

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

Financial Statements

December 31, 2018

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, 2018, 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, 2018, 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.

Change in Accounting Principle

As discussed in note 2 to the financial statements, during the year ended December 31, 2018, Association of Black Foundation Executives, Inc. adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Association of Black Foundation Executives, Inc.'s December 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statement from which it has been derived.

PKF O'Connor Davies, LLP

June 28, 2019

Association of Black Foundation Executives, Inc.

Statement of Financial Position
December 31, 2018
(with comparative amounts at December 31, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 476,803	\$ 650,863
Investments	304,982	302,775
Contributions and pledges receivable, net	1,775,088	651,902
Prepaid expenses and other assets	<u>20,363</u>	<u>26,660</u>
	<u>\$ 2,577,236</u>	<u>\$ 1,632,200</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 116,789	\$ 123,090
Deferred revenue	<u>157,946</u>	<u>118,764</u>
Total Liabilities	<u>274,735</u>	<u>241,854</u>
Net Assets		
Without donor restrictions	136,812	22,585
With donor restrictions	<u>2,165,689</u>	<u>1,367,761</u>
Total Net Assets	<u>2,302,501</u>	<u>1,390,346</u>
	<u>\$ 2,577,236</u>	<u>\$ 1,632,200</u>

See notes to financial statements

Association of Black Foundation Executives, Inc.

Statement of Activities
 Year Ended December 31, 2018
 (with summarized totals for the year ended December 31, 2017)

	2018		2017
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 339,644	\$ 2,417,189	\$ 2,756,833
Membership and other fees	892,829	-	892,829
Interest and dividends	2,208	-	2,208
Net assets released from restrictions	<u>1,619,261</u>	<u>(1,619,261)</u>	<u>-</u>
Total Support and Revenue	<u>2,853,942</u>	<u>797,928</u>	<u>3,651,870</u>
EXPENSES			
Program services	2,026,323	-	2,026,323
Management and general	376,253	-	376,253
Fundraising	<u>337,139</u>	<u>-</u>	<u>337,139</u>
Total Expenses	<u>2,739,715</u>	<u>-</u>	<u>2,739,715</u>
Change in Net Assets	114,227	797,928	912,155
NET ASSETS			
Beginning of year	<u>22,585</u>	<u>1,367,761</u>	<u>1,390,346</u>
End of year	<u>\$ 136,812</u>	<u>\$ 2,165,689</u>	<u>\$ 2,302,501</u>

See notes to financial statements

Association of Black Foundation Executives, Inc.

Statement of Functional Expenses
 Year Ended December 31, 2018
 (with summarized totals for the year ended December 31, 2017)

	2018			2017
	Program Services	Management and General	Fundraising	Total
Personnel Expenses				
Salaries and wages	\$ 733,825	\$ 204,185	\$ 200,960	\$ 1,138,970
Payroll taxes and employee benefits	177,389	50,019	48,146	275,554
Total Personnel Expenses	911,214	254,204	249,106	1,414,524
Professional fees	300,644	53,372	61,805	415,821
Office supplies and expenses	10,382	7,103	2,533	20,018
Occupancy	49,385	14,143	13,616	77,144
Organization meetings and travel	592,766	25,278	2,057	620,101
Insurance	3,737	1,070	1,031	5,838
Staff development	-	895	-	895
Communication	1,395	399	385	2,179
Printing and publication	25,936	6,058	2,999	34,993
Postage and shipping	2,987	5,773	34	8,794
Repairs and maintenance	6,720	3,224	1,893	11,837
Bank charges and merchant fees	14,566	2,990	-	17,556
Honoraria and grants	100,000	-	-	100,000
Membership dues	6,091	1,744	1,680	9,515
Miscellaneous	500	-	-	500
Total Expenses	<u>\$ 2,026,323</u>	<u>\$ 376,253</u>	<u>\$ 337,139</u>	<u>\$ 2,739,715</u>
				<u>\$ 3,116,247</u>

See notes to financial statements

Association of Black Foundation Executives, Inc.

Statement of Cash Flows
Year Ended December 31, 2018
(with comparative amounts for the year ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 912,155	\$ 111,090
Adjustments to reconcile change in net assets to net cash from operating activities		
Discount on pledges receivable	(27,811)	(3,722)
Changes in operating assets and liabilities		
Contributions and pledges receivable	(1,095,375)	(51,187)
Other receivables	-	21,000
Prepaid expenses and other assets	6,297	(6,919)
Accounts payable and accrued expenses	(6,301)	13,018
Deferred revenue	<u>39,182</u>	<u>(22,049)</u>
Net Cash from Operating Activities	(171,853)	61,231
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	<u>(2,207)</u>	<u>(2,655)</u>
Net Change in Cash	(174,060)	58,576
CASH		
Beginning of year	<u>650,863</u>	<u>592,287</u>
End of year	<u>\$ 476,803</u>	<u>\$ 650,863</u>

See notes to financial statements

Association of Black Foundation Executives, Inc.

Notes to Financial Statements
December 31, 2018

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.

Change in Accounting Principle

On January 1, 2018, the Association adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities (ASU 2016-14). This guidance requires the Association to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Association to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard prior year amounts for temporarily restricted net assets were reclassified as net assets with donor restrictions and unrestricted net assets were reclassified as net assets without donor restrictions.

Association of Black Foundation Executives, Inc.

Notes to Financial Statements
December 31, 2018

2. Summary of Significant Accounting Policies (continued)

Net Asset Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Association's net assets are classified as with or without donor restrictions. Net assets without donor restrictions include funds having no restriction as to use or purpose imposed by donors. Net asset with donor restrictions are those whose use is limited by donors by a specific time period or purpose and may include net assets to be held in perpetuity. At December 31, 2018 and 2017, there were no net assets to be held in perpetuity.

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.

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 net assets without donor restrictions.

The Association has \$20,665 of fully depreciated furniture and equipment in use at December 31, 2018 and 2017.

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.

Association of Black Foundation Executives, Inc.

Notes to Financial Statements

December 31, 2018

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

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities. Specific expenses that are readily identifiable to a single program or activity are charged to that function. Certain expenses are attributable to more than one program or supporting function and have been allocated in a reasonable ratio by management. These expenses include salaries, employee benefits and payroll taxes, professional fees, office expenses, travel and meeting expenses, which are allocated based on estimates of time and effort.

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 2017 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 2015.

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 28, 2019.

Association of Black Foundation Executives, Inc.

Notes to Financial Statements
December 31, 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.

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 4% of expected future cash flows for 2018. Contributions and pledges receivables at December 31, are the following:

	<u>2018</u>	<u>2017</u>
One year or less	\$ 1,127,899	\$ 651,902
Two to three years	<u>675,000</u>	<u>-</u>
	1,802,899	651,902
Less: present value discount	<u>(27,811)</u>	<u>-</u>
	<u>\$ 1,775,088</u>	<u>\$ 651,902</u>

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

Association of Black Foundation Executives, Inc.

Notes to Financial Statements
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5. Net Assets With Donor Restrictions

At December 31, net assets with donor restrictions are available for the following:

	2018	2017
Time restrictions	\$ 1,935,689	\$ 416,833
US Diaspora	25,000	100,000
Smart Investing	30,000	-
Catalyzing Community Change	-	55,970
Campaign for Black Men and Boys	-	110,000
Connecting Leaders Fellowship	75,000	203,000
Responsive Philanthropy in the Black Community	100,000	292,394
Leverage the Trust	-	50,000
Change Philanthropy	-	139,564
	\$ 2,165,689	\$ 1,367,761

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

	2018	2017
Time restrictions	\$ 733,333	\$ 371,667
Catalyzing Community Change	55,970	190,580
Campaign for Black Men and Boys	110,000	151,251
Connecting Leaders Fellowship	136,000	160,500
Responsive Philanthropy in the Black Community	194,394	262,606
Smart Investing	100,000	-
Leverage the Trust	75,000	85,329
US Diaspora	75,000	-
Change Philanthropy	139,564	470,042
	\$ 1,619,261	\$ 1,691,975

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 \$39,530 and \$33,337 in 2018 and 2017.

7. Lease Commitment

On February 27, 2017, the Association entered into a sublease agreement for office space in New York, NY for a period of fourteen months ending on June 30, 2018. An amendment was made to the sublease extending the period for an additional eighteen months ending December 31, 2019. The future minimum lease payments under this operating lease are \$71,237.

Association of Black Foundation Executives, Inc.

Notes to Financial Statements
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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 Association. Sponsorship fees paid to the Association were \$60,600 for the year ended December 31, 2017.

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 receivable and cash of \$39,564 to the new sponsor.

10. Liquidity and Availability of Financial Assets

The following reflects the Association's financial assets as of December 31, 2018 reduced by amounts not available for general use within one year, due to contractual or donor-imposed restrictions.

Financial Assets:	
Cash	\$ 476,803
Investments	304,982
Contributions receivable	<u>1,775,088</u>
Total Financial Assets	2,556,873
Less amounts unavailable for general expenditures within one year due to:	
Restricted by donors with timing restrictions	(1,935,689)
Restricted by donors with purpose restrictions	<u>(230,000)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 391,184</u>

As part of the Association's strategy, management structures its financial assets, consisting of cash, investments and contributions receivable to be available as its general expenditures and liabilities come due within one year. In addition, the Association receives cash flow from contributions and grants made from donors through its fundraising efforts and fees charged for its racial equity training services and membership fees and registration fees. Much of these amounts are expected to be collected within one year.
