



GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

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Independent Auditor's Report

Board of Directors
Grantmakers for Effective Organizations
Washington, D.C.

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grantmakers for Effective Organizations as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 3 of the financial statements, the Organization adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

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 Grantmakers for Effective Organizations' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Grantmakers for Effective Organizations' 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 Grantmakers for Effective Organizations' 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.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
November 1, 2023

Certified Public Accountants

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Assets		
Cash and Cash Equivalents	\$ 8,715,307	\$ 8,883,658
Grants and Contributions Receivable	1,360,558	1,712,826
Membership Receivable	60,570	19,190
Other Receivables	16,597	43
Investments	1,459,785	1,535,661
Prepaid Expenses	45,812	27,808
Deposits	205,760	31,550
Property and Equipment, Net	439,748	547,411
Operating Right-of-Use Asset	<u>1,075,542</u>	<u>-</u>
Total Assets	<u><u>\$ 13,379,679</u></u>	<u><u>\$ 12,758,147</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 102,965	\$ 43,961
Accrued Leave	189,514	144,750
Deferred Rent	-	756,226
Deferred Seminar Registration Revenue	56,379	-
Operating Lease Liability	<u>1,699,803</u>	<u>-</u>
Total Liabilities	2,048,661	944,937
Net Assets		
Without Donor Restrictions		
Undesignated	7,339,575	7,418,544
Board Designated for Strategy and Contingency Reserve	<u>1,535,000</u>	<u>1,535,000</u>
Total Without Donor Restrictions	8,874,575	8,953,544
With Donor Restrictions	<u>2,456,443</u>	<u>2,859,666</u>
Total Net Assets	<u>11,331,018</u>	<u>11,813,210</u>
Total Liabilities and Net Assets	<u><u>\$ 13,379,679</u></u>	<u><u>\$ 12,758,147</u></u>

See accompanying Notes to Financial Statements.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Member Contributions	\$ 2,004,898	\$ 283,272	\$ 2,288,170
Grants and Contributions	1,155,492	1,352,830	2,508,322
Conference Registration	655,800	-	655,800
Conference Sponsorship	-	488,500	488,500
Seminars	126,550	-	126,550
Investment Loss	(62,675)	-	(62,675)
Consulting	7,900	-	7,900
Other Income	1,088	-	1,088
Net Assets Released from Restrictions			
Satisfaction of Purpose Restrictions	1,219,528	(1,219,528)	-
Expiration of Time Restrictions	<u>1,308,297</u>	<u>(1,308,297)</u>	<u>-</u>
 Total Revenues and Support	 6,416,878	 (403,223)	 6,013,655
Expenses			
Program Services			
Conferences	1,435,648	-	1,435,648
Communications	327,066	-	327,066
Member Programs	1,752,062	-	1,752,062
Research and Learning	<u>680,949</u>	<u>-</u>	<u>680,949</u>
 Total Program Services	 4,195,725	 -	 4,195,725
Supporting Services			
Management and General	1,981,255	-	1,981,255
Fundraising	<u>318,867</u>	<u>-</u>	<u>318,867</u>
 Total Supporting Services	 <u>2,300,122</u>	 <u>-</u>	 <u>2,300,122</u>
 Total Expenses	 <u>6,495,847</u>	 <u>-</u>	 <u>6,495,847</u>
 Change in Net Assets	 (78,969)	 (403,223)	 (482,192)
Net Assets, Beginning of Year	<u>8,953,544</u>	<u>2,859,666</u>	<u>11,813,210</u>
 Net Assets, End of Year	 <u><u>\$ 8,874,575</u></u>	 <u><u>\$ 2,456,443</u></u>	 <u><u>\$ 11,331,018</u></u>

See accompanying Notes to Financial Statements.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Member Contributions	\$ 2,073,876	\$ 182,659	\$ 2,256,535
Grants and Contributions	5,054,404	1,983,454	7,037,858
Conference Registration	154,650	-	154,650
Conference Sponsorship	-	340,000	340,000
Seminars	98,050	-	98,050
Investment Loss	(9,273)	-	(9,273)
Consulting	19,230	-	19,230
Other Income	40	-	40
Net Assets Released from Restrictions			
Satisfaction of Purpose Restrictions	907,578	(907,578)	-
Expiration of Time Restrictions	<u>1,166,283</u>	<u>(1,166,283)</u>	<u>-</u>
 Total Revenues and Support	 9,464,838	 432,252	 9,897,090
Expenses			
Program Services			
Conferences	463,322	-	463,322
Communications	282,034	-	282,034
Member Programs	1,179,420	-	1,179,420
Research and Learning	<u>735,301</u>	<u>-</u>	<u>735,301</u>
 Total Program Services	 2,660,077	 -	 2,660,077
Supporting Services			
Management and General	1,691,314	-	1,691,314
Fundraising	<u>231,168</u>	<u>-</u>	<u>231,168</u>
 Total Supporting Services	 <u>1,922,482</u>	 <u>-</u>	 <u>1,922,482</u>
 Total Expenses	 <u>4,582,559</u>	 <u>-</u>	 <u>4,582,559</u>
 Change in Net Assets	 4,882,279	 432,252	 5,314,531
Net Assets, Beginning of Year	<u>4,071,265</u>	<u>2,427,414</u>	<u>6,498,679</u>
 Net Assets, End of Year	 <u><u>\$ 8,953,544</u></u>	 <u><u>\$ 2,859,666</u></u>	 <u><u>\$ 11,813,210</u></u>

See accompanying Notes to Financial Statements.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2022

	Conferences	Communications	Member Programs	Research and Learning	Total Program Services	Management and General	Fundraising	Total Expenses
Expenses								
Salaries	\$ 323,095	\$ 197,110	\$ 823,446	\$ 327,849	\$ 1,671,500	\$ 1,002,230	\$ 196,121	\$ 2,869,851
Meetings/Meeting Space	789,977	371	23,684	8,937	822,969	9,352	933	833,254
Consultants	50,400	27,743	188,068	128,583	394,794	148,305	4,900	547,999
Consultants - IT	7,239	4,973	19,914	7,612	39,738	23,789	5,228	68,755
Employee Benefits	61,397	38,192	159,852	63,783	323,224	206,897	38,564	568,685
Operating Lease Expense	34,836	20,630	86,208	34,052	175,726	101,046	20,365	297,137
Travel	37,969	261	57,777	27,632	123,639	48,506	11,818	183,963
Depreciation	11,708	8,878	38,611	16,726	75,923	42,630	9,261	127,814
Payroll Taxes	25,293	14,833	62,048	24,799	126,973	73,062	14,425	214,460
Accounting	-	-	-	-	-	136,566	-	136,566
Design/Artwork/Photography	8,002	-	10,017	-	18,019	-	-	18,019
Licenses/Permits/Fees	49,264	8,340	11,594	23,639	92,837	11,818	1,273	105,928
Service Charges	-	-	-	-	-	54,180	-	54,180
Authors/Editors	742	-	142,366	-	143,108	-	-	143,108
Legal	-	-	-	-	-	40,753	-	40,753
Office and Computer Supplies	1,406	299	9,275	2,357	13,337	13,433	830	27,600
Telephone	2,121	1,609	12,696	5,792	22,218	14,287	3,224	39,729
Staff Development	550	1,824	27,498	7,436	37,308	16,113	4,286	57,707
Grants and Contributions	3,500	-	51,100	-	54,600	-	-	54,600
Printing	7,958	67	10,556	133	18,714	417	66	19,197
Furniture and Equipment	228	145	596	245	1,214	703	142	2,059
Furniture/Equipment Rental	8,299	163	628	216	9,306	-	158	9,464
Recruitment	-	1,243	3,023	-	4,266	10,104	6,642	21,012
Other	-	-	271	-	271	1,831	-	2,102
Subscriptions/Books/Dues	548	153	9,790	246	10,737	1,398	94	12,229
Meals - Non-Travel	104	-	326	195	625	542	64	1,231
Insurance	9,171	148	648	197	10,164	16,908	118	27,190
Payroll Service	-	-	-	-	-	6,010	-	6,010
Postage and Shipping	1,841	84	2,070	520	4,515	375	355	5,245
Total Expenses	\$ 1,435,648	\$ 327,066	\$ 1,752,062	\$ 680,949	\$ 4,195,725	\$ 1,981,255	\$ 318,867	\$ 6,495,847

See accompanying Notes to Financial Statements.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

	Conferences	Communications	Member Programs	Research and Learning	Total Program Services	Management and General	Fundraising	Total Expenses
Expenses								
Salaries	\$ 204,436	\$ 168,511	\$ 655,008	\$ 404,581	\$ 1,432,536	\$ 862,570	\$ 150,786	\$ 2,445,892
Meetings/Meeting Space	33,903	1,042	1,753	2,555	39,253	1,087	-	40,340
Consultants	42,462	23,294	130,062	113,373	309,191	113,408	3,000	425,599
IT Consultants	7,214	5,504	20,798	12,184	45,700	27,036	4,750	77,486
Employee Benefits	38,556	29,645	119,990	75,418	263,609	170,110	27,920	461,639
Rent	25,932	19,017	73,894	44,891	163,734	118,925	17,356	300,015
Travel	1	-	961	19	981	3,212	1	4,194
Depreciation and Amortization	8,655	8,499	35,074	23,291	75,519	42,639	8,332	126,490
Payroll Taxes	15,588	13,135	50,236	30,217	109,176	65,691	11,372	186,239
Accounting	-	-	-	-	-	133,739	-	133,739
Design/Artwork/Photography	2,986	229	5,805	-	9,020	-	-	9,020
Licenses/Permits/Fees	80,339	7,433	3,814	15,009	106,595	20,250	388	127,233
Service Charges	5	5	860	14	884	23,700	-	24,584
Authors/Editors	-	289	19,472	-	19,761	-	-	19,761
Legal	-	-	-	-	-	35,702	-	35,702
Office and Computer Supplies	371	450	5,390	1,479	7,690	14,812	1,366	23,868
Telephone	1,654	2,805	9,631	3,069	17,159	18,497	1,768	37,424
Staff Development	2	1,159	12,078	4,878	18,117	12,197	2,411	32,725
Grants and Contributions	-	-	180	-	180	-	-	180
Printing	-	-	15,963	-	15,963	52	244	16,259
Furniture and Equipment	168	170	1,982	2,241	4,561	1,170	740	6,471
Furniture/Equipment Rental	301	242	919	581	2,043	-	218	2,261
Recruitment	-	-	500	384	884	2,044	138	3,066
Other	390	-	1,549	-	1,939	2,509	-	4,448
Subscriptions/Books/Dues	32	274	9,273	157	9,736	3,096	30	12,862
Meals - Non-Travel	21	27	159	39	246	185	-	431
Insurance	296	290	1,122	801	2,509	12,938	296	15,743
Payroll Service	-	-	-	-	-	4,828	-	4,828
Postage and Shipping	10	14	2,947	120	3,091	917	52	4,060
Total Expenses	\$ 463,322	\$ 282,034	\$ 1,179,420	\$ 735,301	\$ 2,660,077	\$ 1,691,314	\$ 231,168	\$ 4,582,559

See accompanying Notes to Financial Statements.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (482,192)	\$ 5,314,531
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation and Amortization	127,814	126,490
Unrealized Loss on Investments	103,664	26,693
Operating Lease Expense	292,535	-
Change in Operating Assets and Liabilities		
<u>(Increase) Decrease in</u>		
Grants and Contributions Receivable	352,268	(563,033)
Membership Receivable	(41,380)	11,150
Other Receivables	(16,554)	4,449
Prepaid Expenses	(18,004)	(6,697)
Deposits	(174,210)	-
<u>Increase (Decrease) in</u>		
Accounts Payable and Accrued Expenses	59,004	(159,674)
Accrued Leave	44,764	19,970
Deferred Rent	-	(109,369)
Deferred Seminar Registration Revenue	56,379	(83,500)
Operating Lease Liability	(424,500)	-
PPP Refundable Advance	-	(444,800)
Net Cash (Used in) Provided by Operating Activities	<u>(120,412)</u>	<u>4,136,210</u>
Cash Flows from Investing Activities		
Purchases of Investments	(27,788)	(17,191)
Purchases of Property and Equipment	<u>(20,151)</u>	<u>(47,731)</u>
Net Cash Used in Investing Activities	<u>(47,939)</u>	<u>(64,922)</u>
Cash Flows from Financing Activities		
Principal Payments on Capital Lease	<u>-</u>	<u>(2,672)</u>
Net Cash Used in Financing Activities	<u>-</u>	<u>(2,672)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	<u>(168,351)</u>	<u>4,068,616</u>
Cash and Cash Equivalents, Beginning of Year	<u>8,883,658</u>	<u>4,815,042</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 8,715,307</u></u>	<u><u>\$ 8,883,658</u></u>
Noncash Transactions from Investing and Financing Activities		
Establishment of Operating Right-of-Use Asset	\$ 1,343,303	\$ -
Establishment of Operating Lease Liability	2,099,529	-

See accompanying Notes to Financial Statements.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

1. NATURE OF OPERATIONS

Grantmakers for Effective Organizations (the Organization) is a nonprofit organization, incorporated in 2002, that represents a coalition of grantmakers committed to building strong and effective nonprofit organizations. Understanding that grantmakers are successful only to the extent that their grantees achieve meaningful results, the Organization promotes strategies and practices that contribute to grantee success. The Organization provides philanthropy's change agents with the resources, ideas, and connections they need to make the greatest contribution to the nonprofits they invest in.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

The Organization considers all highly liquid investments, including money market funds, with original maturities of three months or less, when purchased, to be cash equivalents.

Grants and Contributions Receivable

Grants and contributions receivable represent amounts due from the Organization's various contributors. The balance of grants and contributions receivable at December 31, 2022 and 2021, has been deemed by management to be fully collectible. If an amount becomes uncollectible, it is written-off when that determination is made.

Membership and Other Receivables

Membership and other receivables consist of amounts due for member dues and other amounts that were not collected at year end. Management reviews the collectability of the accounts on a regular basis. Amounts are considered to be fully collectible by management, and accordingly, no allowance for doubtful accounts is considered necessary. The balance of membership and other receivables as of January 1, 2021, was approximately \$34,800.

Investments

Investments are stated at fair value, based on quoted market prices. All realized and unrealized gains and losses are included in investment income in the accompanying statements of activities.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment costing over \$1,000 with a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the shorter of the estimated lives of the related assets or the remaining lease term and is limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise. Expenditures for minor and routine repairs and maintenance are expensed as incurred.

Deferred Rent

Previously, under Financial Accounting Standards Board (FASB) *Leases* (Topic 840), generally accepted accounting principles required that lease expense for operating leases be recognized on a straight-line basis over the life of the lease. Accordingly, a deferred rent liability was established for predetermined annual increases and lease incentives.

Revenue Recognition

Member contributions, grants and contributions, and conference sponsorships are recognized as revenue when an unconditional promise to give is received. Conditional promises to give are not recorded as revenue until the conditions are met. Member contributions, grants and contributions, and conference sponsorships are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports member contributions, grants and contributions, and conference sponsorships as support with donor restrictions if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor 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 and reported in the statements of activities as net assets released from restrictions.

Registration fees for conferences and seminars received in advance are deferred until the conference is held and reflected as deferred revenue in the accompanying statements of financial position. Revenue is recognized at a point in time when the event occurs.

Functional Allocation of Expenses

Certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits, operating lease expense, rent, and general expenses, which are allocated on the basis of estimates of time and effort by employees. Expenses directly identifiable to specific programs and supporting activities are allocated accordingly.

Use of Estimates

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

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt under Section 501(c)(3) of the Internal Revenue Code (the Code) from the payment of taxes on income other than on net unrelated business income. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

The Organization requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include, or reflect, any uncertain tax positions.

The Organization’s IRS Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the taxing authorities, generally for three years after filing.

Right-of-Use Assets and Lease Liabilities

The determination of whether an arrangement is a lease is made at the lease’s inception. Under the Financial Accounting Standards Board’s (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Lease liabilities are initially measured at the present value of minimum lease payments using a risk-free discount rate that approximates the remaining term of the lease. The right-of-use assets are the lease liabilities adjusted for other lease-related accounts. Management considers the likelihood of exercising renewal or termination clauses (if any) in measuring the Organization’s right-of-use assets and lease liabilities. Operating lease expense is allocated over the remaining lease term on a straight-line basis.

The Organization considers leases with initial terms of twelve months or less, and no option to purchase the underlying asset, to be short-term leases. Accordingly, short-term lease costs are expensed over the remaining lease term, with no corresponding right-of-use asset or lease liability. In addition, the Organization does not separate non-lease components from lease components (if any) when determining the payments for leases.

Reclassifications

Certain 2021 amounts have been reclassified for comparative purposes.

3. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-02

During the year ended December 31, 2022, the Organization adopted the Financial Accounting Standards Board’s (FASB) Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in *Topic 840*. The Organization also adopted the following ASUs, which amend and clarify *Leases (Topic 842)*: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11,

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

3. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-02 (CONTINUED)

Leases (Topic 842): Targeted Improvements; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2021-05, *Leases (Topic 842): Lessors - Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*; ASU 2023-01, *Leases (Topic 842): Common Control Arrangements*.

The Organization adopted the leasing standards effective January 1, 2022, using the modified retrospective approach with January 1, 2022, as the initial date of application. Management has elected to apply all practical expedients available under the new guidance, which allows the Organization to: (1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; (2) not reassess the lease classification for any expired or existing leases; and (3) not reassess initial direct costs for any existing leases; (4) use written terms for leases within common control arrangements; (5) amortize leasehold improvements over useful life of the improvements within common control arrangements regardless of the lease term. The Organization also elected to apply the practical expedient to use hindsight in determining the lease term.

The most significant impact was the recognition of right-of-use assets and lease liabilities for operating leases with terms greater than twelve months. Accordingly, an operating right-of-use asset and lease liability totaling approximately \$1,343,000 and \$2,100,000, respectively, was recognized as of January 1, 2022.

4. CONCENTRATION OF CREDIT RISK

The Organization maintains cash deposits and investments with various financial institutions that may, from time to time, exceed insurable limits. Management believes that the risk of any loss is minimal.

Approximately 37% of grants and contributions receivable were due from two donors as of December 31, 2022. Approximately 86% of grants and contributions receivable were due from three donor as of December 31, 2021.

During the year ended December 31, 2022, approximately 42% of total revenues and support consisted of grants and contributions.

During the year ended December 31, 2021, approximately 71% of total revenues and support consisted of grants and contributions. Approximately 40% of the grants and contributions for the year ended December 31, 2021, was contributed by one donor.

5. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's cash flows have seasonal variations due to the timing of contributions and grants, conferences and membership dues, and vendor payments. The Organization manages its liquidity to meet general expenditures, liabilities, and other obligations as they become due.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

5. LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

As of December 31, 2022, the following financial assets and liquidity sources were available for general operating expenditures in the year ending December 31, 2023:

Financial Assets

Cash and Cash Equivalents	\$ 8,715,307
Grants and Contributions Receivables Due in Less than One Year	1,128,000
Membership Receivable	60,570
Other Receivables	16,597
Investments	<u>1,459,785</u>
Total Financial Assets Available within One Year	11,380,259

Less

Amounts Unavailable for General Expenditures within One Year, Due to Purpose Restrictions by Donors	(394,476)
Board Designated for Strategy and Contingency Reserve	<u>(1,535,000)</u>

Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u><u>\$ 9,450,783</u></u>
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As of December 31, 2021, the following financial assets and liquidity sources were available for general operating expenditures in the year ended December 31, 2022:

Financial Assets

Cash and Cash Equivalents	\$ 8,883,658
Grants and Contributions Receivables Due in Less than One Year	969,000
Membership Receivable	19,190
Other Receivables	43
Investments	<u>1,535,661</u>
Total Financial Assets Available within One Year	11,407,552

Less

Amounts Unavailable for General Expenditures within One Year, Due to Purpose Restrictions by Donors	(640,355)
Board Designated for Strategy and Contingency Reserve	<u>(1,535,000)</u>

Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u><u>\$ 9,232,197</u></u>
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Board designated amounts for strategy and contingency reserves could be utilized with approval from the Board of Directors.

6. FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include mutual funds);

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6. FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs into the determination of fair value require significant management judgment (examples include certain private equity securities and split-interest agreements).

As of December 31, 2022, the Organization's assets measured at fair value on a recurring basis consisted of the following investments:

	Fair Value	Level 1 Inputs
Vanguard Short-Term Federal Admiral	\$ 784,638	\$ 784,638
Vanguard Short-Term Treasury Admiral	675,147	675,147
Total Investments	\$ 1,459,785	\$ 1,459,785

As of December 31, 2021, the Organization's assets measured at fair value on a recurring basis consisted of the following investments:

	Fair Value	Level 1 Inputs
Vanguard Short-Term Federal Admiral	\$ 827,835	\$ 827,835
Vanguard Short-Term Treasury Admiral	707,826	707,826
Total Investments	\$ 1,535,661	\$ 1,535,661

The Organization's investments in mutual funds are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amount reported in the financial statements.

7. INVESTMENT LOSS

Investment loss consisted of the following for the years ended December 31:

	2022	2021
Interest and Dividends	\$ 40,989	\$ 7,876
Unrealized Loss	(103,664)	(26,693)
Realized Gain	-	9,544
Total Investment Loss	\$ (62,675)	\$ (9,273)

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2022	2021
Leasehold Improvements	\$ 587,799	\$ 587,799
Equipment	231,245	211,095
Furniture and Fixtures	197,461	197,461
Equipment under Capital Lease	-	10,431
Software	191,002	191,002
Total Property and Equipment	1,207,507	1,197,788
Less Accumulated Depreciation	(767,759)	(650,377)
Property and Equipment, Net	<u>\$ 439,748</u>	<u>\$ 547,411</u>

9. COMMITMENTS

Commitments for Meeting Spaces

The Organization is committed under agreements for hotel and conference facilities in future years. The total commitment under the agreements is not determinable as it depends upon attendance and other unknown factors. In the event the Organization cancels the agreements, the Organization may be liable for damages. Management believes no material liability is likely.

10. PENSION PLAN

The Organization has a Section 403(b) defined contribution pension plan (the Plan), which covers employees after six months of service who are over age 21. Under the Plan, the Organization may make a discretionary contribution to employees. The Organization made contributions to the Plan totaling approximately \$167,000 and \$151,000 for the years ended December 31, 2022 and 2021, respectively. Employees are 100% vested upon entering the Plan and may also elect to make their own salary deferrals.

11. NET ASSETS

Board Designated Net Assets

Board designated net assets were designated for the following at December 31:

	2022	2021
Strategic Reserve	\$ 575,000	\$ 575,000
Contingency Reserve	960,000	960,000
Total Board Designated Net Assets	<u>\$ 1,535,000</u>	<u>\$ 1,535,000</u>

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

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DECEMBER 31, 2022 AND 2021**

11. NET ASSETS (CONTINUED)

Net Assets With Donor Restrictions

As of December 31, 2022 and 2021, net assets with donor restrictions were available for the following purposes:

	<u>2022</u>	<u>2021</u>
Time Restricted	\$ 2,061,967	\$ 1,969,311
National Conference	32,000	32,928
Raikes Foundation	50,000	-
University of Arkansas	59,621	-
Fund for Shared Insight	-	97,720
W.K. Kellogg Strong Sector	252,855	684,707
Knowledge Dissemination, Management, and Monitoring Capacity	-	75,000
Total Net Assets With Donor Restrictions	<u><u>\$ 2,456,443</u></u>	<u><u>\$ 2,859,666</u></u>

For the years ended December 31, 2022 and 2021, net assets were released from restrictions by incurring expenses satisfying the purpose or time restrictions as follows:

	<u>2022</u>	<u>2021</u>
Time Restricted	\$ 1,308,297	\$ 1,166,283
National Conference	401,428	152,072
Learning Conference	88,000	175,623
Monitoring Capacity	75,000	-
Peer-to-Peer Program	200,000	-
W.K. Kellogg Strong Sector	439,721	407,424
Racial Equity	15,379	20,832
Professional Development	-	5,000
Fund for Shared Insight	-	46,627
Transformational Programming for Grantmaking Leaders	-	100,000
Total Net Assets Released from Restrictions	<u><u>\$ 2,527,825</u></u>	<u><u>\$ 2,073,861</u></u>

12. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2022 and 2021, the Organization had grants and contributions receivable due as follows:

	<u>2022</u>	<u>2021</u>
Due in Less Than One Year	\$ 1,128,000	\$ 969,000
Due in One to Five Years	250,000	768,000
Total Grants and Contributions Receivable	1,378,000	1,737,000
Less Discount to Net Present Value	(17,442)	(24,174)
Total Grants and Contributions Receivable	<u><u>\$ 1,360,558</u></u>	<u><u>\$ 1,712,826</u></u>

The discount rate was approximately 7.5% and 3% for 2022 and 2021, respectively.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

13. DEFERRED SEMINAR REGISTRATION REVENUE

The change in the Organization's deferred seminar registration revenue for the year ended December 31, 2022, consisted of the following:

Balance as of December 31, 2021	\$ -
Previously Deferred Revenue Recognized	-
Cash Received for Seminars	182,929
Seminar Revenue Earned	(126,550)
Balance as of December 31, 2022	<u>\$ 56,379</u>

The change in the Organization's deferred seminar registration revenue for the year ended December 31, 2021, consisted of the following:

Balance as of December 31, 2020	\$ 83,500
Previously Deferred Revenue Recognized	(83,500)
Cash Received for Seminars	14,550
Seminar Revenue Earned	(14,550)
Balance as of December 31, 2021	<u>\$ -</u>

14. LEASES

Operating Lease under Topic 842

The Organization is obligated under a lease for office space through October 31, 2026. Under the terms of the lease, the base lease payment increases annually based on scheduled increases provided for in the lease. In addition, the lessor provided lease incentives totaling approximately \$718,000. The lease does not contain an option to extend the lease term or terminate early.

Under accounting principles generally accepted in the United States of America (GAAP), operating lease expense is recognized on a straight-line basis over the remaining lease term.

Maturity of the operating lease liability as of December 31, 2022, is as follows:

Maturity of Operating Lease Liability

2023	\$ 436,109
2024	452,052
2025	463,338
2026	394,147
Total Undiscounted Minimum Lease Payments	1,745,646
Less Discount to Present Value	(45,843)
Total Operating Lease Liability	<u>\$ 1,699,803</u>

The supplementary qualitative operating lease information is as follows:

No short-term lease expense in 2022.

Weighted-Average Remaining Lease Term (Years)	3.83
Weighted-Average Discount Rate	1.34%

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

14. LEASES (CONTINUED)

Operating Lease under Topic 840

Previously, under accounting principles generally accepted in the United States of America (GAAP), all rental payments, including fixed rent increases, were recognized on a straight-line basis over the term of the lease. Lease incentives were amortized over the life of the lease on a straight-line basis as an offset to rent expense. The difference between the GAAP rent expense and the required lease payments, as well as any unamortized lease incentives, were reflected as deferred rent and lease incentive in the accompanying statements of financial position as of December 31, 2021.

As previously disclosed in our 2021 audited financial statements and under the previous lease accounting, future minimum lease payments as of December 31, 2021, were as follows:

For the Years Ending December 31,

2022	\$ 424,500
2023	436,109
2024	452,052
2025	463,338
2026	394,147
Total Future Minimum Lease Payments	<u>\$ 2,170,146</u>

15. RESPONSE TO COVID-19

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on the daily life and operations of individuals, businesses, and nonprofits around the world. There is uncertainty about financial and economic impacts in all sectors of the economy. The financial markets have experienced significant volatility, and this may continue for an extended period of time. In light of these circumstances, management continues to assess how best to adapt to changed circumstances.

During 2020, the Organization received a Small Business Administration (SBA) loan under the Paycheck Protection Program (PPP) in the amount of \$444,800. PPP loans provided cash-flow assistance through 100% federally guaranteed loans to eligible recipients to maintain payroll during the COVID-19 public health emergency and cover certain other expenses. If the Organization maintained its workforce and met certain requirements, up to 100% of the loan may be forgiven by the SBA. During the year ended December 31, 2021, the Organization met the criteria for loan forgiveness, and as such, the loan proceeds are included in grants and contributions without donor restrictions on the statement of activities for the year ended December 31, 2021.

16. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 1, 2023, the date on which the financial statements were available to be issued.