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New Accounting Rules on Reporting Endowments and Restricted Funds

Our Team

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Daniel leads BPM's Nonprofit Group and is also a leader in the Financial Services Industry Group. He has worked extensively with fair value and alternative investments, Single Audits, significant endowments and UPMIFA, tax-exempt debt, planned giving, partnership accounting, program-related investments, New Markets Tax Credits, gifts-in-kind, and significant capital campaigns. Daniel is an organizer of BPM's long-standing Nonprofit Education Series for Nonprofits and he is a regular presenter for industry groups and conferences. His experience in Nonprofit includes Arts and Culture, Environmental, Higher Education, Political and Advocacy Organizations, Private and Community Foundations, Private Schools, Religious Organizations, Social Enterprises, and Trade Associations. His financial service experience includes FinTech, Hedge Funds, Impact Investing, Investment Banking, Marketplace Lending, Broker-Dealers, and Venture Capital. Daniel is a graduate of the University of San Francisco with a Bachelor's degree in Accounting and Finance. Daniel's community involvement includes the Treasurer and Conference Committee for the Northern California Planned Giving Council, Board of Directors for Smith-Kettlewell Eye Research Institute, Audit Committee for CACPA, CACPA Not-for-Profit Conference Co-Chair, University of San Francisco - Accounting Advisory Board, Finance Committee for SF Performances, The Guardians - Waiting List Member, and Leadership San Francisco Class of 2016.

Nathan Farris, CPA Nonprofit East Bay Leader
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Nate is a leader in BPM's nonprofit group. His experience involves providing services including financial statement audits, overhead audits in accordance with Part 31 of the Federal Acquisition Regulations, Single Audits under the provisions of the Uniform Guidance, and consulting and implementation of internal controls with an emphasis on mitigating fraud risks, financial reporting, compliance with funders agreements and federal regulations. He is experienced in various industries such as nonprofit, consumer products and manufacturing companies, and consulting and service based companies. In addition to his unique combination of services, he is a key contributor to the nonprofit trainings at BPM, author of BPM Alerts and whitepapers covering a variety of technical issues pertaining to nonprofits, and has done workshops on nonprofit accounting and financial reporting. Nate is heavily involved in the Nonprofit Services Group and has provided guidance for complex accounting issues such as fair value measurements, alternative investments, complex contributions and capital campaigns, planned giving, endowments and UPMIFA, and grant accounting. Nate is a graduate of Azusa Pacific University with a Bachelor's degree in Accounting and serves on the Board of Directors for Easter Seals Bay Area.

Agenda & Learning Objectives

- Overview of the New Accounting Standard
- Endowments and Restricted Funds
- Other Enhancements
- Impact to Fundraising Strategy
- Strategies to Consider
- Questions

How Frequently Do You Look at Your Organization's Financial Statements and How Do You Utilize Them?

The image shows a magnifying glass focusing on a section of a financial statement. The visible text includes 'Cost of Sales', 'Operating Expenses', and 'Net Income'. The spreadsheet has columns for 'Current Month', 'Prior Month', and 'Year to Date'. The 'Operating Expenses' section lists items like Advertising, Depreciation, Total selling expenses, General/Administrative, Salaries and wages, Employee benefits, Payroll taxes, Insurance, Rent, Utilities, and Depreciation.

Overview of the New Standard

A Word From the FASB

The image features the logo for the Financial Accounting Standards Board (FASB), which consists of the letters 'FASB' in a bold, blue, sans-serif font with a stylized graphic element to the left.

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Purpose of the Project

- Issues raised by stakeholders
 - Complexities about the current net asset classes
 - Deficiencies in information about liquidity
 - Inconsistent information about expenses and investment returns
 - Misunderstandings about and opportunities to enhance the usefulness of the cash flow statements
- The last major changes were over **20** years ago!

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FASB OUTREACH

- 260+ comment letters on 2015 Exposure Draft
- 3 roundtables with 35+ users, preparers, & auditors
- 10 workshops & fieldwork meetings with preparers of various types & sizes
- 12 meetings with FASB's Not-For-Profit Advisory Committee
- 60 meetings with various stakeholders
- 10 meetings with FASB's Not-For-Profit Resource Group
- 25 meetings with Not-For-Profit industry groups

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FASB ACCOUNTING STANDARDS UPDATE

Accounting Standards Update 2016-14 Not-for-Profit Entities:

Presentation of Financial Statements of Not-for-Profit Entities

- **Statement of Financial Position**
 - Net Asset Classes
 - Endowments
- **Statement of Activities**
 - Operating Measure
 - Functional Expenses
 - Expense Allocations
 - Capital Gifts
 - Investment Income
- **Statement of Cash Flows**
- **Disclosures**
 - Restrictions
 - Board Designations
 - Liquidity
 - Expense Allocations
 - Endowments

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Effective Date and Transition

- Early adoption permitted
- Retrospectively applied to all years presented
- If presenting comparative statements, you have the **option** to omit the following disclosures:
 - Expenses by Nature and Function
 - Disclosures around Liquidity and Available Resources

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But Wait, There's More!

Phase 2

- Operating Measure Requirement and Definition
- Cash Flows Categorization
- Expense Presentation for Business-Oriented Health Care NFPs

FASB deliberations have not yet begun and more can get added to the agenda

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Endowment and Restricted Funds

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Net Assets

Current GAAP	Unrestricted	Temp. Restricted	Perm. Restricted
Proposed GAAP	Without Donor Restrictions	With Donor Restrictions	
Disclosures	Amount and purpose of board designations	Nature and amount of donor restrictions	

See Exhibits A and B

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Board Designated Net Assets

NFPs with a self-defined operating measure that also includes internal board designations on the face of the financial statements will be required to report those board designations at a **disaggregated level by type, either in the financial statements or notes.**

See Exhibit B

Example:
Our board-designated endowment of \$15,511,186 is subject to an annual spending rate of 4.5 percent as described in Note 9. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, CDs, and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was \$300,000 as of December 31, 201X.

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Endowments

- Entire endowment balance considered "with donor restrictions"
- Underwater Endowments:
 - Currently reported as unrestricted net assets
 - Now classified as "with donor restrictions" net asset class
- More disclosures:
 - Policies to spend or not from underwater endowments
 - Original gift amount for underwater funds
 - Fair value of aggregate underwater funds
 - Reduced disclosure for breakout of endowment investment income

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Endowments – Current Standards

As of December 31, 20X1 and 20X0, we had the following endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
12/31/20X1				
Board-designated endowment	\$ 15,511,186	\$ -	\$ -	\$ 15,511,186
Donor-restricted endowment	-	12,678,095	19,174,849	31,852,944
	<u>\$ 15,511,186</u>	<u>\$ 12,678,095</u>	<u>\$ 19,174,849</u>	<u>\$ 47,364,130</u>
12/31/20X0				
Board-designated endowment	\$ 14,912,222	\$ -	\$ -	\$ 14,912,222
Donor-restricted endowment	(42,677)	10,037,272	18,844,440	28,839,035
	<u>\$ 14,869,545</u>	<u>\$ 10,037,272</u>	<u>\$ 18,844,440</u>	<u>\$ 43,751,257</u>

At December 31, 20X0, certain donor-restricted endowment funds had fair values less than the amount of the original gifts (the permanently restricted portion of the funds). Deficiencies of \$42,677 were reported in unrestricted net assets on that date. These amounts were fully recovered during 20X1 due to favorable market fluctuations.

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Endowments – New Standards

As of December 31, 20X1 and 20X0, we had the following endowment net asset composition by type of fund:

	Without Donor Restriction	With Donor Restrictions	Total
12/31/20X1			
Board-designated endowment funds	\$ 15,511,186	\$ -	\$ 15,511,186
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	19,174,849	19,174,849
Accumulated investment gains	-	12,678,095	12,678,095
	<u>\$ 15,511,186</u>	<u>\$ 31,852,944</u>	<u>\$ 47,364,130</u>
12/31/20X0			
Board-designated endowment funds	\$ 14,912,222	\$ -	\$ 14,912,222
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	18,844,440	18,844,440
Accumulated investment gains	-	9,994,595	9,994,595
	<u>\$ 14,912,222</u>	<u>\$ 28,839,035</u>	<u>\$ 43,751,257</u>

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Endowments

- Disclosure – Underwater Endowments

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. **At December 31, 20X0, funds with original gift values of \$19,883,738, fair values of \$19,841,061, and deficiencies of \$42,677 were reported in net assets with donor restrictions.** These amounts were fully recovered during 20X1 due to favorable market fluctuations.

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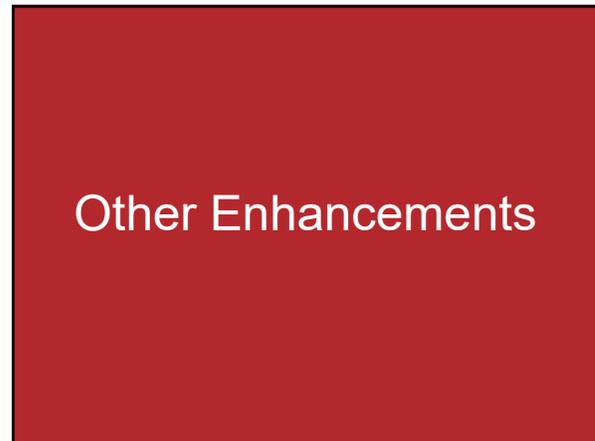
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Endowments

▪ Disclosure – Changes in Endowment

Year ended December 31, 20X1	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 14,912,222	\$ 28,839,035	\$ 43,751,257
Investment return, net	1,143,669	3,412,392	4,556,061
Contributions	-	330,409	330,409
Appropriation of endowment assets pursuant to spending-rate policy	-	(728,892)	(728,892)
Other changes:			
Distribution from board-designated endowment pursuant to distribution policy	(544,705)	-	(544,705)
Endowment net assets, end of year	<u>\$ 15,511,186</u>	<u>\$ 31,852,944</u>	<u>\$ 47,364,130</u>

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Liquidity Disclosures

Liquidity

- Meeting cash needs within 1 year of the balance sheet date

Availability

Exclude funds not available, due to:

- Law/contract provisions
- Donor restrictions
- Board designations

- Disclose **qualitative** information in footnotes about how the NFP manages its liquid resources
- Disclose **quantitative** information in the financial statements or notes to communicate the availability of financial assets at balance sheet date to meet cash needs within one year
- FASB included illustrative examples

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Liquidity Disclosure Example

Financial assets, at year-end	\$ 235,000
Less those unavailable for general expenditures within one year , due to:	
Contractual or donor -imposed restrictions:	
Restricted by donor with time or purpose restrictions	(11,900)
Subject to appropriation and satisfaction of donor restrictions	(175,000)
Investments held in annuity trust	(4,500)
Board designations:	
Quasi-endowment fund, primarily for long-term investing	(37,000)
Amounts set aside for liquidity reserve	<u>(1,300)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,300</u>

Charity A is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Charity must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of Charity A's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Occasionally, the board designates a portion of any operating surplus to its liquidity reserve, which was \$1,300. There is a fund established by the governing board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity need, Charity A also could draw upon \$10,000 of available lines of credit or its quasi-endowment fund.

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Functional Expenses

▪ Expenses by both their **natural classification** and their **functional classification** must be reported in one location

	FUNCTION			
	Program Activities		Supporting Activities	
	Program A	Program B	M&G	Fundraising
N Salaries and Benefits				
A Occupancy Costs				
T Depreciation				
U Supplies				
R Travel				
E Interest				

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Cost Allocation Disclosures

▪ Disclose methods used to allocate costs between program and support

Note X. Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Those expenses include depreciation and amortization, the president's office, communications department, and information technology department. Depreciation is allocated based on a **square footage basis**, the president's office is allocated based on a **time and cost study** of where efforts are made, certain costs of the communications department are allocated based on the **benefit received**, and the information technology department is allocated based on a **cost study** of specific technology utilized.

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Cost Allocations Clarified

- Salaries allocated based on **direct conduct and direct supervision**
- New Illustrations added
(Example 21 – 958-720-55-171)
 - Case A: CEO Allocation
 - Case B: CFO Allocation
 - Case C: Human Resources Department Allocation
 - Case D: Grant Accounting and Reporting Allocation



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Fundraising Expenses

- Fundraising Activities** (FASB Definition): Activities undertaken to induce potential donors to contribute money, securities, services, materials, facilities, other assets, or time.

Direct Allocation	Indirect Allocation
<ul style="list-style-type: none"> Salaries and Benefits of Development Department and Grant Writers Printing, publications, and reproduction costs Maintaining donor lists and relationships Fundraising campaign costs Fundraising professional services Media and advertising 	<ul style="list-style-type: none"> Salary of other employees indirectly involved in fundraising efforts Overhead – rent, utilities, supplies, R&M, depreciation Travel, conference, and meetings Other professional services Joint Costs

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Fundraising Expenses

Two Common Fundraising Metrics

- Fundraising Expense Percentage**
 - How much of the NFP's total resources are spent on fundraising activities?
 - Fundraising Expenses vs Total Expenses
 - General range – 10-25%
- Fundraising Efficiency**
 - How much does it cost to raise \$1?
 - Fundraising Expenses vs Contribution Revenue (amounts raised)
 - General range – \$0.10-0.40
- Note:** If an NFP discloses in its financial statements a ratio of fundraising expenses to amounts raised, it also shall disclose how it computes that ratio.

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Investment Returns

- Requirement to report investment expenses with investment returns, net
- Both **external** and **direct internal** investment expenses
 - Direct Internal Investment Expenses:
 - Direct conduct and supervision of strategic and tactical investment activities
 - Can include salaries and benefits, travel and other costs
 - Allocable costs associated with the officer and staff
 - Does not include costs that are not associated with generating investment return (e.g. investment and unitization accounting and endowment management)
- Removing requirement to disclose investment-related expenses
 - Disclose internal salaries and benefits that have been netted against investment returns

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Cash Flows

- Direct Method (Optional, Not Required)

	20X1
Cash flows from operating activities:	
Cash received from service recipients	\$ 5,220
Cash received from contributors, restricted for investment in land, buildings, equipment	1,210
Cash received from contributors, other	10,645
Proceeds on sale of equipment	200
Insurance proceeds from fire loss on building	250
Miscellaneous receipts	150
Cash paid to employees and retirees	(13,400)
Cash paid to suppliers	(5,858)
Grants paid	(5,175)
Purchase of equipment	(1,500)
Net cash used by operating activities	(8,258)

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Cash Flows

- If you choose the **direct cash flow method**, a reconciliation of changes in net assets using the indirect method is no longer needed.

	2012	2011
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 75,166	\$ 40,044
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	4,823	9,868
Decrease in Value of Beneficial Interest	2,169	(1,642)
Changes in Operating Assets and Liabilities:		
Dancewear	(859)	66
Total Adjustments	6,333	8,292
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 81,499	\$ 48,336

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Net Assets – Capital Gifts

- Cash Gifts Restricted for Long-Lived Assets
 - Current approaches
 - Release as funds are spent to construct assets
 - Release once asset is placed in service
 - Release over the asset's useful life
 - Decision to use one approach
 - Release **all at once** after funds expended **and** asset placed in service
 - **Absent of donor stipulations!**

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Net Assets – Capital Gifts

- **Example**
 - ABC NFP commenced a capital campaign to raise \$25 Million for the constructing of a new building to support their respite care program. Over a period of 3 years, the \$25 Million in restricted support was raised. At the end of year 3, the building was officially placed into service and operations commenced. ABC NFP will recognize the satisfaction of donor restrictions when the asset was **placed into service** and will report **net asset released from restriction** of \$25 Million in their Statement of Activities.

	Without Donor Restrictions	With Donor Restrictions
Net assets released from restrictions	\$25M	(\$25M)

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Impact to Fundraising Strategy

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Key Takeaways of the New Standard

- More understandable financial statements for the average person
 - Core concept of accountability to donors/funders remains
 - Some complexities moved from statements to the footnotes
- Greater comparability between organizations in the following areas:
 - Investment returns
 - Capital gifts
 - Functional expenses
 - Allocation of certain indirect costs
- Donors will have greater transparency in the following areas:
 - Your expenses and how you spend funds
 - Liquidity and financial health
 - Board designations and related strategies

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Impact to You

- Financial statements may be leveraged more as a tool for fundraising
- Increased information and disclosures can aid in telling your story about fundraising goals and initiatives
- Be prepared to have more discussions with donors around liquidity and solvency
- Be prepared to understand and explain potential changes to functional expense percentages

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Strategies to Consider

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To Demonstrate Financial Need

- This expanded presentation of unrestricted net asset highlights the need for general operating support in the statement of financial position:

Net Assets	2016	2015
Without donor restrictions:		
Operations	(112,458)	247,856
Board designated - operations reserve	67,845	250,626
Board designated - endowment	1,780,608	1,876,892
Investment in property and equipment, net of related debt	30,194,185	31,510,067
	31,930,180	33,885,441
With donor restrictions		
Perpetual in nature	937,125	925,126
Purpose restrictions	618,562	562,148
Time-restricted for future periods	225,410	186,452
	1,781,097	1,673,726
Total net assets	33,711,277	35,559,167

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In a Capital Campaign

- Create subtotals in the statement of functional expense to segregate capital campaign costs from other recurring costs:

	Programs		Supporting		Total
	Education	Services	Management and General	Fundraising	
Personnel costs	69,263	77,210	146,473	19,400	213,346
Occupancy	18,045	31,458	49,503	13,298	112,304
Supplies and materials	6,745	13,457	20,202	5,412	45,816
Depreciation and amortization	4,123	13,248	17,371	6,548	41,290
Travel	13,256	4,225	17,481	3,289	38,251
Other	3,278	1,834	5,102	1,250	11,464
Total expenses before capital campaign costs	114,710	141,422	256,132	49,157	355,321
Capital campaign costs:					
Personnel costs	-	-	-	37,568	37,568
Occupancy	-	-	-	6,487	6,487
Supplies and materials	-	-	-	14,235	14,235
Printing and publications	-	-	-	18,452	18,452
Travel	-	-	-	13,452	13,452
Total capital campaign costs	-	-	-	90,194	90,194
Total expenses	114,710	141,422	256,132	140,089	448,333

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Showing Your True Operating Results

- If you have a lot of additional complexity and want to reflect your true operating income and expenses consider a two page presentation of your statement of activities

	Page 1	Page 2
Without Donor Restrictions		
Operating revenues:		
Patient revenue, net	660,589	17,856
Contributions	214,580	(9,856)
Expiration of restrictions	125,470	18,108
Total revenues	1,000,639	33,218
With Donor Restrictions:		
Contributions	168,700	
Investment return, net	6,501	
Expiration of restrictions	(125,470)	
Increase in net assets with donor restrictions	49,731	
Increase in net assets	67,839	
Net assets, BOY	270,250	
Net assets, EOY	338,089	
Operating excess	10,108	

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Example Operating Measure

	Unrestricted	Temporarily restricted	Permanently restricted	Totals
Operating:				
Revenues:				
Tuition and fees	\$ 280,695	—	—	280,695
Financial aid	(45,431)	—	—	(45,431)
Net tuition and fees	235,264	—	—	235,264
Contributions	4,032	13,294	9,388	26,714
Grant revenues	5,692	—	—	5,692
Income on investments, net	5,059	628	—	5,687
Realized and investment gains (losses) distributed	2,502	20,909	(296)	23,115
Other revenues/expenses	13,661	(13,944)	45	12,662
Auxiliary activities	30,513	—	—	30,513
Total revenues	271,661	13,287	9,137	294,085
Net assets released from restrictions	15,119	(15,119)	—	—
Total revenues and other support	286,780	(1,832)	9,137	294,085
Expenses:				
Educational and general:				
Instruction	113,529	—	—	113,529
Research	4,313	—	—	4,313
Public service	9,424	—	—	9,424
Academics support	13,773	—	—	13,773
Student services	40,646	—	—	40,646
Institutional support	55,066	—	—	55,066
Scholarship and fellowships	13,229	—	—	13,229
Total educational and general	244,880	—	—	244,880
Auxiliary activities	29,681	—	—	29,681
Total expenses	283,961	—	—	283,961
Increase (decrease) in net assets from operations	24,819	(1,832)	9,137	32,124
Nonoperating:				
Investment gains (losses), net of distributions	(5,252)	(38,407)	—	(43,659)
Loss on the disposal of assets	(231)	—	—	(231)
Change in net assets	19,336	(40,239)	9,137	(11,766)

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Too Much Expense Information

- Keep to just functional expense information in the statement of activities

Expenses and Losses			
Program services expense			
Advisory Program	13,340,967	-	13,340,967
Training Program	2,464,694	-	2,464,694
Total program expenses	15,805,661	-	15,805,661
Supporting services expense			
Management and general	883,593	-	883,593
Fundraising and development	592,859	-	592,859
Total supporting services expenses	1,476,452	-	1,476,452
Loss on uncollectable promises to give	7,109	-	7,109
Impairment loss on building	60,000	-	60,000
Total expenses and losses	17,849,222	-	17,849,222

Exhibit B

- Move details of expenses by nature and function to a table in the footnotes, rather than a statement of functional expenses up front.

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Managing Your Financial Health and Liquidity Story

- If the additional disclosures about liquidity and financial health aren't favorable to you:
 - Take control of your Guidestar profile so you can better tell your story
 - Understand the Charity Navigator rating system so you can better manage
 - <https://www.charitynavigator.org/index.cfm?bay=content.view&cid=33>
 - Figure out what is hurting you with the liquidity disclosures and come up with a plan to address. Examples include:
 - Illiquid investments** – Review your investment allocation strategy
 - Long-term pledges** – Talk to donors and speak with finance early on
 - Restricted cash or pledges** – Make sure donors understand your operating needs
 - Big endowments** – Only endowment spending is available, so balance fundraising
 - Board reserves** – Consider removing board designations
 - Planned gifts** – Probably not much you can do
- Keep in mind there is a new going concern standard

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Keep it Simple

- Functional expenses - If you're not complex, consider putting all details in the statement of activities

Expenses:	
Program expenses:	
Salaries and benefits	23,750
Supplies and travel	18,562
Office and occupancy	8,058
Other	1,450
Total program expenses	51,820
Management and general expenses:	
Salaries and benefits	2,450
Supplies and travel	1,896
Office and occupancy	3,560
Total management and general expenses	7,906
Fundraising expenses:	
Salaries and benefits	1,300
Professional services	8,450
Supplies and travel	984
Office and occupancy	880
Total fundraising expenses	11,714
Total expenses	71,440

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Investment Expenses

- Allocating Direct Internal Investment Expenses
 - Analyze the type of direct costs (i.e. salaries and benefits, travel, etc.) that should be netted against investment returns, as well as some allocable indirect costs for the related individuals (i.e. rent, utilities, office expenses, etc.)

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Other Strategies

- The IRS has not yet announced plans to eliminate the three current categories of net assets, so you'll still need to track activities separately
- Figure out what tweaks are needed to accounting system and what can be handled in separate spreadsheets until the IRS changes
- Consider single year financial statements during year of adoption
- You can also elect not to disclose functional expenses and/or liquidity for years presented before the effective date

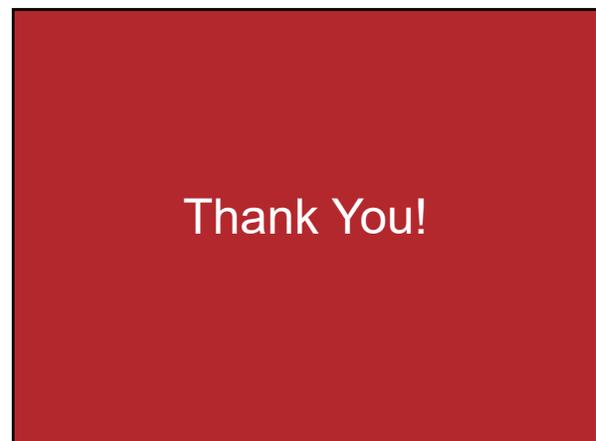
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Resources

- The AICPA has developed sample financial statements through their Not-for-Profit Section. Become a member and access this and other resources.
 - <http://www.aicpa.org/interestareas/notforprofit/Pages/default.aspx>
- BPM has a high level summary of this new standard on our website to share with your board members.
 - <https://www.bpmcpa.com/Industries/Nonprofit/#newsEvents>

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Exhibit A – Pre-ASU 2016-14 Financial Statements

Save Our Charities
Consolidated Statements of Financial Position
December 31, 20X1 and 20X0

	20X1	20X0
Assets		
Cash and cash equivalents	\$ 5,821,340	\$ 3,485,916
Operating investments	723,006	641,132
Accounts receivable, net	312,216	387,200
Promises to give, net	1,990,615	897,930
Gift shop inventory, net	21,672	14,517
Prepaid expenses and other assets	290,813	355,387
Deferred bond offering costs, net	216,809	224,952
Cash restricted to building project	500,000	-
Property and equipment, net	30,810,802	30,265,057
Assets held under split-interest agreements	1,977,102	1,929,260
Beneficial interests in charitable trusts held by others	812,850	804,179
Beneficial interest in assets held by community foundation	1,094,842	1,090,505
Beneficial interests in perpetual trusts	2,595,059	2,515,201
Endowment		
Promises to give, net	336,999	372,553
Investments	47,027,131	43,378,704
Total assets	\$ 94,531,256	\$ 86,362,493
Liabilities and Net Assets		
Accounts payable	\$ 670,603	\$ 239,809
Accrued expenses and other liabilities	647,722	645,147
Deferred revenue	2,967,135	2,604,216
Line of credit	225,000	275,000
Liabilities under split-interest agreements	1,418,127	1,488,803
Capital lease obligations	69,214	86,459
Bonds and notes payable	9,788,586	9,984,720
Interest-rate swap	240,300	273,500
Total liabilities	16,026,687	15,597,654
Net Assets		
Unrestricted		
Undesignated	3,057,607	1,327,724
Board-designated operating reserve	300,000	250,000
Board-designated endowment	15,511,186	14,912,222
Invested in property and equipment, net of related debt	21,150,885	20,193,878
[The above line is an optional break-out some NPOs find useful.]	40,019,678	36,683,824
Temporarily restricted	15,620,141	11,630,869
Permanently restricted	22,864,750	22,450,146
Total net assets	78,504,569	70,764,839
Total liabilities and net assets	\$ 94,531,256	\$ 86,362,493

See Notes to Consolidated Financial Statements

Save Our Charities
Consolidated Statement of Activities
Year Ended December 31, 20X1

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Support, and Gains				
Program service fees	\$ 12,972,526	\$ -	\$ -	\$ 12,972,526
Exchange portion of membership dues	373,781	-	-	373,781
Gift shop sales	112,364	-	-	112,364
Less cost of goods sold	(59,621)	-	-	(59,621)
Net gift shop sales	<u>52,743</u>	<u>-</u>	<u>-</u>	<u>52,743</u>
Net investment return	1,173,826	3,369,715	-	4,543,541
Other revenue	101,275	-	-	101,275
Federal and state contracts and grants	256,663	-	-	256,663
Contributions	3,352,578	2,528,554	330,409	6,211,541
Donated professional services	23,555	-	-	23,555
In-kind contributions	36,280	-	-	36,280
Gross special events revenue	114,989	-	-	114,989
Less cost of direct benefits to donors	(12,601)	-	-	(12,601)
Net special events revenue	<u>102,388</u>	<u>-</u>	<u>-</u>	<u>102,388</u>
Change in value of split-interest agreements held by Save Our Charities	-	130,406	-	130,406
Distributions from and change in value of beneficial interests in assets held by others	145,649	21,209	84,195	251,053
Change in value of interest-rate swap	33,200	-	-	33,200
Net assets released from restriction pursuant to endowment spending-rate distribution formula	728,892	(728,892)	-	-
Net assets released from restrictions	<u>1,331,720</u>	<u>(1,331,720)</u>	<u>-</u>	<u>-</u>
Total revenue, support, and gains	<u>20,685,076</u>	<u>3,989,272</u>	<u>414,604</u>	<u>25,088,952</u>
Expenses and Losses				
Program services expense				
Advisory Program	13,340,967	-	-	13,340,967
Training Program	2,464,694	-	-	2,464,694
Total program expenses	<u>15,805,661</u>	<u>-</u>	<u>-</u>	<u>15,805,661</u>
Supporting services expense				
Management and general	883,593	-	-	883,593
Fundraising and development	592,859	-	-	592,859
Total supporting services expenses	<u>1,476,452</u>	<u>-</u>	<u>-</u>	<u>1,476,452</u>
Loss on uncollectable promises to give	7,109	-	-	7,109
Impairment loss on building	60,000	-	-	60,000
Total expenses and losses	<u>17,349,222</u>	<u>-</u>	<u>-</u>	<u>17,349,222</u>
Change in Net Assets	3,335,854	3,989,272	414,604	7,739,730
Net Assets, Beginning of Year	36,683,824	11,630,869	22,450,146	70,764,839
Net Assets, End of Year	<u>\$ 40,019,678</u>	<u>\$ 15,620,141</u>	<u>\$ 22,864,750</u>	<u>\$ 78,504,569</u>

See Notes to Consolidated Financial Statements

Save Our Charities
Consolidated Statement of Activities
Year Ended December 31, 20X0

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Support, and Gains				
Program service fees	\$ 12,444,784	\$ -	\$ -	\$ 12,444,784
Exchange portion of membership dues	355,044	-	-	355,044
Gift shop sales	107,677	-	-	107,677
Less cost of goods sold	(58,781)	-	-	(58,781)
Net gift shop sales	48,896	-	-	48,896
Net investment return	43,032	6,154	-	49,186
Other revenue	82,710	-	-	82,710
Federal and state contracts and grants	285,129	-	-	285,129
Contributions	1,644,438	226,888	1,857,667	3,728,993
Donated professional services	46,468	-	-	46,468
In-kind contributions	31,089	-	-	31,089
Donated equipment	53,000	-	-	53,000
Gross special events revenue	272,402	-	-	272,402
Less cost of direct benefits to donors	(36,939)	-	-	(36,939)
Net special events revenue	235,463	-	-	235,463
Change in value of split-interest agreements held by Save Our Charities	-	51,472	-	51,472
Distributions from and change in value of beneficial interests in assets held by others	135,950	43,659	51,978	231,587
Gain on sale of equipment	990	-	-	990
Change in value of interest-rate swap	37,900	-	-	37,900
Net assets released from restriction pursuant to endowment spending-rate distribution formula	960,117	(960,117)	-	-
Net assets released from restrictions	202,933	(202,933)	-	-
Total revenue, support, and gains	16,607,943	(834,877)	1,909,645	17,682,711
Expenses and Losses				
Program services expense				
Advisory Program	12,907,293	-	-	12,907,293
Training Program	2,225,205	-	-	2,225,205
Total program expenses	15,132,498	-	-	15,132,498
Supporting services expense				
Management and general	870,669	-	-	870,669
Fundraising and development	562,977	-	-	562,977
Total supporting services expenses	1,433,646	-	-	1,433,646
Loss on uncollectable promises to give	139,822	-	294,421	434,243
Total expenses and losses	16,705,966	-	294,421	17,000,387
Change in Net Assets	(98,023)	(834,877)	1,615,224	682,324
Net Assets, Beginning of Year	36,781,847	12,465,746	20,834,922	70,082,515
Net Assets, End of Year	\$ 36,683,824	\$ 11,630,869	\$ 22,450,146	\$ 70,764,839

See Notes to Consolidated Financial Statements

[Optional – recommended but not required
unless the entity is a voluntary health and welfare organization]

Save Our Charities
Consolidated Statement of Functional Expenses
Year Ended December 31, 20X1

	Program Services			Management and General	Fundraising and Development	Cost of Goods Sold	Total
	Advisory	Training	Total				
Grants and other assistance	\$ 294,261	\$ -	\$ 294,261	\$ -	\$ -	\$ -	\$ 294,261
Salaries and wages	6,769,754	1,061,585	7,831,339	370,234	254,176	-	8,455,749
Employee benefits	1,398,503	310,865	1,709,368	99,963	26,222	-	1,835,553
Payroll taxes	541,580	84,927	626,507	29,619	19,823	-	675,949
Professional services	1,306,807	87,197	1,394,004	37,780	1,704	-	1,433,488
Accounting fees	-	-	-	40,073	-	-	40,073
Legal fees	-	7,939	7,939	-	-	-	7,939
Advertising and promotion	33,085	21,006	54,091	79,261	132,478	-	265,830
Office expenses	87,071	56,654	143,725	9,867	22,794	-	176,386
Information technology	37,858	606,535	644,393	12,399	14,653	-	671,445
Occupancy	446,601	29,799	476,400	14,918	55,427	-	546,745
Travel	170,957	18,283	189,240	149,292	-	-	338,532
Conferences, conventions and meetings	32,516	66,287	98,803	11,505	-	-	110,308
Interest	387,428	-	387,428	-	9,457	-	396,885
Insurance	198,174	12,556	210,730	5,443	1,022	-	217,195
Training and development	457,617	20,659	478,276	9,113	33,669	-	521,058
Gift shop cost of goods sold	59,621	-	59,621	-	-	-	59,621
Cost of direct benefits to donors	-	-	-	-	-	12,601	12,601
Depreciation and amortization	1,147,186	74,425	1,221,611	20,112	13,960	-	1,255,683
Bad debt expense	-	-	-	16,892	-	-	16,892
Other	31,569	5,977	37,546	2,122	7,474	-	47,142
Total expenses by function	13,400,588	2,464,694	15,865,282	908,593	592,859	12,601	17,379,335
Less expenses included with revenues on the statement of activities							
Gift shop cost of goods sold	(59,621)	-	(59,621)	-	-	-	(59,621)
Cost of direct benefits to donors	-	-	-	-	-	(12,601)	(12,601)
Investment management fees	-	-	-	(25,000)	-	-	(25,000)
Total expenses included in the expense section on the statement of activities	\$ 13,340,967	\$ 2,464,694	\$ 15,805,661	\$ 883,593	\$ 592,859	\$ -	\$ 17,282,113

See Notes to Consolidated Financial Statements

[Optional – recommended but not required
unless the entity is a voluntary health and welfare organization]

Save Our Charities
Consolidated Statement of Functional Expenses
Year Ended December 31, 20X0

	Program Services			Management and General	Fundraising and Development	Cost of Goods Sold	Total
	Advisory	Training	Total				
Grants and other assistance	\$ 288,376	\$ -	\$ 288,376	\$ -	\$ -	\$ -	\$ 288,376
Salaries and wages	6,634,358	1,040,354	7,674,712	362,830	249,092	-	8,286,634
Employee benefits	1,370,533	304,648	1,675,181	97,964	25,698	-	1,798,843
Payroll taxes	530,749	83,228	613,977	29,026	19,427	-	662,430
Professional services	1,028,671	85,453	1,114,124	49,469	1,670	-	1,165,263
Accounting fees	-	-	-	39,271	-	-	39,271
Legal fees	-	2,017	2,017	5,763	-	-	7,780
Advertising and promotion	50,823	18,755	69,578	68,476	122,918	-	260,972
Office expenses	86,193	55,521	141,714	9,669	22,338	-	173,721
Information technology	37,101	415,972	453,073	12,151	2,360	-	467,584
Occupancy	444,669	29,203	473,872	12,660	54,318	-	540,850
Travel	167,538	17,917	185,455	148,495	-	-	333,950
Conferences, conventions and meetings	31,865	64,961	96,826	11,275	-	-	108,101
Interest	449,561	-	449,561	-	10,085	-	459,646
Insurance	194,211	12,305	206,516	5,334	1,002	-	212,852
Training and development	465,125	20,246	485,371	8,931	33,763	-	528,065
Gift shop cost of goods sold	58,781	-	58,781	-	-	-	58,781
Cost of direct benefits to donors	-	-	-	-	-	36,939	36,939
Depreciation and amortization	1,096,582	68,768	1,165,350	19,721	12,981	-	1,198,052
Bad debt expense	-	-	-	12,554	-	-	12,554
Other	30,938	5,857	36,795	2,080	7,325	-	46,200
	<u>12,966,074</u>	<u>2,225,205</u>	<u>15,191,279</u>	<u>895,669</u>	<u>562,977</u>	<u>36,939</u>	<u>16,686,864</u>
Less expenses included with revenues on the statement of activities							
Gift shop cost of goods sold	(58,781)	-	(58,781)	-	-	-	(58,781)
Cost of direct benefits to donors	-	-	-	-	-	(36,939)	(36,939)
Investment management fees	-	-	-	(25,000)	-	-	(25,000)
Total expenses included in the expense section on the statement of activities	<u>\$ 12,907,293</u>	<u>\$ 2,225,205</u>	<u>\$ 15,132,498</u>	<u>\$ 870,669</u>	<u>\$ 562,977</u>	<u>\$ -</u>	<u>\$ 16,566,144</u>

See Notes to Consolidated Financial Statements

Save Our Charities
 Consolidated Statements of Cash Flows
 Years Ended December 31, 20X1 and 20X0

	20X1	20X0
Cash Flows from Operating Activities		
Program service payments received	\$ 13,410,429	\$ 12,458,235
Membership receipts	373,781	355,044
Gift shop sales receipts	112,364	107,677
Receipts from federal and state contracts and grants	256,663	285,129
Contributions received, net of amounts restricted for long-term purposes	4,264,113	2,647,976
Receipts from special events	114,989	272,402
Distributions from beneficial interests and assets held by others	182,521	155,717
Other cash receipts	101,275	82,710
Grants paid	(294,261)	(288,376)
Payments for salaries, benefits and taxes	(10,964,676)	(10,734,090)
Payments to vendors	(3,960,150)	(4,111,056)
Interest paid	(408,371)	(460,624)
Net Cash from (used for) Operating Activities	<u>3,188,677</u>	<u>770,744</u>
Cash Flows from Investing Activities		
Purchases of operating investments	(275,000)	(150,000)
Proceeds from sales of operating investments	173,520	109,761
Purchases of property and equipment	(1,407,916)	(875,456)
Proceeds from sales of property and equipment	-	5,390
(Addition to) withdrawal from cash restricted to building project	(500,000)	-
(Addition to) withdrawal from assets held under split-interest agreements	88,476	(6,859)
(Addition to) withdrawal from endowment	541,671	(342,531)
Net Cash from (used for) Investing Activities	<u>(1,379,249)</u>	<u>(1,259,695)</u>
Cash Flows from Financing Activities		
Collections of contributions restricted to building project	500,000	-
Collections of contributions restricted to endowment	365,963	1,891,105
Payments to beneficiaries of split-interest agreements	(76,588)	(87,219)
Proceeds from establishment of split-interest agreements	-	107,899
Net borrowings (repayments) under line of credit	(50,000)	275,000
Proceeds from issuance of bonds and notes	-	125,000
Principal payments on bonds, notes and capital leases	(213,379)	(198,616)
Net Cash from (used for) Financing Activities	<u>525,996</u>	<u>2,113,169</u>
Net Change in Cash and Cash Equivalents	2,335,424	1,624,218
Cash and Cash Equivalents, Beginning of Year	<u>3,485,916</u>	<u>1,861,698</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,821,340</u>	<u>\$ 3,485,916</u>

See Notes to Consolidated Financial Statements

Save Our Charities
Consolidated Statements of Cash Flows
Years Ended December 31, 20X1 and 20X0

	20X1	20X0
Reconciliation of Change in Net Assets to Net Cash from (used for) Operating Activities		
Change in net assets	\$ 7,739,730	\$ 682,324
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation and amortization	1,247,540	1,189,909
Amortization of discount on promises to give	(6,889)	(7,924)
Amortization of bond issuance costs	8,143	8,143
Realized and unrealized (gain) loss on operating investments	19,606	(490)
Impairment loss – building	60,000	-
(Gain) loss on sale of property and equipment	-	(990)
Contributed property and equipment capitalized	-	(53,000)
Loss on uncollectable promises to give	7,109	434,243
Contributions received under split-interest agreements	-	(28,486)
Contributions restricted to building project	(500,000)	-
Contributions restricted to endowment	(330,409)	(1,857,667)
Change in value of split-interest agreements held by SOC	(130,406)	(51,472)
Change in beneficial interests in assets held by others	(92,866)	(75,870)
Endowment net investment (return) loss	(4,556,061)	(43,269)
Change in value of interest rate swap	(33,200)	(37,900)
Changes in operating assets and liabilities		
Accounts receivable, net	74,984	(40,644)
Promises to give, net	(726,942)	716,652
Gift shop inventory, net	(7,155)	3,427
Prepaid expenses and other assets	64,574	(38,072)
Accounts payable	(14,575)	(96,082)
Accrued expenses and other liabilities	2,575	13,817
Deferred revenue	362,919	54,095
Net Cash from (used for) Operating Activities	\$ 3,188,677	\$ 770,744
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	\$ 408,371	\$ 460,624
Unrelated business income taxes [if any]	-	-
	\$ 408,371	\$ 460,624
Supplemental Disclosure of Non-cash Investing and Financing Activity		
Accounts payable for property and equipment	\$ 445,369	\$ -
Equipment financed through capital lease arrangement	-	94,700
	\$ 445,369	\$ 94,700

See Notes to Consolidated Financial Statements

Exhibit B – Post-ASU 2016-14 Financial Statements

[NFPs also have the option to prepare a classified Statement of Financial Position]

Save Our Charities
Consolidated Statements of Financial Position
December 31, 20X1 and 20X0

	20X1	20X0
Assets		
Cash and cash equivalents	\$ 5,821,340	\$ 3,485,916
Operating investments	723,006	641,132
Accounts receivable, net	312,216	387,200
Promises to give, net	1,990,615	897,930
Gift shop inventory, net	21,672	14,517
Prepaid expenses and other assets	290,813	355,387
Cash restricted to building project	500,000	-
Property and equipment, net	30,810,802	30,265,057
Assets held under split-interest agreements	1,977,102	1,929,260
Beneficial interests in charitable trusts held by others	812,850	804,179
Beneficial interest in assets held by community foundation	1,094,842	1,090,505
Beneficial interests in perpetual trusts	2,595,059	2,515,201
Endowment		
Promises to give, net	336,999	372,553
Investments	47,027,131	43,378,704
Total assets	<u>\$ 94,314,447</u>	<u>\$ 86,137,541</u>
Liabilities and Net Assets		
Accounts payable	\$ 670,603	\$ 239,809
Accrued expenses and other liabilities	647,722	645,147
Deferred revenue	2,967,135	2,604,216
Line of credit	225,000	275,000
Liabilities under split-interest agreements	1,418,127	1,488,803
Capital lease obligations	69,214	86,459
Bonds and notes payable	9,571,777	9,759,768
Interest-rate swap	240,300	273,500
Total liabilities	<u>15,809,878</u>	<u>15,372,702</u>
Net Assets [The level of detail presented here is not required, however if the information presented on the face is not sufficiently detailed, it must be included in the notes.]		
Without donor restrictions		
Undesignated	3,057,607	1,370,401
Designated by the Board for operating reserve	300,000	250,000
Designated by the Board for endowment	15,511,186	14,912,222
Invested in property and equipment, net of related debt	21,150,885	20,193,878
	<u>40,019,678</u>	<u>36,726,501</u>
With donor restrictions		
Perpetual in nature	22,864,750	22,450,146
Purpose restrictions	14,228,316	10,351,233
Time-restricted for future periods	1,391,825	1,279,636
Underwater endowments	-	(42,677)
	<u>38,484,891</u>	<u>34,038,338</u>
Total net assets	78,504,569	70,764,839
Total liabilities and net assets	<u>\$ 94,314,447</u>	<u>\$ 86,137,541</u>

See Notes to Consolidated Financial Statements

[NFPs have multiple presentation options, such as pancake and columnar.
This NFP is preparing a columnar statement.]

Save Our Charities
Consolidated Statement of Activities
Year Ended December 31, 20X1

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Program service fees	\$ 12,972,526	\$ -	\$ 12,972,526
Exchange portion of membership dues	373,781	-	373,781
Gift shop sales	112,364	-	112,364
Less cost of goods sold	(59,621)	-	(59,621)
Net gift shop sales	<u>52,743</u>	<u>-</u>	<u>52,743</u>
Net investment return	1,131,149	3,412,392	4,543,541
Other revenue	101,275	-	101,275
Federal and state contracts and grants	256,663	-	256,663
Contributions	3,352,578	2,858,963	6,211,541
Donated professional services	23,555	-	23,555
In-kind contributions	36,280	-	36,280
Gross special events revenue	114,989	-	114,989
Less cost of direct benefits to donors	(12,601)	-	(12,601)
Net special events revenue	<u>102,388</u>	<u>-</u>	<u>102,388</u>
Change in value of split-interest agreements held by Save Our Charities	-	130,406	130,406
Distributions from and change in value of beneficial interests in assets held by others	145,649	105,404	251,053
Change in value of interest-rate swap	33,200	-	33,200
Net assets released from restriction pursuant to endowment spending-rate distribution formula	728,892	(728,892)	-
Net assets released from restrictions - other	1,331,720	(1,331,720)	-
Total revenue, support, and gains	<u>20,642,399</u>	<u>4,446,553</u>	<u>25,088,952</u>
Expenses and Losses			
Program services expense			
Advisory Program	13,340,967	-	13,340,967
Training Program	2,464,694	-	2,464,694
Total program expenses	<u>15,805,661</u>	<u>-</u>	<u>15,805,661</u>
Supporting services expense			
Management and general	883,593	-	883,593
Fundraising and development	592,859	-	592,859
Total supporting services expenses	<u>1,476,452</u>	<u>-</u>	<u>1,476,452</u>
Loss on uncollectable promises to give	7,109	-	7,109
Impairment loss on building	60,000	-	60,000
Total expenses and losses	<u>17,349,222</u>	<u>-</u>	<u>17,349,222</u>
Change in Net Assets	3,293,177	4,446,553	7,739,730
Net Assets, Beginning of Year	36,726,501	34,038,338	70,764,839
Net Assets, End of Year	<u>\$ 40,019,678</u>	<u>\$ 38,484,891</u>	<u>\$ 78,504,569</u>

See Notes to Consolidated Financial Statements

[NFPs have multiple presentation options, such as pancake and columnar.
This NFP is preparing a columnar statement.]

Save Our Charities
Consolidated Statement of Activities
Year Ended December 31, 20X0

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Program service fees	\$ 12,444,784	\$ -	\$ 12,444,784
Exchange portion of membership dues	355,044	-	355,044
Gift shop sales	107,677	-	107,677
Less cost of goods sold	(58,781)	-	(58,781)
Net gift shop sales	48,896	-	48,896
Net investment return	85,709	(36,523)	49,186
Other revenue	82,710	-	82,710
Federal and state contracts and grants	285,129	-	285,129
Contributions	1,644,438	2,084,555	3,728,993
Donated professional services	46,468	-	46,468
In-kind contributions	31,089	-	31,089
Donated equipment	53,000	-	53,000
Gross special events revenue	272,402	-	272,402
Less cost of direct benefits to donors	(36,939)	-	(36,939)
Net special events revenue	235,463	-	235,463
Change in value of split-interest agreements held by Save Our Charities	-	51,472	51,472
Distributions from and change in value of beneficial interests in assets held by others	135,950	95,637	231,587
Gain on sale of equipment	990	-	990
Change in value of interest-rate swap	37,900	-	37,900
Net assets released from restriction pursuant to endowment spending-rate distribution formula	960,117	(960,117)	-
Net assets released from restrictions - other	202,933	(202,933)	-
Total revenue, support, and gains	<u>16,650,620</u>	<u>1,032,091</u>	<u>17,682,711</u>
Expenses and Losses			
Program services expense			
Advisory Program	12,907,293	-	12,907,293
Training Program	2,225,205	-	2,225,205
Total program expenses	<u>15,132,498</u>	<u>-</u>	<u>15,132,498</u>
Supporting services expense			
Management and general	870,669	-	870,669
Fundraising and development	562,977	-	562,977
Total supporting services expenses	<u>1,433,646</u>	<u>-</u>	<u>1,433,646</u>
Loss on uncollectable promises to give	139,822	294,421	434,243
Total expenses and losses	<u>16,705,966</u>	<u>294,421</u>	<u>17,000,387</u>
Change in Net Assets	(55,346)	737,670	682,324
Net Assets, Beginning of Year	36,781,847	33,300,668	70,082,515
Net Assets, End of Year	<u>\$ 36,726,501</u>	<u>\$ 34,038,338</u>	<u>\$ 70,764,839</u>

See Notes to Consolidated Financial Statements

[All NFPs are required to report information about expenses in one location, either on the face of the statement of activities, as a schedule in the notes to the financial statements, or as a separate financial statement. Presenting this information as supplementary information does not meet the requirement.]

Save Our Charities
Consolidated Statement of Functional Expenses
Year Ended December 31, 20X1

	Program Services			Management and General	Fundraising and Development	Cost of Goods Sold	Total
	Advisory	Training	Total				
Grants and other assistance	\$ 294,261	\$ -	\$ 294,261	\$ -	\$ -	\$ -	\$ 294,261
Salaries and wages	6,769,754	1,061,585	7,831,339	370,234	254,176	-	8,455,749
Employee benefits	1,398,503	310,865	1,709,368	99,963	26,222	-	1,835,553
Payroll taxes	541,580	84,927	626,507	29,619	19,823	-	675,949
Professional services	1,306,807	87,197	1,394,004	12,780	1,704	-	1,408,488
Accounting fees	-	-	-	40,073	-	-	40,073
Legal fees	-	7,939	7,939	-	-	-	7,939
Advertising and promotion	33,085	21,006	54,091	79,261	132,478	-	265,830
Office expenses	87,071	56,654	143,725	9,867	22,794	-	176,386
Information technology	37,858	606,535	644,393	12,399	14,653	-	671,445
Occupancy	446,601	29,799	476,400	14,918	55,427	-	546,745
Travel	170,957	18,283	189,240	149,292	-	-	338,532
Conferences, conventions and meetings	32,516	66,287	98,803	11,505	-	-	110,308
Interest	387,428	-	387,428	-	9,457	-	396,885
Insurance	198,174	12,556	210,730	5,443	1,022	-	217,195
Training and development	457,617	20,659	478,276	9,113	33,669	-	521,058
Gift shop cost of goods sold	59,621	-	59,621	-	-	-	59,621
Cost of direct benefits to donors	-	-	-	-	-	12,601	12,601
Depreciation and amortization	1,147,186	74,425	1,221,611	20,112	13,960	-	1,255,683
Bad debt expense	-	-	-	16,892	-	-	16,892
Other	31,569	5,977	37,546	2,122	7,474	-	47,142
Total expenses by function	13,400,588	2,464,694	15,865,282	883,593	592,859	12,601	17,354,335
Less expenses included with revenues on the statement of activities							
Gift shop cost of goods sold	(59,621)	-	(59,621)	-	-	-	(59,621)
Cost of direct benefits to donors	-	-	-	-	-	(12,601)	(12,601)
Total expenses included in the expense section on the statement of activities	\$ 13,340,967	\$ 2,464,694	\$ 15,805,661	\$ 883,593	\$ 592,859	\$ -	\$ 17,282,113

See Notes to Consolidated Financial Statements

[All NFPs are required to report information about expenses in one location, either on the face of the statement of activities, as a schedule in the notes to the financial statements, or as a separate financial statement. Presenting this information as supplementary information does not meet the requirement.]

Save Our Charities
Consolidated Statement of Functional Expenses
Year Ended December 31, 20X0

	Program Services			Management and General	Fundraising and Development	Cost of Goods Sold	Total
	Advisory	Training	Total				
Grants and other assistance	\$ 288,376	\$ -	\$ 288,376	\$ -	\$ -	\$ -	\$ 288,376
Salaries and wages	6,634,358	1,040,354	7,674,712	362,830	249,092	-	8,286,634
Employee benefits	1,370,533	304,648	1,675,181	97,964	25,698	-	1,798,843
Payroll taxes	530,749	83,228	613,977	29,026	19,427	-	662,430
Professional services	1,028,671	85,453	1,114,124	24,469	1,670	-	1,140,263
Accounting fees	-	-	-	39,271	-	-	39,271
Legal fees	-	2,017	2,017	5,763	-	-	7,780
Advertising and promotion	50,823	18,755	69,578	68,476	122,918	-	260,972
Office expenses	86,193	55,521	141,714	9,669	22,338	-	173,721
Information technology	37,101	415,972	453,073	12,151	2,360	-	467,584
Occupancy	444,669	29,203	473,872	12,660	54,318	-	540,850
Travel	167,538	17,917	185,455	148,495	-	-	333,950
Conferences, conventions and meetings	31,865	64,961	96,826	11,275	-	-	108,101
Interest	449,561	-	449,561	-	10,085	-	459,646
Insurance	194,211	12,305	206,516	5,334	1,002	-	212,852
Training and development	465,125	20,246	485,371	8,931	33,763	-	528,065
Gift shop cost of goods sold	58,781	-	58,781	-	-	-	58,781
Cost of direct benefits to donors	-	-	-	-	-	36,939	36,939
Depreciation and amortization	1,096,582	68,768	1,165,350	19,721	12,981	-	1,198,052
Bad debt expense	-	-	-	12,554	-	-	12,554
Other	30,938	5,857	36,795	2,080	7,325	-	46,200
	12,966,074	2,225,205	15,191,279	870,669	562,977	36,939	16,661,864
Less expenses included with revenues on the statement of activities							
Gift shop cost of goods sold	(58,781)	-	(58,781)	-	-	-	(58,781)
Cost of direct benefits to donors	-	-	-	-	-	(36,939)	(36,939)
Total expenses included in the expense section on the statement of activities	\$ 12,907,293	\$ 2,225,205	\$ 15,132,498	\$ 870,669	\$ 562,977	\$ -	\$ 16,566,144

See Notes to Consolidated Financial Statements

[An NFP may choose to report cash flows from operating activities under either the direct or indirect method. If the direct method is used, a reconciliation of the change in net assets from operating activities may be reported but is not required.]

Save Our Charities
Consolidated Statements of Cash Flows
Years Ended December 31, 20X1 and 20X0

	20X1	20X0
Cash Flows from Operating Activities		
Program service payments received	\$ 13,410,429	\$ 12,458,235
Membership receipts	373,781	355,044
Gift shop sales receipts	112,364	107,677
Receipts from federal and state contracts and grants	256,663	285,129
Contributions received, net of amounts restricted for long-term purposes	4,264,113	2,647,976
Receipts from special events	114,989	272,402
Distributions from beneficial interests and assets held by others	182,521	155,717
Other cash receipts	101,275	82,710
Grants paid	(294,261)	(288,376)
Payments for salaries, benefits and payroll taxes	(10,964,676)	(10,734,090)
Payments to vendors	(3,935,150)	(4,086,056)
Interest paid	(441,514)	(493,767)
Net Cash from Operating Activities	3,180,534	762,601
Cash Flows from Investing Activities		
Purchases of operating investments	(275,000)	(150,000)
Proceeds from sales of operating investments	173,520	109,761
Purchases of property and equipment	(1,407,916)	(875,456)
Proceeds from sales of property and equipment	-	5,390
(Addition to) cash restricted to building project	(500,000)	-
(Addition to) withdrawal from assets held under split-interest agreements	88,476	(6,859)
(Addition to) withdrawal from endowment	541,671	(342,531)
Net Cash used for Investing Activities	(1,379,249)	(1,259,695)
Cash Flows from Financing Activities		
Collections of contributions restricted to building project	500,000	-
Collections of contributions restricted to endowment	365,963	1,891,105
Payments to beneficiaries of split-interest agreements	(76,588)	(87,219)
Proceeds from establishment of split-interest agreements	-	107,899
Net borrowings (repayments) under line of credit	(50,000)	275,000
Proceeds from issuance of bonds and notes	-	125,000
Principal payments on bonds, notes and capital leases	(205,236)	(423,568)
Net Cash from Financing Activities	534,139	1,888,217
Net Change in Cash and Cash Equivalents	2,335,424	1,391,123
Cash and Cash Equivalents, Beginning of Year	3,485,916	2,094,793
Cash and Cash Equivalents, End of Year	\$ 5,821,340	\$ 3,485,916

[An NFP may choose to report cash flows from operating activities under either the direct or indirect method. If the direct method is used, a reconciliation of the change in net assets from operating activities may be reported but is not required.]

Save Our Charities
Consolidated Statements of Cash Flows
Years Ended December 31, 20X1 and 20X0

	20X1	20X0
Reconciliation of Change in Net Assets to Net Cash from Operating Activities		
Change in net assets	\$ 7,739,730	\$ 682,324
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	1,247,540	1,189,909
Amortization of discount on promises to give	(6,889)	(7,924)
Realized and unrealized (gain) loss on operating investments	19,606	(490)
Impairment loss – building	60,000	-
(Gain) on sale of property and equipment	-	(990)
Contributed property and equipment capitalized	-	(53,000)
Loss on uncollectable promises to give	7,109	434,243
Contributions received under split-interest agreements	-	(28,486)
Contributions restricted to building project	(500,000)	-
Contributions restricted to endowment	(330,409)	(1,857,667)
Change in value of split-interest agreements held by SOC	(130,406)	(51,472)
Change in beneficial interests in assets held by others	(92,866)	(75,870)
Endowment net investment (return)	(4,556,061)	(43,269)
Change in value of interest rate swap	(33,200)	(37,900)
Changes in operating assets and liabilities		
Accounts receivable, net	74,984	(40,644)
Promises to give, net	(726,942)	716,652
Gift shop inventory, net	(7,155)	3,427
Prepaid expenses and other assets	64,574	(38,072)
Accounts payable	(14,575)	(96,082)
Accrued expenses and other liabilities	2,575	13,817
Deferred revenue	362,919	54,095
Net Cash from Operating Activities	<u>\$ 3,180,534</u>	<u>\$ 762,601</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	\$ 441,514	\$ 493,767
Unrelated business income taxes [if any]	-	-
	<u>\$ 441,514</u>	<u>\$ 493,767</u>
Supplemental Disclosure of Non-cash Investing and Financing Activity		
Accounts payable for property and equipment	\$ 445,369	\$ -
Equipment financed through capital lease arrangement	-	94,700
	<u>\$ 445,369</u>	<u>\$ 94,700</u>

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 4,851,231
Accounts receivable	312,216
Operating investments	723,006
Promises to give	965,846
Distributions from assets held under split-interest agreements	145,000
Distributions from beneficial interests in assets held by others	180,110
Endowment spending-rate distributions and appropriations	<u>1,115,664</u>
	<u>\$ 3,441,842</u>

Our endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Our board-designated endowment of \$15,511,186 is subject to an annual spending rate of 4.5 percent as described in Note 9. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, CDs, and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was \$300,000 as of December 31, 201X.

Note 3 - Fair Value Measurements and Disclosures

We report certain assets⁴ and liabilities [or one or the other] at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

⁴[Investments accounted for using the equity method are not "fair value" investments and should not be included in the tabular presentation of fair value leveling disclosures.]

Note 9 - Endowment

Our endowment (the Endowment) consists of approximately 45 individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

Our Board of Directors has interpreted the [insert State] Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 20X1 and 20X0, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts [or, if the fair value election has been made, including promises to give at fair value]) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Save Our Charities
Notes to Consolidated Financial Statements
December 31, 20X1 and 20X0

As of December 31, 20X1 and 20X0, we had the following endowment net asset composition by type of fund:

	Without Donor Restriction	With Donor Restrictions	Total
<u>12/31/20X1</u>			
Board-designated endowment funds	\$ 15,511,186	\$ -	\$ 15,511,186
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	19,174,849	19,174,849
Accumulated investment gains	-	12,678,095	12,678,095
	<u>\$ 15,511,186</u>	<u>\$ 31,852,944</u>	<u>\$ 47,364,130</u>
<u>12/31/20X0</u>			
Board-designated endowment funds	\$ 14,912,222	\$ -	\$ 14,912,222
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	18,844,440	18,844,440
Accumulated investment gains	-	9,994,595	9,994,595
	<u>\$ 14,912,222</u>	<u>\$ 28,839,035</u>	<u>\$ 43,751,257</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 20X0, funds with original gift values of \$19,883,738, fair values of \$19,841,061, and deficiencies of \$42,677 were reported in net assets with donor restrictions. These amounts were fully recovered during 20X1 due to favorable market fluctuations.

Investment and Spending Policies

We have adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return is the Consumer Price Index plus 5 percent on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

Note 10 - Net Assets With Donor Restrictions

[Net assets without donor restrictions that are designed by the board for a specific use should be disclosed either on the face of the financial statements or in a footnote disclosure.]

Net assets with donor restrictions are restricted for the following purposes or periods.

Save Our Charities
Notes to Consolidated Financial Statements
December 31, 20X1 and 20X0

	20X1	20X0
Subject to expenditure for specified purpose:		
Building project	\$ 500,000	\$ -
Operation of the training center	448,377	108,927
Educational programs	375,627	119,290
Financial aid	146,105	85,744
Promises to give, the proceeds from which have been restricted by donors for		
Educational programs	57,265	-
Centennial anniversary celebration	22,847	-
	1,550,221	313,961
Subject to the passage of time:		
Beneficial interests in charitable trusts held by others	812,850	804,179
Assets held under split-interest agreements	558,975	440,457
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	20,000	35,000
	1,391,825	1,279,636
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for		
Available for general use	7,223,171	5,252,329
Educational programs	4,186,393	3,761,284
Financial aid	1,268,531	1,023,659
	12,678,095	10,037,272
Subject to NFP endowment spending policy and appropriation:		
Operation of the Training Center	6,811,531	6,726,382
Educational programs	8,279,742	8,000,578
Financial aid	1,688,411	1,686,761
General use	2,058,166	2,058,166
Unconditional promises to give, net - permanently restricted to general endowment	336,999	372,553
Underwater endowments	-	(42,677)
	19,174,849	18,801,763
Total endowments	31,852,944	28,839,035
Not subject to spending policy or appropriation:		
Beneficial interest in assets held by community foundation	1,094,842	1,090,505
Beneficial interests in perpetual trusts	2,595,059	2,515,201
	3,689,901	3,605,706
	\$ 38,484,891	\$ 34,038,338

Save Our Charities
Notes to Consolidated Financial Statements
December 31, 20X1 and 20X0

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 20X1 and 20X0:

	<u>20X1</u>	<u>20X0</u>
Expiration of time restrictions	\$ 15,000	\$ -
Satisfaction of purpose restrictions		
Operation of the training center	801,146	131,567
Educational programs	247,793	7,778
Financial aid	219,021	30,000
Distributions (proceeds are not restricted by donors)		
Beneficial interests in charitable trusts held by others	36,872	19,767
Assets held under split-interest agreements	11,888	13,821
	<u>1,331,720</u>	<u>202,933</u>
Restricted-purpose spending-rate distributions and appropriations		
Educational programs	130,619	150,277
Financial aid	75,240	86,510
General use	523,033	723,330
	<u>728,892</u>	<u>960,117</u>
	<u>\$ 2,060,612</u>	<u>\$ 1,163,050</u>

Note 13 - Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

[All NFPs are required to report this information either on the face of the statement of activities, as a schedule in the notes to the financial statements, or as a separate financial statement. Presenting this information as supplementary information does not meet the requirement]

Note 14 - Employee Benefits

We sponsor a tax-deferred annuity plan (the Plan) qualified under IRC Section 403(b) covering substantially all full-time employees. The plan provides that employees who have attained the age of 21 and completed one year of service may voluntarily contribute from 3 percent to 10 percent of their earnings to the Plan, up to the maximum contribution allowed by the IRS. Employer contributions are discretionary and are determined and authorized by the Board of Directors each plan year. During the years ended December 31, 20X1 and 20X0, we matched employee voluntary contributions up to 6 percent, resulting in contributions to the plan of \$427,512 and \$409,566, respectively.

Note 15 - Related Party Transactions

During the years ended December 31, 20X1 and 20X0, we purchased printing services totaling \$87,590 and \$95,212, respectively, from a company owned by a member of our Board of Directors.