

## **CF LEADS**

### Audited Financial Statements

December 31, 2019

## **Independent Auditor's Report**

To the Board of Directors of  
CFLeads

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of CFLeads, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

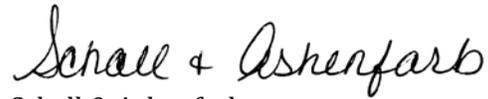
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CFLeads as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited CFLeads 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.



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Schall & Ashenfarb  
Certified Public Accountants, LLC

September 24, 2020

**CFLEADS**  
**STATEMENT OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2019**  
(With comparative totals at December 31, 2018)

	<u>12/31/19</u>	<u>12/31/18</u>
<b>Assets</b>		
Cash and cash equivalents	\$4,644,970	\$1,206,315
Pledges receivable, net (Note 3)	2,228,267	334,640
Fees receivable	88,570	9,205
Prepaid expenses and other assets	<u>7,700</u>	<u>2,700</u>
 Total assets	 <u><u>\$6,969,507</u></u>	 <u><u>\$1,552,860</u></u>
 <b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$97,288	\$49,579
Deferred revenue	6,833	36,608
Total liabilities	<u>104,121</u>	<u>86,187</u>
Net assets:		
Without donor restrictions	1,028,315	741,588
With donor restrictions (Note 4)	5,837,071	725,085
Total net assets	<u>6,865,386</u>	<u>1,466,673</u>
 Total liabilities and net assets	 <u><u>\$6,969,507</u></u>	 <u><u>\$1,552,860</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**CFLEADS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
(With comparative totals for the year ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 12/31/19	Total 12/31/18
Public support and revenue:				
Contributions	\$771,750	\$6,661,030	\$7,432,780	\$1,075,100
Government grants		67,750	67,750	270,500
Fees (net of scholarships of \$6,800)	146,740		146,740	74,788
Other income	320		320	0
Net assets released from restriction (Note 4)	1,616,794	(1,616,794)	0	0
Total public support and revenue	<u>2,535,604</u>	<u>5,111,986</u>	<u>7,647,590</u>	<u>1,420,388</u>
Expenses:				
Program services	<u>2,042,391</u>		<u>2,042,391</u>	<u>1,282,178</u>
Supporting services:				
Management and general	163,522		163,522	184,667
Fundraising	42,964		42,964	52,378
Total supporting services	<u>206,486</u>	<u>0</u>	<u>206,486</u>	<u>237,045</u>
Total expenses	<u>2,248,877</u>	<u>0</u>	<u>2,248,877</u>	<u>1,519,223</u>
Change in net assets	286,727	5,111,986	5,398,713	(98,835)
Net assets - beginning of year	<u>741,588</u>	<u>725,085</u>	<u>1,466,673</u>	<u>1,565,508</u>
Net assets - end of year	<u><u>\$1,028,315</u></u>	<u><u>\$5,837,071</u></u>	<u><u>\$6,865,386</u></u>	<u><u>\$1,466,673</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**CFLEADS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
(With comparative totals for the year ended December 31, 2018)

	Program Services			Supporting Services			Total Expenses 12/31/19	Total Expenses 12/31/18	
	Share Knowledge	Building Organizational Capacity	Galvanize Action on Issues	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries	\$100,647	\$81,080	\$258,603	\$440,330	\$55,389	\$8,478	\$63,867	\$504,197	\$437,908
Payroll taxes and benefits	21,516	14,339	47,901	83,756	11,815	1,663	13,478	97,234	93,889
Professional fees	202,999	79,848	142,643	425,490	86,996	12,895	99,891	525,381	494,809
Occupancy	6,872	5,243	16,585	28,700	3,699		3,699	32,399	27,000
Meetings, travel and conferences	46,371	106,115	82,793	235,279	2,096	13,330	15,426	250,705	297,655
Grants			775,000	775,000			0	775,000	120,000
Information technology	3,752	2,183	6,899	12,834	1,742		1,742	14,576	16,478
Insurance	738	563	1,782	3,083	398		398	3,481	4,392
Office expenses	1,218	929	2,939	5,086	652	6,598	7,250	12,336	5,365
Professional development				0			0	0	1,901
Project supplies	26,791		334	27,125			0	27,125	19,826
Dues and subscriptions	1,367	1,043	3,298	5,708	735		735	6,443	0
<b>Total expenses</b>	<b>\$412,271</b>	<b>\$291,343</b>	<b>\$1,338,777</b>	<b>\$2,042,391</b>	<b>\$163,522</b>	<b>\$42,964</b>	<b>\$206,486</b>	<b>\$2,248,877</b>	<b>\$1,519,223</b>

*The attached notes and auditor's report are an integral part of these financial statements.*

**CFLEADS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
(With comparative totals for the year ended December 31, 2018)

	<u>12/31/19</u>	<u>12/31/18</u>
Cash flows from operating activities:		
Change in net assets	\$5,398,713	(\$98,835)
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Changes in assets and liabilities:		
Pledges receivable	(1,893,627)	(256,440)
Fees receivable	(79,365)	5,965
Prepaid expenses and other assets	(5,000)	14,658
Accounts payable and accrued expenses	47,709	(37,847)
Deferred revenue	(29,775)	33,036
Total adjustments	<u>(1,960,058)</u>	<u>(240,628)</u>
Net cash provided by/(used for) operating activities/ increase/(decrease) in cash	3,438,655	(339,463)
Cash and cash equivalents - beginning of year	<u>1,206,315</u>	<u>1,545,778</u>
Cash and cash equivalents - end of year	<u><u>\$4,644,970</u></u>	<u><u>\$1,206,315</u></u>
Supplemental disclosure:		
Taxes and interest paid	<u>\$0</u>	<u>\$0</u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**CFLEADS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 1 - Organization**

CFLeads helps community foundations build strong communities by advancing effective practices, sharing knowledge, and galvanizing action on critical issues of our time.

CFLeads is a national not-for-profit network of community foundations offering conferences, forums, webinars, resources, structured intensive learning opportunities for foundation leaders, and consulting services to the community foundation field. In 2019, CFLeads engaged with more than 718 individuals representing 449 community foundations and their community partners.

The following are significant programs offered by CFLeads:

- **Share Knowledge:** Increase field understanding of the value of community leadership as a core organizing strategy for community impact; increase community foundation effectiveness by encouraging field-wide sharing of data and innovations; increase knowledge of issues, solutions and opportunities for field-wide collaboration.
- **Building Organizational Capacity:** Build understanding of community leadership among community foundation board, senior staff, and partners; create strong peer connections among community foundations; influence the adoption of community leadership practices.
- **Galvanize Community Foundation Action on Critical Community Issues:** Build understanding among community foundations of critical issues facing communities; facilitate the adoption of internal practices at community foundations that increase external effectiveness on issues; spur collective action on issues of common concern.

CFLeads has been notified by the Internal Revenue Service that it is a not-for-profit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined in Section 509(a).

**Note 2 - Significant Accounting Policies**

a. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting which is the process of recording revenue and expenses when earned or incurred, rather than when received or paid.

Effective January 1, 2019, CFLeads adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "Topic 606"). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective January 1, 2019, CFLeads adopted (“ASU”) No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“Topic 605”). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, CFLeads evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transaction is determined to be an exchange transaction, CFLeads applies guidance under Topic 606. If the transaction is determined to be non-reciprocal, it is treated as a contribution under Topic 605.

Analysis of the various provisions of both of these standards resulted in no significant changes in the way CFLeads recognizes revenue.

b. Basis of Presentation

Net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Net Assets Without Donor Restrictions* – represents those resources for which there are no restrictions by donors as to their use. The Board of Directors has established an operating reserve. The purpose of the operating reserve fund is to ensure the stability of the organization in carrying out CFLeads’ mission, programs, employment, and ongoing operations of the organization. It is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding or uninsured losses. See Note 5 for details.
- *Net Assets With Donor Restrictions* – represents those resources, the uses of which have been restricted by donors to specific purposes, the passage of time or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

c. Revenue Recognition

CFLeads has adopted Topic 606 using the modified retrospective method applied to all contracts after January 1, 2019 and continues to use legacy GAAP for all contracts before January 1, 2019.

CFLeads analyzes each source of revenue to determine that it has a contract with the customer that identifies both the performance obligation and the transaction price. Revenue is recognized when the performance obligation is complete.

Fees revenue falls under Topic 606 and consists of contracts with various third parties; whereby, revenue is recognized over the time period during which the Organization is required to perform certain services to the customers. Fees that have not been collected at year end are reflected as fees receivable. Amounts collected in advance are treated as deferred revenue. All fees receivable at December 31, 2019 are expected to be received in less than one year.

Contributions and government grants are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

Contributions may be subject to conditions which are defined under (“ASU”) No. 2018-08 as both a barrier to entitlement and a right of return of payments or release from obligations.

Unconditional promises to give are recorded at net realizable value if expected to be received in one year or at fair value using a risk-adjusted discount rate if expected to be received after one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

All receivables are assessed for collectability. Based on historical experience and a specific review of outstanding receivables, no allowance was deemed necessary.

d. Cash and Cash Equivalents

Management considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents, except for cash held with an investment custodian for long-term purposes.

e. Concentration of Credit Risk

Financial instruments that potentially subject CFLeads to concentration of credit risk consist of cash which is placed with financial institutions that management deems to be creditworthy. At year end and at various times throughout the year, balances were in excess of insured amounts. CFLeads did not suffer any losses due to bank failure.

f. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The following expenses were allocated using time and effort as the basis:

- Salaries, payroll taxes and benefits
- Information technology
- Meetings, travel, conferences
- Insurance
- Office expenses

All other expenses have been charged directly to the applicable program or supporting services.

g. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

h. Donated Services

Donated services are recognized in circumstances where the service creates or enhances a non-financial asset or where those services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind. Board members and other individuals volunteer their time and perform a variety of tasks that assist CFLeads. These services do not meet the criteria outlined above and have not been recorded in the financial statements.

i. Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2018, from which the summarized information was derived.

j. Accounting for Uncertainty of Income Taxes

Management does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending December 31, 2016 and later are subject to examination by applicable taxing authorities.

k. New Accounting Pronouncement

FASB issued ("ASU") No. 2016-02, *Leases*. The ASU, which becomes effective for the December 31, 2022 year, requires all leases to be reflected as assets and liabilities on the statement of financial position.

Management is in the process of evaluating the impact this standard will have on future financial statements.

**Note 3 - Pledges Receivable**

Total pledges receivable are due as follows:

Year ending:	December 31, 2020	\$448,280
	December 31, 2021	1,744,836
	December 31, 2022	<u>62,779</u>
		2,255,895
Less: fair value discount (1.5%)		<u>(27,628)</u>
Total		<u>\$2,228,267</u>

**Note 4 - Net Assets With Donor Restrictions**

The following summarizes the changes in net assets with donor restrictions:

	Balance <u>1/1/19</u>	Restricted <u>Contributions</u>	Released from <u>Restrictions</u>	Balance <u>12/31/19</u>
Program restrictions:				
Share Knowledge	\$0	\$71,700	(\$71,700)	\$0
Building Org. Capacity	100,537	397,750	(172,733)	325,554
Galvanize Action on Issues	<u>624,548</u>	<u>6,011,958</u>	<u>(1,372,361)</u>	<u>5,264,145</u>
Total program restrictions	725,085	6,481,408	(1,616,794)	5,589,699
Time restrictions	<u>0</u>	<u>247,372</u>	<u>0</u>	<u>247,372</u>
Total	<u>\$725,085</u>	<u>\$6,728,780</u>	<u>(\$1,616,794)</u>	<u>\$5,837,071</u>

	Balance <u>1/1/18</u>	Restricted <u>Contributions</u>	Released from <u>Restrictions</u>	Balance <u>12/31/18</u>
Program restrictions:				
Share Knowledge	\$73,483	\$0	(\$73,483)	\$0
Building Org. Capacity	80,540	270,500	(250,503)	100,537
Galvanize Action on Issues	<u>696,426</u>	<u>550,000</u>	<u>(621,878)</u>	<u>624,548</u>
Total program restrictions	850,449	820,500	(945,864)	725,085
Time restrictions	<u>18,000</u>	<u>0</u>	<u>(18,000)</u>	<u>0</u>
Total	<u>\$868,449</u>	<u>\$820,500</u>	<u>(\$963,864)</u>	<u>\$725,085</u>

**Note 5 - Net Assets Without Donor Restrictions - Board Designated Net Assets**

The Board of Directors has established an operating reserve as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Balance at beginning of year	\$303,139	\$303,139
Designations during year	<u>125,000</u>	<u>0</u>
Balance at end of year	<u>\$428,139</u>	<u>\$303,139</u>

**Note 6 - Liquidity and Availability of Financial Resources**

As part of its liquidity management plan, CFLeads operates its programs within a balanced budget and relies on restricted grants and contributions to fund its operations and program activities. The following reflects financial assets at year end, reduced by amounts that are not available for general use because of donor-imposed restrictions and Board designations within one year of the statement of financial position date.

Cash and cash equivalents	\$4,644,970	
Pledges receivable	2,228,267	
Accounts receivable	<u>88,570</u>	
Total financial assets		\$6,961,807
Less amounts not available to be used within one year:		
Program restricted contributions		(5,589,699)
Board designated operating reserve		<u>(428,139)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$943,969</u>

**Note 7 - Retirement Plans**

CFLeads offers all employees the option of participating in a 401(k)-retirement plan; whereby, the employee can contribute pre-tax dollars up to statutory limits. All full-time employees over 21 years old are eligible after 6 months of service. CFLeads provides matching contributions at its discretion on an annual basis. Contributions to the plan by CFLeads totaled \$33,556 and \$28,341 during the years ended December 31, 2019 and 2018, respectively.

**Note 8 - Subsequent Events**

Management has evaluated the impact of all subsequent events through September 24, 2020, which is the date that the financial statements were available to be issued.

Subsequent to year end, the World Health Organization declared a novel coronavirus (COVID-19) outbreak a Public Health Emergency of International Concern. This could adversely affect CFLeads' funders, donors, customers, and vendors as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the outbreak. More broadly, the outbreak could affect workforces, economies and financial markets globally, potentially leading to an economic downturn. This could decrease spending, adversely affect demand on CFLeads' services and harm CFLeads' operations. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact of such on CFLeads' business cannot be quantified.

On May 4, 2020, CFLeads obtained a loan from the SBA in the amount of \$95,265 through the Payroll Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during the covered period subsequent to receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. Portions that are not forgiven will be payable over a five-year period, with a six-month deferral of payments and interest will accrue at 1%. The loan forgiveness amount has not been determined as of the date of these financial statements.

No additional events have occurred subsequent to the statement of financial position date, through our evaluation date, that would require adjustment to or disclosure in the financial statements.