1,199,385</u>
Total Net Assets	<u>1,279,256</u>	<u>1,465,285</u>
	<u>\$ 1,530,141</u>	<u>\$ 1,693,842</u>

See notes to financial statements

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

Statement of Activities  
Year Ended December 31, 2016  
(with summarized totals for the year ended December 31, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 379,178	\$ 1,143,254	\$ 1,522,432	\$ 1,861,957
Membership and other fees	662,756	-	662,756	670,243
Interest and dividends	1,919	-	1,919	1,509
Net assets released from restrictions	<u>1,236,625</u>	<u>(1,236,625)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>2,280,478</u>	<u>(93,371)</u>	<u>2,187,107</u>	<u>2,533,709</u>
<b>EXPENSES</b>				
Program services	1,868,285	-	1,868,285	1,753,329
Management and general	322,491	-	322,491	290,628
Fundraising	<u>182,360</u>	<u>-</u>	<u>182,360</u>	<u>201,319</u>
Total Expenses	<u>2,373,136</u>	<u>-</u>	<u>2,373,136</u>	<u>2,245,276</u>
Change in Net Assets	(92,658)	(93,371)	(186,029)	288,433
<b>NET ASSETS</b>				
Beginning of year	<u>265,900</u>	<u>1,199,385</u>	<u>1,465,285</u>	<u>1,176,852</u>
End of year	<u>\$ 173,242</u>	<u>\$ 1,106,014</u>	<u>\$ 1,279,256</u>	<u>\$ 1,465,285</u>

See notes to financial statements

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

Statement of Functional Expenses  
 Year Ended December 31, 2016  
 (with summarized totals for the year ended December 31, 2015)

	2016			2015	
	Program Services	Management and General	Fundraising	Total	Total
Personnel Expenses					
Salaries and wages	\$ 598,215	\$ 131,778	\$ 123,691	\$ 853,684	\$ 745,455
Payroll taxes and employee benefits	137,694	30,790	28,901	197,385	193,546
Total Personnel Expenses	735,909	162,568	152,592	1,051,069	939,001
Professional fees	544,555	101,518	-	646,073	680,390
Office supplies and expenses	1,077	2,628	-	3,705	11,554
Occupancy	46,594	9,874	9,268	65,736	63,613
Organization meetings and travel	408,148	27,725	6,931	442,804	455,852
Insurance	4,617	1,011	949	6,577	5,971
Staff development	379	1,085	514	1,978	21,860
Telephone and answering machines	20,373	4,364	4,096	28,833	24,885
Printing and publication	12,418	1,716	3,365	17,499	13,617
Postage and shipping	3,892	801	752	5,445	5,623
Repairs and maintenance		4,200		4,200	1,056
Bank charges and merchant fees	11,973	4,440	1,174	17,587	11,998
Honoraria and grants	70,000	-	-	70,000	384
Membership dues	2,552	-	2,265	4,817	4,940
Miscellaneous	4,143	-	-	4,143	3,715
Total Expenses Before Deprecation	1,866,630	321,930	181,906	2,370,466	2,244,459
Depreciation	1,655	561	454	2,670	817
 Total Expenses	 <u>\$ 1,868,285</u>	 <u>\$ 322,491</u>	 <u>\$ 182,360</u>	 <u>\$ 2,373,136</u>	 <u>\$ 2,245,276</u>

See notes to financial statements

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

Statement of Cash Flows  
Year Ended December 31, 2016  
(with comparative amounts for the year ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (186,029)	\$ 288,433
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	2,670	817
Discount on pledges receivable	(1,014)	4,244
Changes in operating assets and liabilities		
Contributions and pledges receivable	456,285	(649,500)
Other receivables	28,164	(49,164)
Prepaid expenses and other assets	(2,300)	32,709
Accounts payable and accrued expenses	4,432	14,901
Deferred revenue	17,896	(43,726)
Net Cash from Operating Activities	<u>320,104</u>	<u>(401,286)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	-	(754)
Purchase of investments	<u>(1,920)</u>	<u>(1,490)</u>
Net Cash from Investing Activities	<u>(1,920)</u>	<u>(2,244)</u>
Net Change in Cash	318,184	(403,530)
<b>CASH</b>		
Beginning of year	<u>274,103</u>	<u>677,633</u>
End of year	<u>\$ 592,287</u>	<u>\$ 274,103</u>

See notes to financial statements

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

Notes to Financial Statements  
December 31, 2016

### **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 exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been classified as an organization that is not 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 (US 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 revenue and expenses during the reporting period. Accordingly actual results could differ from those estimates.

#### ***Investments***

Investments consist of four 1-year certificates of deposits with varying maturity dates. Certificates of deposits are carried at cost plus accrued interest, which approximates fair value.

#### ***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, 2016

### **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 Equipment***

Furniture and equipment are carried at cost or, if donated, fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of 5 years.

When assets are retired or disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected as an increase or decrease in unrestricted net assets.

#### ***Deferred Revenue***

The Association recognizes membership fees revenue in the year to which they apply. Membership fees revenue received in advance are recorded as deferred revenue and are recognized in the periods when earned.

#### ***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. 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, 2016 and 2015, 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.

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

Notes to Financial Statements  
December 31, 2016

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

#### ***Functional Allocation of Expenses***

The cost of providing programs 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.

#### ***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 US GAAP. Accordingly, such information should be read in conjunction with the Association's 2015 financial statements.

#### ***Reclassification***

Certain 2015 accounts have been reclassified to conform to the 2016 financial statement presentation. The reclassifications have no effect on 2015 total assets, liabilities, net assets, and changes in net assets.

#### ***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 in the financial statements. The Association is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2013.

#### ***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 June 8, 2017.

On February 27, 2017, the Association entered into a sublease agreement for new office space in New York, NY for a period of fourteen months ending on June 30, 2018. The future minimum lease payments under this operating lease is \$57,568.

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

Notes to Financial Statements  
December 31, 2016

**3. Concentration of Credit Risk**

The Association's financial instruments that are potentially exposed to concentration of credit risk consist of cash and investments (consisting of certificate of deposits) and contributions and pledges receivables. The Association places its cash and investments with quality financial institutions in the United States. At times, cash balances may be in excess of Federal Deposit Insurance Corporation insurance level. 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 and pledges 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 a present value discount of 3.64% and 3.26% for 2016 and 2015 of expected future cash flows. Management expects contributions and pledges receivable at December 31, to be collected in the following periods:

	<u>2016</u>	<u>2015</u>
One year or less	\$ 494,745	\$ 907,000
Two to three years	<u>105,970</u>	<u>150,000</u>
	600,715	1,057,000
Less: present value discount	<u>(3,722)</u>	<u>(4,736)</u>
	<u>\$ 596,993</u>	<u>\$ 1,052,264</u>

Management reviewed the collectable status of its contributions and pledges receivable and deemed an allowance to be unnecessary at December 31, 2016 and 2015.

**5. Temporarily Restricted Net Assets**

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

	<u>2016</u>	<u>2015</u>
Time restrictions	\$ 381,278	\$ 837,844
Catalyzing Community Change	246,550	57,314
Campaign for Black Men and Boys	88,751	173,127
Connecting Leaders Fellowship	-	100,000
Responsive Philanthropy in the Black Community	-	31,100
Leverage the Trust	39,829	-
Change Philanthropy	<u>349,606</u>	<u>-</u>
	<u>\$ 1,106,014</u>	<u>\$ 1,199,385</u>

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

Notes to Financial Statements  
December 31, 2016

**5. Temporarily Restricted Net Assets (continued)**

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

	<u>2016</u>	<u>2015</u>
Time restrictions	\$ 477,580	\$ 634,086
Catalyzing Community Change	20,763	179,874
Black Philanthropic Network	-	20,000
Campaign for Black Men and Boys	163,376	154,479
Connecting Leaders Fellowship	110,000	50,000
Responsive Philanthropy in the Black Community	156,100	-
Smart Investing	5,000	45,000
Leverage the Trust	30,171	-
Change Philanthropy	<u>273,635</u>	<u>-</u>
	<u>\$ 1,236,625</u>	<u>\$ 1,083,439</u>

**6. Pension Plan**

The Association maintains a 401(k) defined contribution pension plan covering eligible employees. The Association can make voluntary 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. The Association made contributions to the plan of \$13,411 and \$9,867 in 2016 and 2015.

**7. Lease Commitment**

The Association had a 7-year lease that expired in December 2016 for its office space. The Association renewed its lease for five months which expired on May 31, 2017.

**8. Line of Credit**

On October 31, 2016, the Association entered into a \$100,000 bank line of credit agreement which expires October 31, 2017. Interest on outstanding borrowings are carried at a fixed annual rate of 2.87%. The line of credit is collateralized by a certificate of deposit held in accounts at the same financial institution. The balance on the line of credit at December 31, 2016 was \$0.

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

Notes to Financial Statements  
December 31, 2016

**9. Sponsorship Agreement**

On December 17, 2015, the Association entered into a fiscal sponsorship agreement with Change Philanthropy. Per the terms of the agreement, the sponsorship is for two years ending December 31, 2017. Change Philanthropy is an operating program consisting of network of philanthropic affinity groups formed to promote a more just and equitable distribution of philanthropic resources to produce healthier communities with equal access to services and resources and equal opportunities for all. The Association receives grants restricted for purposes of the Change Philanthropy program. At December 31, 2016 temporarily restricted net assets related to this agreement amounted to \$349,606.

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