

THE FUNDERS NETWORK, INC.

Financial Statements

June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Funders Network, Inc.
Coral Gables, Florida

We have audited the accompanying financial statements of The Funders Network, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, cash flows and functional expenses for the years 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 the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 risk 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 The Funders Network, Inc. as of June 30, 2020 and 2019, 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.

ROBBINS and MORONEY, P.A.
Certified Public Accountants

Robbins and Moroney, P.A.

Fort Lauderdale, Florida
October 21, 2020

THE FUNDERS NETWORK, INC.

Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 4,087,335	\$ 1,780,428
Investments	-	681,771
Grants Receivable	2,351,600	1,264,103
Prepaid Expenses	<u>89,926</u>	<u>132,265</u>
Total Current Assets	<u>6,528,861</u>	<u>3,858,567</u>
Non-Current Assets		
Grants Receivable	500,000	-
Deposits	<u>12,346</u>	<u>12,613</u>
Total Non-Current Assets	<u>512,346</u>	<u>12,613</u>
Total Assets	<u>\$ 7,041,207</u>	<u>\$ 3,871,180</u>
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 505,651	\$ 417,653
Refundable Advance	125,310	
Deferred Membership	<u>89,221</u>	<u>100,501</u>
Total Current Liabilities	<u>720,182</u>	<u>518,154</u>
Net Assets		
Without Donor Restrictions	653,127	613,331
With Donor Restrictions	<u>5,667,898</u>	<u>2,739,695</u>
Total Net Assets	<u>6,321,025</u>	<u>3,353,026</u>
Total Liabilities and Net Assets	<u>\$ 7,041,207</u>	<u>\$ 3,871,180</u>

The accompanying notes are an integral part of these financial statements.

THE FUNDERS NETWORK, INC.

Statements of Activities
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net Assets Without Donor Restrictions		
Revenue and Other Support		
Grants and Contributions	\$ 1,296,109	\$ 1,171,517
Memberships	324,710	410,282
Conference Registration Fees	24,950	46,204
Interest Income	2,207	1,298
Program Service Income	10,250	10,000
Federal Program Grant	83,801	
Release from Restrictions	3,273,119	3,311,244
Contributed Services, Facilities and Materials	<u>70,285</u>	<u>170,410</u>
Total Public Support and Revenues	<u>5,085,431</u>	<u>5,120,955</u>
Expenses		
Program - Partnerships	1,635,854	1,313,088
Program - Other	2,852,551	3,245,406
General and Administrative	310,801	319,470
Fundraising	<u>246,429</u>	<u>148,266</u>
Total Expenses	<u>5,045,635</u>	<u>5,026,230</u>
Change in Net Assets Without Donor Restrictions	<u>39,796</u>	<u>94,725</u>
Net Assets With Donor Restrictions		
Grants and Contributions	6,201,322	1,900,700
Release from Restrictions	<u>(3,273,119)</u>	<u>(3,311,244)</u>
Change in Net Assets With Donor Restrictions	<u>2,928,203</u>	<u>(1,410,544)</u>
Change in Net Assets	2,967,999	(1,315,819)
Net Assets, Beginning of Year	<u>3,353,026</u>	<u>4,668,845</u>
Net Assets, End of Year	<u>\$ 6,321,025</u>	<u>\$ 3,353,026</u>

The accompanying notes are an integral part of these financial statements.

THE FUNDERS NETWORK, INC.

Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 2,967,999	\$ (1,315,819)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Change in Assets and Liabilities:		
(Increase) Decrease in Grants Receivable	(1,587,497)	926,350
(Increase) Decrease in Prepaid Expenses	42,339	(103,243)
(Increase) Decrease in Deposits	267	(5,316)
Increase (Decrease) in Accounts Payable and Accrued Expenses	87,998	(551,501)
Increase (Decrease) in Deferred Memberships	(11,280)	(49,541)
Increase (Decrease) in Refundable Advance	125,310	
Net Cash Flows from Operating Activities	<u>1,625,136</u>	<u>(1,099,070)</u>
Cash Flows from Investing Activities		
Sale of Investments	681,771	
Purchase of Investments	-	(137)
Net Cash Flows from Investing Activities	<u>681,771</u>	<u>(137)</u>
Net Change in Cash	2,306,907	(1,099,207)
Cash and Cash Equivalents, Beginning of Year	<u>1,780,428</u>	<u>2,879,635</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,087,335</u>	<u>\$ 1,780,428</u>

The accompanying notes are an integral part of these financial statements.

THE FUNDERS NETWORK, INC.

Statements of Functional Expenses
For the Years Ended June 30, 2020 and 2019

	2020			
	Program Services	General and Administrative	Fundraising	Total
Partnerships	\$ 1,635,854	\$	\$	\$ 1,635,854
Personnel	1,372,037	199,112	207,112	1,778,261
Professional Services	1,050,895	43,320	15,750	1,109,965
Conferences and Meetings	186,009	12,072	2,707	200,788
Travel	78,442	10,045		88,487
Occupancy	127,795	24,157	17,284	169,236
Office Administration	15,939	5,597	1,663	23,199
Telecommunications	13,891	1,017	888	15,796
Miscellaneous	7,543	15,481	1,025	24,049
Total	\$ 4,488,405	\$ 310,801	\$ 246,429	\$ 5,045,635

	2019			
	Program Services	General and Administrative	Fundraising	Total
Partnerships	\$ 1,313,088	\$	\$	\$ 1,313,088
Personnel	1,320,534	175,783	130,255	1,626,572
Professional Services	1,059,186	48,243	2,764	1,110,193
Conferences and Meetings	539,178	25,900	439	565,517
Travel	148,998	21,262	14	170,274
Occupancy	129,968	19,104	12,387	161,459
Office Administration	31,571	5,304	1,314	38,189
Telecommunications	12,889	865	749	14,503
Miscellaneous	3,082	23,009	344	26,435
Total	\$ 4,558,494	\$ 319,470	\$ 148,266	\$ 5,026,230

The accompanying notes are an integral part of these financial statements.

THE FUNDERS NETWORK, INC.

Notes to Financial Statements

June 30, 2020 and 2019

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: During the fiscal year the Organization changed its name from Funders Network for Smart Growth and Livable Communities, Inc. to The Funders Network, Inc. The Funders Network, Inc. (hereafter referred to as the "Organization"), exists to inspire, strengthen and expand funding and philanthropic leadership that yields environmentally sustainable, socially equitable, and economically prosperous regions and communities. The Organization serves as an active resource and focal point for foundations, non-profit organizations and other partners working together to create opportunities by positively impacting the range of environmental, social, and economic issues exacerbated by the phenomena of suburban sprawl and urban disinvestment.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

Date of Management's Review: In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 21, 2020, the date that the financial statements were available to be issued.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Organization considers interest-bearing cash accounts with an original maturity of three months or less to be cash equivalents.

Investments: Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Grants Receivable: Grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable. At June 30, 2020 and 2019, there was no valuation allowance for uncollectible amounts because management considered all grants receivable to be fully collectible. Changes in the valuation allowance have not been material to the financial statements.

Revenue and Revenue Recognition: The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Membership dues, which are non-refundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The Organization recognizes the exchange portion of the membership dues over the membership period, and the contribution portion immediately. The Organization records conference registration fees and other program income when the event takes place. Any funds received in advance are recorded as deferred revenue.

Income Taxes: The Organization is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

THE FUNDERS NETWORK, INC.

Notes to Financial Statements

June 30, 2020 and 2019

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

The Organization has not incurred any interest or penalties on its income tax returns.

The Organization's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments: Cash equivalents, grants receivable, prepaid expenses, accounts payable and accrued expenses, and deferred memberships are reflected in the financial statements at cost, which approximates fair value because of their short-term nature.

Contributed Services, Facilities, and Materials: Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. Contributed facilities and materials are also recorded at their fair value in the period received.

Reclassifications: In order to facilitate comparison of financial data, certain amounts recorded in the prior year have been reclassified to conform to the current year reporting format.

Net Assets: Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

New Accounting Pronouncement: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenues from Contracts with Customers*. This update affected the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers, or (2) certain contracts for the transfer of nonfinancial assets. This update indicates that an entity should recognize revenue in the amount that reflects the consideration the entity expects to be entitled to in exchange for goods and services transferred to the entity. This update is to be applied to the beginning of the year of implementation or retrospectively and is effect for annual periods beginning after December 31, 2018. The Organization has analyzed the provisions of ASU No. 2014-09,

THE FUNDERS NETWORK, INC.

Notes to Financial Statements

June 30, 2020 and 2019

2. LIQUIDITY AND RESERVES (continued)

Revenues from Contracts with Customers and has concluded that no changes to the accompanying financial statements are necessary to conform to the new standard.

The Organization has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects the Organization's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general expenditures within one year.

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash Equivalents	\$ 4,087,335	\$ 1,780,428
Investments	-	681,771
Grants Receivable	<u>2,351,600</u>	<u>1,264,103</u>
Total financial assets	<u>6,438,935</u>	<u>3,726,302</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	5,667,898	2,739,695
Less Net Assets With Purpose Restrictions to be Met in Less Than One Year	<u>(5,667,898)</u>	<u>(2,739,695)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 6,438,935</u>	<u>\$ 3,726,302</u>

3. INVESTMENTS

At June 30, 2020 and 2019, investments were comprised of certificates of deposit of \$0 and \$681,771, respectively.

4. GRANTS RECEIVABLE

At June 30, 2020 and 2019, grants receivable were scheduled to be collected as follows:

	<u>2020</u>	<u>2019</u>
Within one year	\$ 2,351,600	\$ 1,264,103
1 – 2 years	500,000	
	<u>\$ 2,851,600</u>	<u>\$ 1,264,103</u>

5. REFUNDABLE ADVANCE

On March 29, 2020, following the passage of the CARES Act, the Small Business Administration provided small business owners and non-profit organizations impacted by COVID-19 the opportunity to obtain financial assistance. The Organization has applied for, and received \$209,111 from the CARES Act's Paycheck Protection Program (PPP) during the year ended

THE FUNDERS NETWORK, INC.

Notes to Financial Statements

June 30, 2020 and 2019

5. REFUNDABLE ADVANCE (continued)

June 30, 2020. The Organization records the PPP funds in accordance with FASB ASC 958-605 as a conditional contribution. The PPP requires recipients to use the funds principally for payroll and other qualified expenses in order for the funds to be recognized as revenue.

During the year ended June 30, 2020, the Organization has recognized \$83,801 of PPP assistance as revenue and is reported in the statement of activities as Federal Program Grants. The portion of the financial assistance not recognized as revenue is reported in the statement of financial position as Refundable Advance. At June 30, 2020, Refundable Advance was \$125,310.

Management intends to incur additional qualified PPP expenses in the year ended June 30, 2021 in order to recognize the Refundable Advance as revenue and avoid the potential for repayment of the funds received.

6. RESTRICTIONS ON ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	2020	2019
Responsive Services	\$ 33,657	\$ 50,467
Mobility and Access	12,992	19,838
Partners for Places (Includes Partnerships)	1,047,589	841,080
GREEN	32,722	42,647
Urban Water	12,503	17,000
Philanthropic Preparedness (includes Partnerships)	1,225,088	202,755
Smart Growth California	248,681	387,158
Subtotal - Programs	<u>2,613,232</u>	<u>1,560,945</u>
Future Periods	3,054,666	1,178,750
	<u>\$ 5,667,898</u>	<u>\$ 2,739,695</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

	2020	2019
Partners for Places (includes Partnerships)	\$ 1,199,116	\$ 973,537
Responsive Services	552,560	569,934
Mobility and Access	110,646	89,293
GREEN	224,869	186,476
Philanthropic Preparedness (includes Partnerships)	406,468	653,911
Intermountain West		87,165
Older Industrial Cities and Anchor Institutions		93,368
Federal Engagement		100,721
Smart Growth California	424,460	328,756
Subtotal - Programs	<u>2,918,119</u>	<u>3,083,161</u>
Passage of Specified Time	355,000	228,083
	<u>\$ 3,273,119</u>	<u>\$ 3,311,244</u>

THE FUNDERS NETWORK, INC.

Notes to Financial Statements

June 30, 2020 and 2019

7. COMMITMENTS AND CONTINGENCIES

The Organization leases its facility under an operating lease expiring in October 2023. The minimum future lease payments under the arrangements existing at June 30, 2019 are as follows:

Year Ending June 30,	2021	\$	142,271
	2022		145,265
	2023		148,351
	2024		49,797
		\$	<u>485,684</u>

Rent expense was \$139,369 and \$136,605 for the years ended June 30, 2020 and 2019, respectively.

8. CONTRIBUTED SERVICES, FACILITIES, AND MATERIALS

The value of contributed services, facilities, and materials included in the financial statements for the years ended 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Public Support		
Professional Speakers	\$ 49,125	\$ 148,750
Audio/Visual	2,600	3,300
Facilities	14,500	14,900
Catering	4,060	3,460
	<u>\$ 70,285</u>	<u>\$ 170,410</u>
	<u>2020</u>	<u>2019</u>
Expenses		
Program	\$ 70,285	\$ 168,435
General and Administrative		1,975
	<u>\$ 70,285</u>	<u>\$ 170,410</u>

9. RETIREMENT PLAN

The Organization has a Section 401(k) retirement plan. Eligible employees must be at least 21 years old and have completed three (3) months of service. The Organization contributes 5% of an active participant's compensation that is contributed to the plan through salary reduction. During the years ended June 30, 2020 and 2019, the Organization contributed \$53,182 and \$45,970, respectively, to the plan.

10. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash equivalents and unsecured grants receivable. The Organization's ability to collect these receivables is dependent upon economic conditions and the financial condition of its customers. The Organization has not experienced significant losses related to receivables from individual customers or groups of customers. Management believes no additional credit risk beyond amounts provided for collection losses is inherent in the Organization's grants receivable.

THE FUNDERS NETWORK, INC.

Notes to Financial Statements

June 30, 2020 and 2019

10. CONCENTRATIONS OF CREDIT RISK (continued)

The Organization maintains cash and investment accounts that, at times, may exceed insured limits. At June 30, 2020, demand deposits in financial institutions exceeded the depositor's insurance provided by the applicable guaranty agency by approximately \$330,000. The Organization has not experienced any losses from maintaining cash accounts in excess of insured limits. Management believes that it is not exposed to any significant credit risk on its cash accounts.

During March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

11. FAIR VALUE MEASUREMENTS

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

The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis:

Certificates of Deposit: Valued at cost plus accrued interest, which approximates the fair value of certificates of deposit with a similar interest rate, duration and maturity.

11. FAIR VALUE MEASUREMENTS (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2020 and 2019:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>June 30, 2020</u>				
Certificates of Deposit	\$ _____	\$ _____	\$ _____	\$ _____
<u>June 30, 2019</u>				
Certificates of Deposit	\$ 681,771	\$ _____	\$ 681,771	\$ _____