

CFLeads

Community Foundations
Leading Change

Audited Financial Statements

December 31, 2023

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CFLeads

Audited Financial Statements

December 31, 2023

CONTENTS

	Page
Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-13



Independent Auditor's Report

Board of Directors
CFLeads

Opinion

We have audited the financial statements of CFLeads, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CFLeads as of December 31, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CFLeads' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CFLeads' ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited CFLead's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 17, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sax CPAs LLP

New York, NY
July 15, 2024

CFLeads

Statement of Financial Position

At December 31, 2023
(With comparative totals at December 31, 2022)

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 4,584,844	\$ 2,795,992
Investments	6,604,119	6,081,231
Pledges receivable	2,170,139	469,526
Prepaid expenses and other assets	<u>873</u>	<u>3,624</u>
TOTAL ASSETS	<u>\$ 13,359,975</u>	<u>\$ 9,350,373</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 2,743	\$ 534,323
Accrued expenses	78,943	-
Deferred revenue	<u>53,771</u>	<u>25,882</u>
Total liabilities	<u>135,457</u>	<u>560,205</u>
NET ASSETS		
Without donor restrictions	7,233,791	6,922,489
With donor restrictions	<u>5,990,727</u>	<u>1,867,679</u>
Total net assets	<u>13,224,518</u>	<u>8,790,168</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,359,975</u>	<u>\$ 9,350,373</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, 2023
(With comparative totals for the year ended December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 12/31/23	Total 12/31/22
PUBLIC SUPPORT AND REVENUE				
Contributions	\$ 521,573	\$ 5,797,658	\$ 6,319,231	\$ 663,993
Government grants	-	267,400	267,400	-
Fees	185,225	-	185,225	120,930
Less: scholarships	(40,388)	-	(40,388)	(49,000)
Other income	12,000	-	12,000	56,632
Investment return	545,485	-	545,485	(34,097)
Net assets released from restrictions	1,942,010	(1,942,010)	-	-
Total public support and revenue	<u>3,165,905</u>	<u>4,123,048</u>	<u>7,288,953</u>	<u>758,458</u>
EXPENSES				
Program services	1,986,561	-	1,986,561	2,193,654
Supporting services:				
Management and general	817,037	-	817,037	601,833
Fundraising	51,005	-	51,005	28,950
Total supporting services	<u>868,042</u>	<u>-</u>	<u>868,042</u>	<u>630,783</u>
Total expenses	<u>2,854,603</u>	<u>-</u>	<u>2,854,603</u>	<u>2,824,437</u>
Change in net assets	311,302	4,123,048	4,434,350	(2,065,979)
NET ASSETS, beginning of year	<u>6,922,489</u>	<u>1,867,679</u>	<u>8,790,168</u>	<u>10,856,147</u>
NET ASSETS, end of year	<u>\$ 7,233,791</u>	<u>\$ 5,990,727</u>	<u>\$ 13,224,518</u>	<u>\$ 8,790,168</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, 2023
(With comparative totals for the year ended December 31, 2022)

	Program Services					Supporting Services			Total Expenses 12/31/23	Total Expenses 12/31/22
	Share Knowledge	Building Organizational Capacity	Organizing for Impact	Galvanize Actions on Issues	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 173,982	\$ 280,551	\$ 63,956	\$ 406,655	\$ 925,144	\$ 180,391	\$ 36,194	\$ 216,585	\$ 1,141,729	\$ 1,032,626
Payroll taxes and benefits	38,250	61,219	13,399	116,902	229,770	33,772	7,546	41,318	271,088	215,292
Professional fees	53,728	244,536	-	43,205	341,469	532,131	-	532,131	873,600	918,181
Occupancy	5,012	8,081	1,842	11,713	26,648	5,196	1,043	6,239	32,887	38,900
Meetings, travel and conferences	86,996	132,255	6,357	48,840	274,448	29,159	3,597	32,756	307,204	271,249
Grants	-	122,000	-	-	122,000	-	-	-	122,000	260,000
Information technology	7,425	11,972	2,729	17,354	39,480	7,698	1,545	9,243	48,723	47,735
Insurance	1,529	2,465	562	3,573	8,129	1,585	318	1,903	10,032	11,409
Office expenses	1,759	2,834	646	4,107	9,346	25,130	366	25,496	34,842	18,345
Dues and subscriptions	1,905	3,071	700	4,451	10,127	1,975	396	2,371	12,498	10,700
Total expenses	\$ 370,586	\$ 868,984	\$ 90,191	\$ 656,800	\$ 1,986,561	\$ 817,037	\$ 51,005	\$ 868,042	\$ 2,854,603	\$ 2,824,437

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, 2023
(With comparative totals for the year ended December 31, 2022)

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,434,350	\$ (2,065,979)
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Net realized and unrealized (gain)/loss on investments	(304,737)	89,130
Changes in assets and liabilities:		
Pledges receivable	(1,700,613)	487,868
Prepaid expenses and other assets	2,751	872
Accounts payable	(488,110)	417,442
Accrued expenses	78,943	-
Deferred revenue	27,889	(23,193)
Total adjustments	<u>(2,383,877)</u>	<u>972,119</u>
Net cash provided by/(used for) operating activities	<u>2,050,473</u>	<u>(1,093,860)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments (including reinvested dividends)	(1,301,050)	(6,256,157)
Proceeds from sales of investments	1,039,429	85,796
Net cash used for investing activities	<u>(261,621)</u>	<u>(6,170,361)</u>
Net increase/(decrease) in cash and cash equivalents	1,788,852	(7,264,221)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	<u>2,795,992</u>	<u>10,060,213</u>
CASH AND CASH EQUIVALENTS, <i>end of year</i>	<u>\$ 4,584,844</u>	<u>\$ 2,795,992</u>
SUPPLEMENTAL DISCLOSURE		
Taxes and interest paid	<u>\$ -</u>	<u>\$ -</u>

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

CFLeads

Notes to Financial Statements

December 31, 2023

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. CFLeads' primary source of revenue is contributions.

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.
- Organizing for Impact: Develop partnerships, initiatives and programs to strengthen field-wide impact; support collective action among community foundations on key issues of common concern; build infrastructure to expand community leadership capacity at community foundations of all sizes across the U.S. and the Americas.
- 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 - Summary of 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.

b. Recently Adopted Accounting Standard

On January 1, 2023, CFLeads adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2016-13, *Financial Instruments-Credit Losses* (Topic 326). Financial assets, which potentially subject CFLeads to credit losses, consist primarily of contract fees receivable. Expected losses are recorded to an allowance for credit losses valuation account that is net against the corresponding asset to present the net amount expected to be collected on the financial asset. The credit loss allowance is determined through analysis of the financial assets and assessments of risk that are based on historical trends and evaluation of the impact of current and projected economic conditions.

CFLeads

Notes to Financial Statements

December 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

c. Basis of Presentation

The financial statements are presented in accordance with the provisions of the FASB's Accounting Standards Codification ("ASC") 958 - *Presentation of Financial Statement of Not-For-Profit Entities*. FASB ASC 958 requires CFLeads to report information regarding its financial position and activities according to the following specific classes of net assets:

- *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 CFLeads in carrying out the mission, programs, employment, and ongoing operations of CFLeads. 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 6 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.

d. Revenue Recognition

CFLeads follows the requirements of the FASB ASC 606 for recognizing revenue from contracts with customers. 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 completed.

Fees income fall under FASB ASC 606. The performance obligation is considered to be met when the services are performed. Fees received in advance of performing services are recorded as deferred income and will be recognized as income in the period earned.

CFLeads follows FASB ASC 958-605 for recording contributions, which are recognized at the time a contribution becomes unconditional in nature. Contributions that do not contain donor restrictions are recorded in the class of net assets without donor restrictions. Contributions that do contain donor restrictions are recorded in the class of net assets with donor restrictions. 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 in the class of net assets without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments, or release from obligations, and are recognized as income once the conditions have been substantially met.

Contributions expected to be received within one year are recorded at net realizable value.

Long-term pledges are recorded at fair value, using risk adjusted present value techniques.

CFLeads

Notes to Financial Statements

December 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

d. Revenue Recognition - Continued

Management assesses the collectability of all outstanding receivables based upon historical trends and experience with donors. Based on that review, management has concluded that all receivables are collectible. As such, no allowance for uncollectible accounts was deemed necessary.

e. Cash and Cash Equivalents

Management considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents for the accompanying statement of cash flows, excluding those held in investment accounts.

f. Investments and Fair Value Measurement

Investments with readily available market prices are reflected at fair value, which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Unrealized and realized gains and losses are included on the statement of activities. See Note 3 for additional information.

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that CFLeads has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are not observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

g. Concentration of Credit Risk

Financial instruments that potentially subject CFLeads to a concentration of credit risk consist of cash which is placed with financial institutions that management deems to be creditworthy. CFLeads maintains its cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 each. At year end and at various times throughout the year, balances were in excess of insured amounts; however, no losses were incurred due to bank failure.

h. Functional Allocation of Expenses

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.

CFLeads

Notes to Financial Statements

December 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

h. Functional Allocation of Expenses - Continued

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
- Meetings, travel, conferences
- Information technology
- Insurance
- Office expenses

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

i. Advertising Costs

Advertising costs are expensed as incurred.

j. 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.

k. 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 services that assist CFLeads. These services do not meet the criteria outlined above and have not been recorded in the financial statements.

l. Summarized Comparative 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, 2022, from which the summarized information was derived.

m. 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, 2020 and later are subject to examination by applicable taxing authorities.

CFLeads

Notes to Financial Statements

December 31, 2023

Note 3 - Investments

All investments were measured using Level 1 inputs, which are the quoted prices in active markets for identical assets.

The following summarizes the composition of investments:

	December 31,	
	2023	2022
Cash	\$ 2,293,901	\$ 2,043,318
Money funds	-	63,156
Fixed income	2,877,849	2,795,506
Equity securities	1,432,369	1,179,251
Total	<u>\$ 6,604,119</u>	<u>\$ 6,081,231</u>

Investment return consists of the following:

	December 31,	
	2023	2022
Interest income	\$ 263,344	\$ 67,404
Realized and unrealized gain/(loss) on investments	304,737	(89,130)
Investment fees	(22,596)	(12,371)
Total	<u>\$ 545,485</u>	<u>\$ (34,097)</u>

Note 4 - Pledges Receivable

At December 31, 2022, all pledges receivable were due within one year. At December 31, 2023, pledges receivable were due as follows:

Year ending:		
	December 31, 2024	\$ 426,500
	December 31, 2025	<u>1,817,395</u>
		2,243,895
Less: discount to present value at 1.5%		<u>(73,756)</u>
Total		<u>\$ 2,170,139</u>

Based on the analysis performed on the open accounts receivable aging and detail analysis of the pledges receivable, CFLeads did not record an allowance for bad debt, as of December 31, 2023.

CFLeads

Notes to Financial Statements

December 31, 2023

Note 5 - Net Assets with Donor Restrictions

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

	December 31, 2023			
	Balance 1/1/23	Restricted Contributions	Released from Restrictions	Balance 12/31/23
Program restrictions:				
Building Organizational				
Capacity	\$ 1,234,699	\$ 267,400	\$ (775,129)	\$ 726,970
Share Knowledge	75,000	120,000	(195,000)	-
Galvanize Action on Issues	211,980	5,586,658	(640,881)	5,157,757
Total program restrictions	1,521,679	5,974,058	(1,611,010)	5,884,727
Time restricted	346,000	91,000	(331,000)	106,000
Total	\$ 1,867,679	\$ 6,065,058	\$ (1,942,010)	\$ 5,990,727

	December 31, 2022			
	Balance 1/1/22	Restricted Contributions	Released from Restrictions	Balance 12/31/22
Program restrictions:				
Building Organizational				
Capacity	\$ 1,772,942	\$ 30,000	\$ (568,243)	\$ 1,234,699
Share Knowledge	-	75,000	-	75,000
Galvanize Action on Issues	1,505,547	-	(1,293,567)	211,980
Total program restrictions	3,278,489	105,000	(1,861,810)	1,521,679
Time restrictions	467,489	46,000	(167,489)	346,000
Total	\$ 3,745,978	\$ 151,000	\$ (2,029,299)	\$ 1,867,679

Note 6 - Net Assets without Donor Restrictions - Board Designated Net Assets

The board of directors has established an operating reserve as follows:

	December 31,	
	2023	2022
Balance at beginning of year	\$ 845,357	\$ 835,000
Designations during year	184,083	10,357
Balance at end of year	\$ 1,029,440	\$ 845,357

CFLeads

Notes to Financial Statements

December 31, 2023

Note 7 - Retirement Plan

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 \$75,949 and \$73,984 during the years ended December 31, 2023 and 2022, respectively.

Note 8 - 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	\$ 4,584,844	
Investments	6,604,119	
Pledges receivable	<u>2,170,139</u>	
Total financial assets		\$ 13,359,102
Less amounts not available to be used within one year:		
Board designated operating reserve		(1,029,440)
Donor restricted contributions - purpose		<u>(5,884,727)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$ 6,444,935</u>

Note 9 - Subsequent Events

Subsequent events have been evaluated through July 15, 2024, the date the financial statements were available to be issued. There were no material events that have occurred that required adjustment to or disclosure to the financial statements.