

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

Financial Statements

December 31, 2017



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, 2017, 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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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, 2017, 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, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statement from which it has been derived.

PKF O'Connor Davies, LLP

June 20, 2018

Association of Black Foundation Executives, Inc.

Statement of Financial Position
December 31, 2017
(with comparative amounts at December 31, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 650,863	\$ 592,287
Investments	302,775	300,120
Contributions and pledges receivable, net	651,902	596,993
Other receivables	-	21,000
Prepaid expenses and other assets	<u>26,660</u>	<u>19,741</u>
	<u>\$ 1,632,200</u>	<u>\$ 1,530,141</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 123,090	\$ 110,072
Deferred revenue	<u>118,764</u>	<u>140,813</u>
Total Liabilities	<u>241,854</u>	<u>250,885</u>
Net Assets		
Unrestricted	22,585	173,242
Temporarily restricted	<u>1,367,761</u>	<u>1,106,014</u>
Total Net Assets	<u>1,390,346</u>	<u>1,279,256</u>
	<u>\$ 1,632,200</u>	<u>\$ 1,530,141</u>

See notes to financial statements

Association of Black Foundation Executives, Inc.

Statement of Activities
 Year Ended December 31, 2017
 (with summarized totals for the year ended December 31, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 379,493	\$ 1,953,722	\$ 2,333,215	\$ 1,522,432
Membership and other fees	891,008	-	891,008	662,756
Interest and dividends	3,114	-	3,114	1,919
Net assets released from restrictions	<u>1,691,975</u>	<u>(1,691,975)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>2,965,590</u>	<u>261,747</u>	<u>3,227,337</u>	<u>2,187,107</u>
 EXPENSES				
Program services	2,526,538	-	2,526,538	1,868,285
Management and general	286,424	-	286,424	322,491
Fundraising	<u>303,285</u>	<u>-</u>	<u>303,285</u>	<u>182,360</u>
Total Expenses	<u>3,116,247</u>	<u>-</u>	<u>3,116,247</u>	<u>2,373,136</u>
Change in Net Assets	(150,657)	261,747	111,090	(186,029)
 NET ASSETS				
Beginning of year	<u>173,242</u>	<u>1,106,014</u>	<u>1,279,256</u>	<u>1,465,285</u>
End of year	<u>\$ 22,585</u>	<u>\$ 1,367,761</u>	<u>\$ 1,390,346</u>	<u>\$ 1,279,256</u>

See notes to financial statements

Association of Black Foundation Executives, Inc.

Statement of Functional Expenses

Year Ended December 31, 2017

(with summarized totals for the year ended December 31, 2016)

	2017			2016	
	Program Services	Management and General	Fundraising	Total	Total
Personnel Expenses					
Salaries and wages	\$ 705,343	\$ 166,088	\$ 199,457	\$ 1,070,888	\$ 853,684
Payroll taxes and employee benefits	<u>161,825</u>	<u>38,097</u>	<u>45,751</u>	<u>245,673</u>	<u>197,385</u>
Total Personnel Expenses	867,168	204,185	245,208	1,316,561	1,051,069
Professional fees	569,930	6,186	26,912	603,028	646,073
Office supplies and expenses	-	3,902	-	3,902	3,705
Occupancy	41,421	11,428	13,723	66,572	65,736
Organization meetings and travel	902,618	33,804	3,996	940,418	442,804
Insurance	3,505	984	1,183	5,672	6,577
Staff development	9,476	177	30	9,683	1,978
Communication	9,531	2,583	3,101	15,215	28,833
Printing and publication	11,934	3,054	2,776	17,764	17,499
Postage and shipping	388	7,377	-	7,765	5,445
Repairs and maintenance	9,106	2,558	3,073	14,737	4,200
Bank charges and merchant fees	22,109	4,836	-	26,945	17,587
Honoraria and grants	70,000	-	-	70,000	70,000
Membership dues	3,694	1,038	1,247	5,979	4,817
Miscellaneous	<u>5,658</u>	<u>4,312</u>	<u>2,036</u>	<u>12,006</u>	<u>4,143</u>
Total Expenses Before Depreciation	2,526,538	286,424	303,285	3,116,247	2,370,466
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,670</u>
 Total Expenses	 <u>\$ 2,526,538</u>	 <u>\$ 286,424</u>	 <u>\$ 303,285</u>	 <u>\$ 3,116,247</u>	 <u>\$ 2,373,136</u>

See notes to financial statements

Association of Black Foundation Executives, Inc.

Statement of Cash Flows
Year Ended December 31, 2017
(with comparative amounts for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 111,090	\$ (186,029)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	-	2,670
Discount on pledges receivable	(3,722)	(1,014)
Changes in operating assets and liabilities		
Contributions and pledges receivable	(51,187)	456,285
Other receivables	21,000	28,164
Prepaid expenses and other assets	(6,919)	(2,300)
Accounts payable and accrued expenses	13,018	4,432
Deferred revenue	<u>(22,049)</u>	<u>17,896</u>
Net Cash from Operating Activities	61,231	320,104
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	<u>(2,655)</u>	<u>(1,920)</u>
Net Change in Cash	58,576	318,184
CASH		
Beginning of year	<u>592,287</u>	<u>274,103</u>
End of year	<u>\$ 650,863</u>	<u>\$ 592,287</u>

See notes to financial statements

Association of Black Foundation Executives, Inc.

Notes to Financial Statements
December 31, 2017

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, 2017

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.

The Association has \$20,665 and \$93,610 of fully depreciated furniture and equipment in use at December 31, 2017 and 2016.

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, 2017 and 2016, 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, 2017

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 2016 financial statements.

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 2014.

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 20, 2018.

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.

Association of Black Foundation Executives, Inc.

Notes to Financial Statements
December 31, 2017

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 0% and 3.64% of expected future cash flows for 2017 and 2016. Contributions and pledges receivables at December 31, are the following:

	<u>2017</u>	<u>2016</u>
One year or less	\$ 651,902	\$ 494,745
Two to three years	-	105,970
	<u>651,902</u>	<u>600,715</u>
Less: present value discount	-	(3,722)
	<u>\$ 651,902</u>	<u>\$ 596,993</u>

Management believes that outstanding contributions will be fully collected and therefore has not provided any allowance for uncollectible amounts.

5. Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Time restrictions	\$ 416,833	\$ 381,278
Catalyzing Community Change	55,970	246,550
Campaign for Black Men and Boys	110,000	88,751
Connecting Leaders Fellowship	203,000	-
Responsive Philanthropy in the Black Community	292,394	-
Leverage the Trust	50,000	39,829
Change Philanthropy	139,564	349,606
US Diaspora	100,000	-
	<u>\$ 1,367,761</u>	<u>\$ 1,106,014</u>

Association of Black Foundation Executives, Inc.

Notes to Financial Statements
December 31, 2017

5. Temporarily Restricted Net Assets *(continued)*

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

	<u>2017</u>	<u>2016</u>
Time restrictions	\$ 371,667	\$ 477,580
Catalyzing Community Change	190,580	20,763
Campaign for Black Men and Boys	151,251	163,376
Connecting Leaders Fellowship	160,500	110,000
Responsive Philanthropy in the Black Community	262,606	156,100
Smart Investing	-	5,000
Leverage the Trust	85,329	30,171
Change Philanthropy	470,042	273,635
	<u>\$ 1,691,975</u>	<u>\$ 1,236,625</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 \$33,337 and \$13,411 in 2017 and 2016.

7. Lease Commitment

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. On May 16, 2018, an amendment was made to the sublease extending the period for an additional twelve months ending June 30, 2019. The future minimum lease payments under this operating lease is \$98,817.

8. Line of Credit

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

Association of Black Foundation Executives, Inc.

Notes to Financial Statements
December 31, 2017

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 which ended December 31, 2017. Both parties agreed to extend the agreement through February 2018. 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. Per the sponsorship agreement, 8% of all income collected on behalf of Change Philanthropy are to be paid to the unrestricted fund of the Association. Sponsorship fees paid to the Association were \$60,600 and \$20,000 for the years ended December 31, 2017 and 2016. Temporarily restricted net assets related to this agreement amounted to \$139,564 and \$349,606 at December 31, 2017 and 2016.

As of February 28, 2018, Change Philanthropy has transitioned to a new fiscal sponsor and the Association has transferred all remaining assets consisting of \$100,000 of receivables and cash of \$39,564 to the new sponsor.

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