

**NATIONAL CENTER FOR
FAMILY PHILANTHROPY, INC.**

AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017



NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.

TABLE OF CONTENTS

	Page
Report of Independent Auditors	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 16

REPORT OF INDEPENDENT AUDITORS

Board of Directors
National Center for Family Philanthropy, Inc.
Washington, DC

We have audited the accompanying financial statements of the National Center for Family Philanthropy, Inc., (a nonprofit organization) which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor's 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 the internal control relevant to the National Center for Family Philanthropy, Inc.'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 National Center for Family Philanthropy, Inc.'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 National Center for Family Philanthropy, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Columbia, Maryland
April 15, 2019

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 834,701	\$ 1,323,095
Accounts receivable	70,500	40,000
Pledges and grants receivable	220,000	177,500
Prepaid expenses	60,893	27,237
Inventory and other assets, net	130,616	145,108
Total current assets	<u>1,316,710</u>	<u>1,712,940</u>
Non-current assets		
Pledges and grants receivable, net of current portion	300,000	-
Property and equipment, net	470,918	364,957
Security deposit	14,888	14,888
Total non-current assets	<u>785,806</u>	<u>379,845</u>
	<u>\$ 2,102,516</u>	<u>\$ 2,092,785</u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 19,126	\$ 58,372
Accrued payroll and benefits	49,598	38,430
Deferred revenue	132,083	95,833
Capital lease obligation	4,584	1,457
Total current liabilities	<u>205,391</u>	<u>194,092</u>
Long-term liabilities		
Capital lease obligation, net of current portion	12,869	-
Deferred rent credits and improvement allowance	305,303	320,598
Total long-term liabilities	<u>318,172</u>	<u>320,598</u>
Total liabilities	<u>523,563</u>	<u>514,690</u>
Net assets		
Without donor restrictions:		
Undesignated net assets	692,872	1,070,080
Board designated - President's Leadership Fund	83,271	83,271
Total net assets without donor restrictions	<u>776,143</u>	<u>1,153,351</u>
With donor restrictions	802,810	424,744
Total net assets	<u>1,578,953</u>	<u>1,578,095</u>
	<u>\$ 2,102,516</u>	<u>\$ 2,092,785</u>

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	Education and Events	Marketing, Network and Outreach	Program Delivery and Support	20th Anniversary Programs	Total Programs	Administration	Fundraising	Total
Personnel costs:								
Salaries	\$ 427,375	\$ 212,004	\$ 92,813	\$ 111,283	\$ 843,475	\$ 156,332	\$ 128,355	\$ 1,128,162
Employee benefits	71,219	35,329	15,466	18,545	140,559	26,052	21,389	188,000
Payroll taxes	29,463	14,616	6,398	7,672	58,149	10,778	8,848	77,775
Total personnel costs	528,057	261,949	114,677	137,500	1,042,183	193,162	158,592	1,393,937
Accounting and payroll services	-	-	-	-	-	67,077	-	67,077
Bank service charges	7,251	3,597	1,575	1,888	14,311	2,653	2,178	19,142
Consultants	133,212	89,265	16,947	91,236	330,660	18,167	-	348,827
Cost of publications/ obsolete inventory	3,555	-	13	-	3,568	-	-	3,568
Depreciation and amortization	30,246	15,004	6,568	7,876	59,694	11,064	9,083	79,841
Dues and subscriptions	-	733	-	-	733	3,880	-	4,613
Equipment and repairs	265	131	57	69	522	97	79	698
Food and beverage	112,821	5,194	292	2,565	120,872	15,980	-	136,852
Insurance	793	393	172	207	1,565	291	238	2,094
Interest expense	-	-	-	-	-	1,204	-	1,204
Internet and technology	17,131	7,628	6,758	3,873	35,390	28,468	4,466	68,324
Marketing, media, and outreach	15,605	57,060	3,750	26,489	102,904	1,300	-	104,204
Meetings, education, and conferences	39,116	1,718	111	300	41,245	3	-	41,248
Office expense	10,334	5,126	2,244	2,690	20,394	3,784	3,104	27,282
Postage and delivery	932	-	-	-	932	2,984	-	3,916
Printing and reproduction	13,480	-	3,000	-	16,480	-	-	16,480
Rent	61,391	30,454	13,332	15,985	121,162	23,305	18,438	162,905
Taxes	-	-	-	-	-	482	-	482
Telephone	8,443	4,188	1,833	2,198	16,662	3,088	2,536	22,286
Travel	39,643	62,095	5,158	15,556	122,452	18,936	-	141,388
	\$ 1,022,275	\$ 544,535	\$ 176,487	\$ 308,432	\$ 2,051,729	\$ 395,925	\$ 198,714	\$ 2,646,368

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2017

	Education and Events	Marketing, Network and Outreach	Program Delivery and Support	20th Anniversary Programs	Total Programs	Administration	Fundraising	Total
Personnel costs:								
Salaries	\$ 363,488	\$ 195,316	\$ 74,104	\$ 123,646	\$ 756,554	\$ 135,160	\$ 117,442	\$ 1,009,156
Employee benefits	62,628	33,652	12,768	21,304	130,352	23,287	20,235	173,874
Payroll taxes	25,560	13,735	5,211	8,695	53,201	9,504	8,258	70,963
Total personnel costs	451,676	242,703	92,083	153,645	940,107	167,951	145,935	1,253,993
Accounting and payroll services	-	-	-	-	-	64,334	-	64,334
Bank service charges	11,733	6,305	2,392	3,991	24,421	4,363	3,791	32,575
Consultants	123,845	50,000	10,000	101,283	285,128	276	-	285,404
Cost of publications/ obsolete inventory	39,530	-	-	-	39,530	326	-	39,856
Depreciation and amortization	27,501	14,777	5,607	9,355	57,240	10,226	8,886	76,352
Dues and subscriptions	-	9,350	-	-	9,350	580	-	9,930
Equipment and repairs	1,033	555	211	351	2,150	383	334	2,867
Food and beverage	145,258	1,781	213	1,412	148,664	6,158	71	154,893
Insurance	764	411	156	260	1,591	284	247	2,122
Interest expense	-	-	-	-	-	532	-	532
Internet and technology	13,702	6,038	2,291	3,823	25,854	29,386	3,631	58,871
Marketing, media, and outreach	1,472	40,829	-	14,980	57,281	-	-	57,281
Meetings, education, and conferences	220,994	6,060	28	-	227,082	-	118	227,200
Office expense	7,951	4,273	1,621	2,705	16,550	3,346	2,569	22,465
Postage and delivery	399	87	-	24	510	4,569	-	5,079
Printing and reproduction	6,424	7,546	-	-	13,970	-	-	13,970
Rent	56,464	30,341	11,511	19,207	117,523	22,617	18,243	158,383
Telephone	9,682	5,202	1,974	3,293	20,151	3,600	3,129	26,880
Travel	28,166	30,692	1,294	5,384	65,536	18,825	5,214	89,575
	<u>\$ 1,146,594</u>	<u>\$ 456,950</u>	<u>\$ 129,381</u>	<u>\$ 319,713</u>	<u>\$ 2,052,638</u>	<u>\$ 337,756</u>	<u>\$ 192,168</u>	<u>\$ 2,582,562</u>

See notes to the financial statements.

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Grants and contributions received	\$ 1,654,502	\$ 2,196,169
Registrations and sponsorships	339,130	641,064
Knowledge Center subscriptions and sales of publication	204,318	201,370
Honorarium and reimbursements	111,802	44,153
Interest and dividends	724	2,068
Payments for salaries, benefits, and payroll taxes	(1,382,769)	(1,253,720)
Payments to vendors	(1,245,078)	(1,176,990)
Cash paid for inventory	(13)	(135,028)
Interest paid	(1,204)	(532)
	<u>(318,588)</u>	<u>518,554</u>
Net cash provided by operating activities		
Cash Flows from Investing Activities		
Purchases of property and equipment	(165,139)	(44,249)
Cash Flows from Financial Activities		
Principal payments on capital lease obligation	(4,667)	(3,352)
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(488,394)</u>	<u>470,953</u>
Cash and Cash Equivalents, Beginning	<u>1,323,095</u>	<u>852,142</u>
Cash and Cash Equivalents, Ending	<u>\$ 834,701</u>	<u>\$ 1,323,095</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 858	\$ 16,744
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	79,841	76,352
Decrease (increase) in assets:		
Accounts receivable	(30,500)	(30,500)
Pledges receivable	(342,500)	480,435
Prepaid expenses	(33,656)	23,897
Inventory and other assets	14,492	(106,250)
Increase (decrease) in liabilities:		
Accounts payable	(39,246)	33,119
Accrued payroll and benefits	11,168	273
Deferred revenue	36,250	35,583
Deferred rent credits	(15,295)	(11,099)
	<u>(318,588)</u>	<u>518,554</u>
Net cash provided by operating activities		
Supplemental Information		
Equipment financed through capital lease	<u>\$ 20,663</u>	<u>\$ -</u>
Disposal of fully depreciated copier	<u>\$ 13,527</u>	<u>\$ -</u>

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 1 - DESCRIPTION OF ORGANIZATION AND NATURE OF OPERATIONS

The National Center for Family Philanthropy, Inc. (NCFP) is a nonprofit organization which was incorporated in the State of Delaware in 1997. NCFP is the only national resource organization dedicated exclusively to families who give and those that work with them. NCFP's mission is to promote philanthropic values, vision, and excellence across generations of donors and donor families. NCFP's primary sources of revenue are grants and contributions, registration fees and sponsorships for conferences and educational events, and sales of publications. These resources are used to fulfill NCFP's mission by focusing their efforts on the following:

Education and Events – NCFP provides research, expertise, and learning opportunities to inspire its national network of giving families at every step of the way on their philanthropic journey. Families learn how to transform their values into effective giving to achieve a positive and enduring impact on the communities they serve. NCFP conducts research and education on trends and issues affecting the field of family philanthropy and provides guidance to philanthropic organizations on issues related to developing and sustaining charitable works.

Marketing, Networking and Outreach – NCFP hosts seminars, webinars, workshops, and conferences which provide a forum for organizations to meet and discuss issues common to different philanthropic organizations. NCFP also engages in a broad range of marketing activities, including outreach on social media.

Program Delivery and Support – NCFP publishes books, papers, and other materials about a broad range of philanthropic issues. Family foundations, regional associations of grant makers, community foundations, philanthropic advisors, and others can subscribe to NCFP's resources through its online Knowledge Center.

20th Anniversary Programs – Throughout 2017 and 2018, NCFP celebrated 20 years of promoting and supporting ethical and effective family philanthropy. The featured event was the 20th Anniversary National Forum on Family Philanthropy, held in Washington, D.C. in October 2017. In September 2018, NCFP hosted the Anniversary Symposium, "Imagining the Future of Family Philanthropy", in San Francisco, California to close out the anniversary celebration.

Supporting services include the following functional categories:

Administration – Activities include program oversight, business management, general record-keeping, budgeting, and related administrative activities.

Fundraising – NCFP solicits contributions from individuals, foundations, and corporations, among others. NCFP also maintains donor mailing lists for communications purposes. Fundraising activities also include development and management of various activities involved with soliciting contributions.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of NCFP have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP), whereby revenue is recognized when earned and expenses are recognized when incurred.

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - For purposes of reporting cash flows, NCFP considers savings accounts, money market accounts, and highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. Accounts receivable are due under normal trade terms requiring payment within 30 days of the invoice date. NCFP provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts and other circumstances, which may affect the ability of the members and customers to meet their obligations. It is NCFP's policy to charge off uncollectible account receivables when management determines the receivable will not be collected. There is no allowance for doubtful accounts as of December 31, 2018 or 2017, as all amounts are deemed collectible within one year.

Pledges and Grants Receivable - Pledges and grants receivable represent unconditional promises to give and are recorded at the earlier of the date received or the date of receipt of a donor's non-contingent promise or pledge. Unconditional promises to give that are expected to be collected in one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. For the years ended December 31, 2018 and 2017, there is no discount for future cash flows estimated. There is no allowance for doubtful accounts as of December 31, 2018 and 2017 based on management's evaluation of the collectability of pledges and grants receivable.

Inventory - Inventory consists of books published by NCFP. Inventory is stated at the lower of cost using the first-in, first-out method or the net realizable value based on the selling price. For both of the years ended December 31, 2018 and 2017, management has estimated an allowance totaling \$9,100 for the valuation of slow moving inventory.

Property and Equipment - Property and equipment is recorded at cost and consists of equipment, website, furniture and fixtures, and leasehold improvements. NCFP capitalizes all property and equipment with a useful life greater than one year and a cost basis of \$500 or more. Depreciation of equipment, website, and furniture and fixtures is computed over an estimated useful life of 3 to 5 years on a straight-line basis. Leasehold improvements are amortized at the lesser of the useful life of the asset or the remaining term of the lease agreement. Construction in progress is not depreciated until the asset is fully completed and placed into service. Repairs and maintenance are expensed when incurred.

Deferred Rent Credits and Improvements Allowance - Deferred rent has been recorded to reflect the difference between required annual rent payments and the straight-line average rent cost over the term of the lease. The allowance for leasehold improvements of \$279,150 is amortized over the life of the lease agreement and the amortization is recorded as a reduction to rent expense.

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets, revenue, gains, and losses are classified based on the existence or absence of contributions with donor-imposed restrictions. Accordingly, net assets of NCFP and changes therein are classified and reported as follows:

Net assets without donor restriction - Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. The Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net assets with donor restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. NCFP reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

See Note 6 for more information on the composition of net assets with donor restrictions.

Grants and Contributions - NCFP receives grants and contributions from corporations, foundations, and other organizations to support various program services. NCFP recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. There were no conditional promises to give for the years ended December 31, 2018 and 2017.

Other Revenue Recognition - NCFP recognizes knowledge center subscription revenue when earned on a calendar year basis. Payments received in advance are recorded as deferred revenue in the year they are received. Publications sales are recognized as unrestricted revenue when the items are sold. Registration fees and sponsorships are recorded as unrestricted revenue in the year the event is held. Honorarium, reimbursements, and interest income are recorded as revenue when earned.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated on the basis of estimates of time and effort except for direct costs associated with specific programs, which are recorded as expenses for the program benefited.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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. Actual results could differ from those estimates.

Tax Exempt Status - NCFP is exempt from federal and state income taxes (except taxes on unrelated business income) under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as an organization that is not a private foundation. No provision for income tax is required for the years ended December 31, 2018 and 2017 as NCFP had no taxable income from unrelated business activities.

The income tax positions taken by NCFP for any years open under the various statutes of limitations are that NCFP continues to be exempt from income taxes and that they have properly reported unrelated business income that is subject to income taxes. NCFP believes that there are no tax positions taken or expected to be taken that would significantly increase unrecognized tax liabilities within 12 months of the reporting date. None of NCFP's federal or state income tax returns are currently under examination.

New Accounting Pronouncements Adopted - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method). NCFP has adopted this ASU as of and for the year ended December 31, 2018, and has chosen to present its statements of cash flows using the direct method.

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncements Not Yet Adopted - In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for NCFP until annual periods beginning after December 15, 2018. Early adoption is permitted subject to certain limitations. The amendments to this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. NCFP is currently evaluating the effect the provisions of this ASU will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, a new accounting pronouncement for leases. This guidance significantly changes the accounting for a lessee. Under previous guidance, the lessee did not have to record an operating lease on the statements of financial position. Under the new guidance, a lessee must record both a liability for the lease payments and an asset for the right to use the leased property during the lease term. The new accounting pronouncement also adds comprehensive qualitative and quantitative disclosures for lease arrangements. The disclosure requirements include information about management's significant judgments in its accounting for a leasing arrangement. Adoption of this accounting standard is required for the year ended December 31, 2020, although early adoption is permitted, and is expected to result in additions to NCFP's assets and liabilities for leases of office space to the statements of financial position and additions to the existing lease disclosures in the notes to the financial statements.

NOTE 3 – PLEDGES AND GRANTS RECEIVABLE

As of December 31, 2018 and 2017, pledges receivable included the following:

	<u>2018</u>	<u>2017</u>
Due in less than 1 year	\$ 220,000	\$ 177,500
Due in 1 – 5 years	<u>300,000</u>	<u>-</u>
Totals	<u>\$ 520,000</u>	<u>\$ 177,500</u>

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 42,344	\$ 39,907
Website	82,645	82,645
Copier under capital lease	20,663	13,527
Furniture and fixtures	78,802	78,802
Leasehold improvements	<u>338,034</u>	<u>338,034</u>
Total depreciable property and equipment	562,488	552,915
Less, Accumulated depreciation and amortization	(254,272)	(187,958)
Construction in progress - website	<u>162,702</u>	<u>-</u>
Net value of property and equipment	<u>\$ 470,918</u>	<u>\$ 364,957</u>

Depreciation and amortization expense totaled \$79,841 and \$76,352 for the years ended December 31, 2018 and 2017, respectively.

NOTE 5 - LINE OF CREDIT

On February 6, 2019, NCFP obtained an unsecured \$100,000 bank line of credit. Amounts borrowed under this agreement bear interest at 6.75% plus the bank's prime rate. No amounts payable were outstanding at December 31, 2018.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following activities during the year ended December 31, 2018:

	<u>December 31, 2018</u>			
	<u>Balance 1/1/18</u>	<u>Additions</u>	<u>Releases</u>	
Time restriction	\$ 100,000	\$ 400,000	\$ (100,000)	\$ 400,000
Purpose restriction:				
Revolving reserve	150,000	-	-	150,000
Pride of Place	51,666	50,000	(91,560)	10,106
Transparency	51,124	-	(51,124)	-
Racial Equity, Diversity, and Inclusion (REDI)	71,954	-	(71,954)	-
Generations Together	-	6,927	(1,823)	5,104
Question of Perpetuity	<u>-</u>	<u>300,000</u>	<u>(62,400)</u>	<u>237,600</u>
Totals	<u>\$ 424,744</u>	<u>\$ 756,927</u>	<u>\$ (378,861)</u>	<u>\$ 802,810</u>

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets with donor restrictions consist of the following activities during the year ended December 31, 2017:

	December 31, 2017			Balance 12/31/17
	Balance 1/1/17	Additions	Releases	
Time restriction	\$ 290,000	\$ 100,000	\$ (290,000)	\$ 100,000
Purpose restriction:				
Revolving reserve	150,000	-	-	150,000
Transparency	259,392	-	(208,268)	51,124
Family Foundation				
Leadership	150,000	-	(150,000)	-
2017 National Forum	10,000	-	(10,000)	-
Community Foundation Initiative	6,732	-	(6,732)	-
Pride of Place	-	51,666	-	51,666
Racial Equity, Diversity, and Inclusion (REDI)	-	100,000	(28,046)	71,954
Totals	<u>\$ 866,124</u>	<u>\$ 251,666</u>	<u>\$ (693,046)</u>	<u>\$ 424,744</u>

NOTE 7 - RETIREMENT PLAN

NCFP has established a pension plan, qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Contributions to the pension plan for the years ended December 31, 2018 and 2017 totaled \$40,514 and \$40,237, respectively, which are included in employee benefits in the schedule of functional expenses.

NOTE 8 - OPERATING LEASES

In December 2015, NCFP signed a lease agreement which ends on December 31, 2025. The lease requires monthly payments of \$14,888, an annual escalation each year, and a pro rata share of operating expenses and real estate taxes. The lease agreement specifies a rent abatement of ten months over a six year period and a leasehold improvements allowance of \$279,150. NCFP also has a month-to-month lease agreement for storage space with adjustable rates dependent on amount of space needed.

For the years ended December 31, 2018 and 2017, rent expense for office and storage space totaled \$162,905 and \$158,383, respectively.

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 8 - OPERATING LEASES (Continued)

Future minimum rental payments for the office lease are as follows:

For the year ended December 31,	<u>Amount</u>
2019	\$ 176,358
2020	180,759
2021	185,263
2022	207,166
2023	212,340
Thereafter	<u>440,759</u>
Total	<u>\$ 1,402,645</u>

NOTE 9 - EQUIPMENT UNDER CAPITAL LEASE

In 2018, NCFP entered into a new 63 month agreement to lease a copier, which expires April 2023, and has a capitalized cost of \$20,663. The new lease agreement replaces the former copier agreement which expired in January 2018. The asset and liability under the capital lease are presented at the lower of the present value of the minimum lease payments or the fair value of the asset in the accompanying statements of financial position. The copier is depreciated over the life of the lease. Minimum future lease payments for the copier under the capital lease are as follows:

For the year ended December 31,	<u>Amount</u>
2019	\$ 4,584
2020	4,584
2021	4,584
2022	4,584
2023	<u>1,528</u>
Net minimum lease payments	19,864
Amount representing interest	<u>(2,411)</u>
Present value of net minimum lease payments	<u>\$ 17,453</u>

NOTE 10 - CONCENTRATION OF CREDIT RISK

NCFP maintains cash in several accounts. Each account is insured by the Federal Deposit Insurance Corporation (FDIC). The accounts maintained by NCFP may, at times, exceed federally insured limits. NCFP seeks to maximize its interest income while limiting its exposure and reducing amounts in excess of the FDIC limit. Management does not consider this a significant concentration of credit risk.

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

NOTE 11 - LIQUIDITY AND AVAILABILITY OF RESOURCES

NCFP's financial assets available for the year ended December 31, 2019 for general expenditures are as follows:

Cash and cash equivalents	\$ 834,701
Accounts receivable	70,500
Pledges and grants receivable	<u>520,000</u>
Total financial assets available	1,425,201
Less, amounts unavailable for general expenditures within one year, due to:	
Restrictions by donors for specified purposes or time	(702,810)
Less, amounts unavailable to management without the Board's approval:	
Board designated for President's Leadership Fund	<u>(83,271)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 639,120</u>

NCFP maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, NCFP has a line of credit of \$100,000 available. In addition, NCFP has Board Designated net assets of \$83,271 that, while NCFP does not intend to spend the funds for purposes other than those identified, the amounts could be made available for current operations, if necessary.

NOTE 12 - EVALUATION OF SUBSEQUENT EVENTS

NCFP has evaluated subsequent events through April 15, 2019, the date which the financial statements were available to be issued. Except as disclosed in Note 5, there were no other events which require additional disclosures.