

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

AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021



NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.

TABLE OF CONTENTS

	Page
Independent Auditor's Report	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	8-19

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of National Center for Family Philanthropy, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Center for Family Philanthropy, Inc. as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of National Center for Family Philanthropy, Inc. (NCFP) and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Changes in Accounting Principles

As discussed in Note 2, NCFP adopted the requirements of Financial Accounting Standards Board's Accounting Standards Update No 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this adoption.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about National Center for Family Philanthropy, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 NCFP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NCFP 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

UHY LLP

Columbia, Maryland
September 29, 2023

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,528,997	\$ 6,814,678
Pledges and grants receivable	543,858	407,519
Prepaid expenses	75,774	212,246
Investments	53,893	3,422
	<u>7,202,522</u>	<u>7,437,865</u>
Total current assets		
Non-current assets		
Pledges and grants receivable, net of current portion	433,334	50,000
Property and equipment, net	254,531	331,874
Security deposit	14,888	14,888
Operating lease right of use asset, net	459,822	-
	<u>1,162,575</u>	<u>396,762</u>
Total non-current assets		
Total assets	<u>\$ 8,365,097</u>	<u>\$ 7,834,627</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 120,582	\$ 304,030
Accrued payroll and benefits	154,718	105,979
Deferred revenue	2,500	63,000
Financing lease obligation for copier	1,882	1,510
Operating lease liability, current	206,640	-
	<u>486,322</u>	<u>474,519</u>
Total current liabilities		
Long-term liabilities		
Financing lease obligation for copier, net of current portion	-	4,701
Deferred improvement allowance	-	111,660
Deferred rent	-	121,553
Operating lease liability, net of current portion	435,992	-
	<u>435,992</u>	<u>237,914</u>
Total long-term liabilities		
Total liabilities	<u>922,314</u>	<u>712,433</u>
Net assets		
Without donor restrictions	5,982,934	5,864,960
With donor restrictions	1,459,849	1,257,234
	<u>7,442,783</u>	<u>7,122,194</u>
Total net assets		
Total liabilities and net assets	<u>\$ 8,365,097</u>	<u>\$ 7,834,627</u>

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
STATEMENTS OF ACTIVITIES
For the years ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Revenue and support						
Grants and contributions	\$ 2,689,307	\$ 1,166,667	\$ 3,855,974	\$ 5,897,313	\$ 1,338,234	\$ 7,235,547
Registrations and sponsorships	1,476,098	-	1,476,098	212,563	-	212,563
Knowledge Center subscriptions and sales of publications	306,986	-	306,986	366,951	-	366,951
Honorarium and reimbursements	206,316	-	206,316	292,981	-	292,981
Interest income	1,910	-	1,910	653	-	653
Unrealized and realized gains (losses) on investments	(10,131)	-	(10,131)	49	-	49
Miscellaneous	48,373	-	48,373	-	-	-
Releases from restrictions	964,052	(964,052)	-	971,000	(971,000)	-
Total revenue and support	5,682,911	202,615	5,885,526	7,741,510	367,234	8,108,744
Expenses						
Program services						
Education and events	1,345,167	-	1,345,167	1,304,174	-	1,304,174
Marketing, network, and outreach	1,439,327	-	1,439,327	1,030,318	-	1,030,318
Program delivery and support	657,351	-	657,351	195,587	-	195,587
Special events	369,072	-	369,072	137,501	-	137,501
Total program services	3,810,917	-	3,810,917	2,667,580	-	2,667,580
Administration	1,212,393	-	1,212,393	917,769	-	917,769
Fundraising	541,627	-	541,627	322,774	-	322,774
Total expenses	5,564,937	-	5,564,937	3,908,123	-	3,908,123
Change in Net Assets	117,974	202,615	320,589	3,833,387	367,234	4,200,621
Net Assets, Beginning	5,864,960	1,257,234	7,122,194	2,031,573	890,000	2,921,573
Net Assets, Ending	\$ 5,982,934	\$ 1,459,849	\$ 7,442,783	\$ 5,864,960	\$ 1,257,234	\$ 7,122,194

See notes to the financial statements.

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2022

	<u>Education and Events</u>	<u>Marketing, Network and Outreach</u>	<u>Program Delivery and Support</u>	<u>Special Events</u>	<u>Total Programs</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs:								
Salaries	\$ 482,352	\$ 141,502	\$ 415,606	\$ 163,750	\$ 1,203,210	\$ 498,370	\$ 345,300	\$ 2,046,880
Employee benefits	56,356	16,532	48,557	19,132	140,577	58,227	40,343	239,147
Payroll taxes	33,547	9,841	28,905	11,389	83,682	34,661	24,015	142,358
Total personnel costs	<u>572,255</u>	<u>167,875</u>	<u>493,068</u>	<u>194,271</u>	<u>1,427,469</u>	<u>591,258</u>	<u>409,658</u>	<u>2,428,385</u>
Accounting and payroll services	-	-	-	-	-	112,660	-	112,660
Bank service charges	13,223	3,879	11,394	4,489	32,985	13,663	9,466	56,114
Board and committee	-	-	-	-	-	1,417	-	1,417
Consultants	533,823	245,128	-	33,021	811,972	341,220	27,457	1,180,649
Cost of publications/donated inventory	1,677	-	696	-	2,373	-	-	2,373
Depreciation and amortization	25,600	7,510	22,057	8,691	63,858	26,449	18,326	108,633
Dues and subscriptions	6,795	-	15,000	-	21,795	10,541	-	32,336
Food and beverage	1,220	524,147	888	100	526,355	3,586	257	530,198
Insurance	1,970	578	1,698	669	4,915	2,036	1,410	8,361
Interest expense	-	-	-	-	-	255	-	255
Internet and technology	48,308	14,172	41,624	16,400	120,504	49,913	34,582	204,999
Marketing, media, and outreach	11,964	14,685	-	87,733	114,382	580	4,428	119,390
Meetings, education, and conferences	615	257,864	6,609	-	265,088	-	-	265,088
Office expense	3,302	969	2,845	1,121	8,237	3,412	2,364	14,013
Postage and delivery	61	171	-	-	232	998	-	1,230
Printing and reproduction	71,842	124,769	-	8,812	205,423	311	-	205,734
Rent, occupancy, and storage	37,767	11,079	32,541	12,821	94,208	39,021	27,036	160,265
Telephone	2,410	707	2,077	818	6,012	2,491	1,725	10,228
Travel	12,335	65,794	26,854	126	105,109	12,582	4,918	122,609
	<u>\$ 1,345,167</u>	<u>\$ 1,439,327</u>	<u>\$ 657,351</u>	<u>\$ 369,072</u>	<u>\$ 3,810,917</u>	<u>\$ 1,212,393</u>	<u>\$ 541,627</u>	<u>\$ 5,564,937</u>

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2021

	Education and Events	Marketing, Network and Outreach	Program Delivery and Support	Special Events	Total Programs	Administration	Fundraising	Total
Personnel costs:								
Salaries	\$ 310,899	\$ 581,515	\$ 122,132	\$ 82,573	\$ 1,097,119	\$ 228,455	\$ 148,941	\$ 1,474,515
Employee benefits	49,733	93,023	19,537	13,209	175,502	36,545	23,825	235,872
Payroll taxes	23,918	44,736	9,396	6,352	84,402	17,575	11,458	113,435
Total personnel costs	384,550	719,274	151,065	102,134	1,357,023	282,575	184,224	1,823,822
Accounting and payroll services	-	-	-	-	-	79,257	-	79,257
Bank service charges	5,243	9,807	2,060	1,392	18,502	3,852	2,512	24,866
Consultants	658,069	-	2,000	10,000	670,069	466,138	80,516	1,216,723
Cost of publications/ obsolete inventory	88,441	-	-	-	88,441	439	-	88,880
Depreciation and amortization	18,805	35,174	7,387	4,995	66,361	13,818	9,009	89,188
Dues and subscriptions	83	-	-	-	83	15,822	-	15,905
Food and beverage	-	435	-	57	492	642	-	1,134
Insurance	1,586	2,967	623	421	5,597	1,165	760	7,522
Interest expense	-	-	-	-	-	455	-	455
Internet and technology	30,004	56,120	11,787	7,969	105,880	22,047	14,374	142,301
Marketing, media, and outreach	31,591	85,273	5,221	-	122,085	-	12,545	134,630
Meetings, education, and conferences	-	945	-	-	945	-	-	945
Office expense	2,724	5,094	1,070	723	9,611	2,001	1,305	12,917
Postage and delivery	-	-	-	-	-	1,263	-	1,263
Printing and reproduction	46,487	33,937	-	-	80,424	-	-	80,424
Rent, occupancy, and storage	34,424	64,387	13,523	9,143	121,477	25,295	16,491	163,263
Telephone	2,167	4,053	851	576	7,647	1,593	1,038	10,278
Travel	-	12,852	-	91	12,943	1,407	-	14,350
	<u>\$ 1,304,174</u>	<u>\$ 1,030,318</u>	<u>\$ 195,587</u>	<u>\$ 137,501</u>	<u>\$ 2,667,580</u>	<u>\$ 917,769</u>	<u>\$ 322,774</u>	<u>\$ 3,908,123</u>

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Grants and contributions received	\$ 2,963,827	\$ 7,493,028
Registrations and sponsorships	1,415,598	150,165
Knowledge Center subscriptions and sales of publications	306,986	477,201
Honorarium and reimbursements	206,316	292,981
Miscellaneous	48,373	-
Interest and dividends	1,930	702
Payments for salaries, benefits, and payroll taxes	(2,379,646)	(1,809,702)
Payments to vendors	(3,122,670)	(1,747,882)
Cash paid for inventory	(2,373)	(84,970)
Interest paid	(255)	(455)
	<u>(561,914)</u>	<u>4,771,068</u>
Net cash (used) provided by operating activities		
Cash Flows from Investing Activities		
Purchases of property and equipment	(31,290)	(64,079)
Reinvested earnings	(91)	-
Proceeds from sales of donated investments	322,074	-
	<u>290,693</u>	<u>(64,079)</u>
Net cash provided (used) by investing activities		
Cash Flows from Financing Activities		
Principal payments on capital lease obligation	(4,329)	(3,747)
	<u>(275,550)</u>	<u>4,703,242</u>
Net Change in Cash and Cash Equivalents		
Cash and Cash Equivalents, Beginning	<u>6,814,678</u>	<u>2,111,436</u>
Cash and Cash Equivalents, Ending	<u>\$ 6,539,128</u>	<u>\$ 6,814,678</u>

Supplemental disclosure of cash flow information:

On January 1, 2022, an operating right-to-use asset for office space in the amount of \$720,437 was recorded with an offset to operating lease liability of \$841,990 and deferred rent was reduced by \$121,553 upon adoption of the new accounting policy for leases.

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

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 programs:

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.

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, 2022 and 2021

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, 2022 or 2021, 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, 2022 and 2021, there is no discount for future cash flows recorded as the amounts are not considered significant. There is no allowance for doubtful accounts as of December 31, 2022 and 2021 based on management's evaluation of the collectability of pledges and grants receivable. Conditional promises to give are not recognized until the specific barriers or conditions have been met.

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. During 2021, the inventory was written off as the publications will be donated.

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 10 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.

Investments - Investments are reported at fair value on the date of the statements of financial position, which may differ from the amount ultimately realized at the time of sale. Net investment income is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses. Investment income is recognized when earned.

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements - The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Common stocks, which are publicly traded, are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

Deferred Improvement Allowance - 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.

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 7 for more information on the composition of net assets with donor restrictions.

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions - NCFP receives grants and contributions from corporations, foundations, and other organizations to support various program services. NCFP recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. 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, 2022 and 2021.

Other Revenue Recognition - NCFP recognizes knowledge center revenue when revenue is received. Publications sales are recognized as unrestricted revenue when the items are sold. Registration fees and sponsorships are recorded as revenue without donor restrictions when the event takes place. 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. 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 the financial statements in conformity with generally accepted accounting principles 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 support and 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, 2022 and 2021 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.

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards for Leases

Effective January 1, 2022, NCFP adopted the requirements of FASB ASC 842, *Leases*. This new standard establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as finance leases when NCFP expects to consume a major part of the economic benefits of the leased assets over the remaining lease term. Conversely, if NCFP is not expected to consume a major part of the economic benefits of the leased assets, then they are classified as operating leases. The lease classification affects both the pattern and presentation of expense recognized in the statements of activities, the categorization of assets and liabilities in the statements of financial position, and classification of cash flows in the statements of cash flows. Leases with a term of less than 12 months will not be recorded as the ROU asset and lease liability, and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

NCFP elected to adopt FASB ASC 842, *Leases*, by applying the optional transition method, which allows NCFP to initially apply the new lease standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. As a result, NCFP's reporting for leases in the prior year (2021) is presented in accordance with the prior historical accounting treatment.

NCFP elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. NCFP also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the ROU assets.

The adoption of the new standards had no impact on net assets. As of January 1, 2022, NCFP recorded an operating lease right-of-use asset of \$720,437, an operating lease liability of \$841,990, and reduced the deferred rent of \$121,553.

Total lease cost consists of two components; amortization expense related to the write-off of the ROU assets and interest expense from lease liabilities. For operating leases, total lease cost is measured and recorded on a straight-line basis over the lease term. Lease liabilities are measured and recorded at the present value of future lease payments using a discount rate. Because NCFP generally does not have access to the rate implicit in each lease, lease liabilities are measured using the risk-free rate as the discount rate. ROU assets are generally measured and recorded at the sum of the lease liability, any initial direct costs to consummate the lease, and any lease payments made on or before the commencement date.

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 3 - PLEDGES AND GRANTS RECEIVABLE

As of December 31, 2022 and 2021, pledges and grants receivable included the following:

	<u>2022</u>	<u>2021</u>
Due in less than 1 year	\$ 543,858	\$ 407,519
Due in 1 - 5 years	<u>433,334</u>	<u>50,000</u>
Total	<u>\$ 977,192</u>	<u>\$ 457,519</u>

NOTE 4 - INVESTMENTS

The following are the major categories of assets measured at fair value on a recurring basis during the years ended December 31. All investments are considered Level 1 (using quoted prices in active markets for identical assets):

	<u>2022</u> <u>(Level 1)</u>	<u>2021</u> <u>(Level 1)</u>
Common stocks	\$ 52,830	\$ 2,450
Cash and equivalents	<u>1,063</u>	<u>972</u>
Total investments at fair value	<u>\$ 53,893</u>	<u>\$ 3,422</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 59,137	\$ 39,363
Website	277,775	266,259
Copier under capital lease	20,663	20,663
Furniture and fixtures	80,388	80,388
Leasehold improvements	<u>338,034</u>	<u>338,034</u>
Total depreciable property and equipment	775,997	744,707
Less, Accumulated depreciation and amortization	<u>(521,466)</u>	<u>(412,833)</u>
Net value of property and equipment	<u>\$ 254,531</u>	<u>\$ 331,874</u>

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 5 - PROPERTY AND EQUIPMENT (Continued)

Depreciation and amortization expense totaled \$108,633 and \$89,188 for the years ended December 31, 2022 and 2021, respectively.

NOTE 6 - LINE OF CREDIT

On January 28, 2020, NCFP obtained a Business Access Line of Credit for \$300,000 with the base interest based on the prime rate in effect on the first day of the month. There were no amounts outstanding as of December 31, 2022 and 2021.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following activities during the year ended December 31, 2022:

	December 31, 2022			
	Balance 1/1/22	Additions	Releases	Balance 12/31/22
Time restrictions	\$ 387,500	\$ 866,667	\$ (387,500)	\$ 866,667
Purpose restrictions:				
Revolving reserve	150,000	-	-	150,000
Schwab	175,000	-	(175,000)	-
BMGF Donor Innovation	284,734	-	(125,642)	159,092
Impact Investing	105,000	-	(30,000)	75,000
Racial LAN	155,000	-	(155,000)	-
LAN Gender Equity	-	300,000	(90,910)	209,090
Total	<u>\$ 1,257,234</u>	<u>\$ 1,166,667</u>	<u>\$ (964,052)</u>	<u>\$ 1,459,849</u>

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets with donor restrictions consist of the following activities during the year ended December 31, 2021:

	December 31, 2021			Balance 12/31/21
	Balance 1/1/21	Additions	Releases	
Time restrictions	\$ 665,000	\$ 177,500	\$ (455,000)	\$ 387,500
Purpose restrictions:				
Revolving reserve	150,000	-	-	150,000
Program delivery and support	50,000	-	(50,000)	-
Trustee Education Initiative	25,000	-	(25,000)	-
Schwab	-	550,000	(375,000)	175,000
BMGF Donor Innovation	-	350,734	(66,000)	284,734
Impact Investing	-	150,000	(45,000)	105,000
Racial LAN	-	180,000	(25,000)	155,000
Total	<u>\$ 890,000</u>	<u>\$ 1,408,234</u>	<u>\$(1,041,000)</u>	<u>\$ 1,257,234</u>

NOTE 8 - PAYCHECK PROTECTION PROGRAM GRANT REVENUE

On April 17, 2020, NCFP received a loan in the amount of \$254,635 from a local bank under the Paycheck Protection Program (PPP loan). Established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), the PPP loan provided for loans to qualifying businesses. The note bears interest at 1% and matures in two years. No PPP loan was received during the year ended December 31, 2022.

NCFP initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions under *FASB ASC 958-605*; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. NCFP has recognized the full amount of the loan as government grant support for the year ended December 31, 2020. On June 25, 2021, NCFP received forgiveness in the amount of \$254,635 in principal and \$2,993 in interest.

According to the rules of the SBA, NCFP is required to retain PPP loan documentation for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of the SBA, including representatives of the Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of NCFP's judgments pertaining to satisfying PPP loan eligibility or forgiveness conditions, NCFP may be required to adjust previously reported amounts and disclosures in the financial statements.

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 9 - 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, 2022 and 2021 totaled \$68,634 and \$66,307, respectively, which are included in employee benefits in the schedule of functional expenses.

NOTE 10 - OPERATING LEASES

NCFP entered into a 120-month office space lease agreement effective January 2016. The lease required 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. The lease expires in December 2025, which has been extended per an amendment signed in March 2023 as disclosed in Note 14.

As of December 31, 2022, the right-of-use asset related to the operating lease was as follows:

Right-of-use asset - operating:

Cost	\$ 608,777
Less: accumulated amortization	<u>(148,955)</u>
Right-of-use asset, net	<u>\$ 459,822</u>

As of December 31, 2022, the liability related to the operating lease was as follows:

Liability:

Lease liability, operating - current portion	\$ 206,640
Lease liability, operating - non-current portion	<u>435,992</u>
Lease liability - operating	<u>\$ 642,632</u>

The weighted-average remaining lease term for the operating lease as of December 31, 2022 was 3.00 years. The weighted-average discount rate for the operating lease as of December 31, 2022 was 1.04%.

NCFP records occupancy expense on the straight-line method over the term of the lease and includes cash paid for rent plus amortization of the operating lease liability. Occupancy expense for the years ended December 31, 2022 and 2021, including operating costs and net of leasehold improvements, totaled \$158,175 and \$161,506, respectively.

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 10 - OPERATING LEASES (Continued)

Future minimum payments are as follows for the office lease for the years ending December 31:

For the year ended December 31,	<u>Amount</u>
2023	\$ 212,340
2024	217,663
2025	<u>223,097</u>
Total undiscounted cash flows	653,100
Less: present value discount	<u>(10,468)</u>
Total	<u>\$ 642,632</u>

NOTE 11 - EQUIPMENT UNDER CAPITAL LEASE

In 2018, NCFP entered into a 63-month agreement to lease a copier, which expires April 2023. As of December 31, 2022, the capitalized cost of \$20,663 and the accumulated depreciation is \$16,188. 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:

	<u>Amount</u>
For the year ended December 31, 2023	\$ 1,910
Amount representing interest	<u>(28)</u>
Present value of net minimum lease payments	<u>\$ 1,882</u>

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 12 - LIQUIDITY AND AVAILABILITY OF RESOURCES

NCFP's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 6,528,997
Pledges and grants receivable	977,192
Investments	<u>53,893</u>
Total financial assets available	7,560,082
Less, amounts unavailable due to:	
Restrictions by donors for specified purposes	<u>(1,459,849)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 6,100,233</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 \$300,000 available. In addition, NCFP has Board Designated net assets of \$96,318 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 13 - CONCENTRATIONS

Credit Risk

NCFP's assets that are expected to create risk consist primarily of cash and cash equivalents, held in checking and savings accounts. As of December 31, 2022, the accounts exceeded the federally insured limits by approximately six million. The standard deposit insurance coverage limit is \$250,000 per account at a Federal Deposit Insurance Corporation (FDIC) insured bank.

Market Risk

NCFP invests in various common stock securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes could materially affect the amounts reported in the statements of financial position and activities.

NATIONAL CENTER FOR FAMILY PHILANTHROPY, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

NOTE 13 - CONCENTRATIONS (Continued)

Major Donors

During the year ended December 31, 2022, NCFP received approximately 17% of total revenue and support from one donor, which also accounted for 75% of grants receivable. During the year ended December 31, 2021, NCFP received approximately 49% of total revenue and support from one donor.

NCFP relies on the support of donors and any significant reduction in funding from donors may impact NCFP's ability to carry out its programs and other activities. Historically, NCFP has not experienced significant losses related to grants and contributions receivable and management believes that the credit risk related to these receivables is minimal.

NOTE 14 - SUBSEQUENT EVENTS

NCFP has evaluated subsequent events through September 29, 2023, the date which the financial statements were available to be issued.

On March 7, 2023, NCFP signed a lease amendment to relocate the office space within the same building on June 1, 2023. Terms of the amended agreement includes the following: extension of the lease term for eight years until August 30, 2031, increase in office space, annual base rent starting at \$282,212 per year increasing by 2.5% each year, eight months of rent abatement for two months during the first four years, and leasehold improvements and relocation allowance totaling approximately \$171,000. The lease amended includes an option to extend the lease.