

THE FUNDERS NETWORK, INC.

Financial Statements

June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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

Fort Lauderdale, Florida
January 19, 2022

THE FUNDERS NETWORK, INC.

Statements of Financial Position
June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|----------------------------|
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 4,976,331 | \$ 4,087,335 |
| Grants Receivable | 1,662,000 | 2,351,600 |
| Prepaid Expenses | <u>102,836</u> | <u>89,926</u> |
| Total Current Assets | <u>6,741,167</u> | <u>6,528,861</u> |
| Non-Current Assets | | |
| Grants Receivable | 985,000 | 500,000 |
| Deposits | <u>12,346</u> | <u>12,346</u> |
| Total Non-Current Assets | <u>997,346</u> | <u>512,346</u> |
| Total Assets | <u><u>\$ 7,738,513</u></u> | <u><u>\$ 7,041,207</u></u> |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable and Accrued Expenses | \$ 114,579 | \$ 505,651 |
| Refundable Advance | - | 125,310 |
| Deferred Membership | <u>142,792</u> | <u>89,221</u> |
| Total Current Liabilities | <u>257,371</u> | <u>720,182</u> |
| Net Assets | | |
| Without Donor Restrictions | 1,205,422 | 653,127 |
| With Donor Restrictions | <u>6,275,720</u> | <u>5,667,898</u> |
| Total Net Assets | <u>7,481,142</u> | <u>6,321,025</u> |
| Total Liabilities and Net Assets | <u><u>\$ 7,738,513</u></u> | <u><u>\$ 7,041,207</u></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, 2021 and 2020

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Net Assets Without Donor Restrictions | | |
| Revenue and Other Support | | |
| Grants and Contributions | \$ 1,218,078 | \$ 1,296,109 |
| Memberships | 244,668 | 324,710 |
| Conference Registration Fees | 105,739 | 24,950 |
| Interest Income | 1,594 | 2,207 |
| Program Service Income | 30,000 | 10,250 |
| Federal Program Grant | 334,422 | 83,801 |
| Release from Restrictions | 2,600,460 | 3,273,119 |
| Contributed Services, Facilities and Materials | 12,375 | 70,285 |
| | 4,547,336 | 5,085,431 |
| Expenses | | |
| Program - Partnerships | 1,231,763 | 1,635,854 |
| Program - Other | 2,245,094 | 2,852,551 |
| General and Administrative | 292,211 | 310,801 |
| Fundraising | 225,973 | 246,429 |
| | 3,995,041 | 5,045,635 |
| Change in Net Assets Without Donor Restrictions | 552,295 | 39,796 |
| Net Assets With Donor Restrictions | | |
| Grants and Contributions | 3,208,282 | 6,201,322 |
| Release from Restrictions | (2,600,460) | (3,273,119) |
| | 607,822 | 2,928,203 |
| Change in Net Assets | 1,160,117 | 2,967,999 |
| Net Assets, Beginning of Year | 6,321,025 | 3,353,026 |
| Net Assets, End of Year | \$ 7,481,142 | \$ 6,321,025 |

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, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Change in Net Assets | \$ 1,160,117 | \$ 2,967,999 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities: | | |
| Change in Assets and Liabilities: | | |
| (Increase) Decrease in Grants Receivable | 204,600 | (1,587,497) |
| (Increase) Decrease in Prepaid Expenses | (12,910) | 42,339 |
| (Increase) Decrease in Deposits | - | 267 |
| Increase (Decrease) in Accounts Payable and Accrued Expenses | (391,072) | 87,998 |
| Increase (Decrease) in Deferred Memberships | 53,571 | (11,280) |
| Increase (Decrease) in Refundable Advance | (125,310) | 125,310 |
| Net Cash Flows from Operating Activities | <u>888,996</u> | <u>1,625,136</u> |
| Cash Flows from Investing Activities | | |
| Sale of Investments | - | 681,771 |
| Net Cash Flows from Investing Activities | <u>-</u> | <u>681,771</u> |
| Net Change in Cash | 888,996 | 2,306,907 |
| Cash and Cash Equivalents, Beginning of Year | <u>4,087,335</u> | <u>1,780,428</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 4,976,331</u> | <u>\$ 4,087,335</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, 2021 and 2020

| | 2021 | | | |
|--------------------------|-----------------------------|---------------------------------------|--------------------|---------------------|
| | Program Services | General and Administrative | Fundraising | Total |
| Partnerships | \$ 1,231,763 | \$ | \$ | \$ 1,231,763 |
| Personnel | 1,199,903 | 207,269 | 202,456 | 1,609,628 |
| Professional Services | 771,769 | 35,467 | 2,449 | 809,685 |
| Conferences and Meetings | 99,825 | 2,418 | 2,321 | 104,564 |
| Travel | 5,587 | | | 5,587 |
| Occupancy | 129,933 | 23,578 | 14,226 | 167,737 |
| Office Administration | 13,118 | 5,719 | 1,733 | 20,570 |
| Telecommunications | 13,118 | 1,224 | 1,061 | 15,403 |
| Miscellaneous | 11,841 | 16,536 | 1,727 | 30,104 |
| Total | \$ 3,476,857 | \$ 292,211 | \$ 225,973 | \$ 3,995,041 |

| | 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 |

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

THE FUNDERS NETWORK, INC.

Notes to Financial Statements

June 30, 2021 and 2020

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 January 19, 2022, 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, 2021 and 2020, 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. The following schedule shows the activity in deferred revenue:

THE FUNDERS NETWORK, INC.
Notes to Financial Statements
June 30, 2021 and 2020

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

| | |
|-----------------------------------|-------------------|
| Deferred Revenue, June 30, 2019 | \$ 100,501 |
| Previously Deferred Recognized | (100,501) |
| Cash Received for Membership Dues | 348,630 |
| Current Revenue Recognized | <u>(259,409)</u> |
| Deferred Revenue, June 30, 2020 | 89,221 |
| Previously Deferred Recognized | (89,221) |
| Cash Received for Membership Dues | 523,199 |
| Current Revenue Recognized | <u>(291,186)</u> |
| Deferred Revenue, June 30, 2021 | <u>\$ 142,792</u> |

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 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, refundable advance 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.

THE FUNDERS NETWORK, INC.

Notes to Financial Statements

June 30, 2021 and 2020

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

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

2. LIQUIDITY AND RESERVES

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, 2021 and 2020, reduced by amounts not available for general expenditures within one year.

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Financial assets at year end: | | |
| Cash and cash Equivalents | \$ 4,976,331 | \$ 4,087,335 |
| Grants Receivable | <u>2,647,000</u> | <u>2,851,600</u> |
| Total financial assets | <u>7,623,331</u> | <u>6,938,935</u> |
| Less amounts not available to be used within one year: | | |
| Net assets with donor restrictions | 6,275,720 | 5,667,898 |
| Less Net Assets With Purpose Restrictions to be Met in Less Than One Year | <u>(5,290,720)</u> | <u>(5,167,898)</u> |
| | <u>985,000</u> | <u>500,000</u> |
| Financial Assets Available to Meet General Expenditures Over the Next Twelve Months | <u>\$ 6,638,331</u> | <u>\$ 6,438,935</u> |

THE FUNDERS NETWORK, INC.
Notes to Financial Statements
June 30, 2021 and 2020

3. GRANTS RECEIVABLE

At June 30, 2021 and 2020, grants receivable were scheduled to be collected as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------|---------------------|---------------------|
| Within one year | \$ 1,662,000 | \$ 2,351,600 |
| 1 – 2 years | 985,000 | 500,000 |
| | <u>\$ 2,647,000</u> | <u>\$ 2,851,600</u> |

4. REFUNDABLE ADVANCE

On March 29, 2020, following the passage of the CARES Act, the Small Business Administration provided 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 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 years ended June 30, 2021 and 2020, the Organization has recognized \$125,310 and \$83,801 respectively, as revenue and is reported in the statement of activities as Federal Program Grants. The Organization has received formal forgiveness of the entire \$209,111.

During fiscal year end June 30, 2021, following additional acts, the Small Business Administration provided a second round of PPP funding. The Organization applied for and received \$209,112 of funding. The Organization recorded this funding similar to the original PPP loan as a conditional grant. During the year ended June 30, 2021 the Organization incurred qualified expenses and recognized the entire \$209,112 as revenue. The Organization has submitted its application for formal forgiveness subsequent to year end.

5. RESTRICTIONS ON ASSETS

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

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Responsive Services | \$ 23,473 | \$ 33,657 |
| Mobility and Access | 43,576 | 12,992 |
| Partners for Places (Includes Partnerships) | 1,330,174 | 1,047,589 |
| GREEN | | 32,722 |
| Urban Water | 3,183 | 12,503 |
| Philanthropic Preparedness (includes Partnerships) | 2,126,545 | 1,225,088 |
| Smart Growth California | 176,845 | 248,681 |
| Subtotal - Programs | <u>3,703,796</u> | <u>2,613,232</u> |
| Future Periods | 2,571,924 | 3,054,666 |
| | <u>\$ 6,275,720</u> | <u>\$ 5,667,898</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:

THE FUNDERS NETWORK, INC.
Notes to Financial Statements
June 30, 2021 and 2020

5. RESTRICTIONS ON ASSETS (continued)

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Partners for Places (includes Partnerships) | \$ 843,915 | \$ 1,199,116 |
| Repsonsive Serivces | 482,184 | 552,560 |
| Mobility and Access | 98,716 | 110,646 |
| GREEN | 224,074 | 224,869 |
| Philanthropic Preparedness (includes Partnerships) | 310,368 | 406,468 |
| Intermountain West | | |
| Older Industrial Cities and Anchor Institutions | | |
| Federal Engagement | | |
| Smart Growth California | 411,411 | 424,460 |
| Subtotal - Programs | <u>2,370,668</u> | <u>2,918,119</u> |
| Passage of Specified Time | 229,792 | 355,000 |
| | <u>\$ 2,600,460</u> | <u>\$ 3,273,119</u> |

6. 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, 2020 are as follows:

| | | |
|----------------------|------|-------------------|
| Year Ending June 30, | 2022 | \$ 145,265 |
| | 2023 | 148,351 |
| | 2024 | 49,797 |
| | | <u>\$ 343,413</u> |

Rent expense was \$142,271 and \$139,369 for the years ended June 30, 2021 and 2020, respectively.

7. CONTRIBUTED SERVICES, FACILITIES, AND MATERIALS

The value of contributed services, facilities, and materials included in the financial statements for the years ended 2021 and 2020 is as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------------|------------------|------------------|
| Public Support | | |
| Professional Speakers | \$ 12,375 | \$ 49,125 |
| Audio/Visual | | 2,600 |
| Facilities | | 14,500 |
| Catering | | 4,060 |
| | <u>\$ 12,375</u> | <u>\$ 70,285</u> |
| | | |
| | <u>2021</u> | <u>2020</u> |
| Expenses | | |
| Program | \$ 12,375 | \$ 70,285 |
| | <u>\$ 12,375</u> | <u>\$ 70,285</u> |

THE FUNDERS NETWORK, INC.

Notes to Financial Statements

June 30, 2021 and 2020

8. 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, 2021 and 2020, the Organization contributed \$49,785 and \$53,182, respectively, to the plan.

9. CONCENTRATIONS OF CREDIT RISK

During the year ended June 30, 2021, the Organization received approximately 44% of its revenue from one funder.

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 Organization maintains cash and investment accounts that, at times, may exceed insured limits. At June 30, 2021, demand deposits in financial institutions exceeded the depositor's insurance provided by the applicable guaranty agency by approximately \$520,000. 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.