

Council on Foundations, Inc. and Affiliate

Consolidated Audited Financial Statements and Supplemental Information

*Years ended December 31, 2020 and 2019
with Report of Independent Auditors*

Council on Foundations, Inc. and Affiliate

Audited Financial Statements

Years ended December 31, 2020 and 2019

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Report of Independent Auditors

Board of Directors
Council on Foundations, Inc. and Affiliate

We have audited the accompanying consolidated financial statements of Council on Foundations, Inc. and Affiliate (collectively, the Council), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019 and the related consolidated statements of activities, functional expenses and cash flows for 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 over financial reporting. 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Council on Foundations, Inc. and Affiliate as of December 31, 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.

Other Matter - Consolidating Financial Statements

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position as of December 31, 2020 and consolidating statement of activity for the year then ended are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subject to auditing procedures applied in the audit of the consolidated financial statement and certain additional procedures applied, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style with large loops and flourishes.

Vienna, Virginia
August 30, 2021

Council on Foundations, Inc. and Affiliate

Consolidated Statements of Financial Position

	December 31,	
	2020	2019
Assets		
Cash and cash equivalents	\$ 7,567,487	\$ 4,834,948
Investments	3,745,030	3,673,009
Accounts receivable	452,025	282,259
Grants receivable, net	1,956,079	223,388
Prepaid expenses	130,804	275,781
Investment in Norwest Venture Partners FVCI-Mauritius	12,420,392	22,447,732
Equipment and leasehold improvements, net	1,154,575	1,353,890
Deferred compensation assets	513,277	447,556
Deposits	187,520	244,275
Total assets	\$ 28,127,189	\$ 33,782,838
Liabilities and net assets		
Accounts payable and accrued expenses	\$ 630,974	\$ 392,106
Deferred membership dues	218,079	124,872
Deferred registration and other fees	151,074	52,798
Deferred accreditation and subscription fees	33,000	36,087
Deferred rent and construction allowance	1,841,590	1,754,643
Deposits	10,497	250
Paycheck Protection Program (PPP) loan payable	720,300	-
Deferred compensation liability	451,850	394,226
Total liabilities	4,057,364	2,754,982
Net assets		
Without donor restrictions	9,428,314	7,273,108
With donor restrictions	14,641,511	23,754,748
Total net assets	24,069,825	31,027,856
Total liabilities and net assets	\$ 28,127,189	\$ 33,782,838

See accompanying notes to the financial statements.

Council on Foundations, Inc. and Affiliate

Consolidated Statements of Activities

	Years ended December 31,					
	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue and support						
Membership dues	\$ 5,798,219	\$ 284,660	\$ 6,082,879	\$ 4,147,022	\$ 857,286	\$ 5,004,308
Cumulative effect of ASU 2014-09	-	-	-	1,956,524	-	1,956,524
Release from restrictions:						
Satisfaction of time restrictions	857,286	(857,286)	-	169,605	(169,605)	-
Total membership dues and contributions	6,655,505	(572,626)	6,082,879	6,273,151	687,681	6,960,832
Grants and contributions	3,511,619	1,660,000	5,171,619	2,449,137	612,800	3,061,937
Conference registrations, exhibit income and sponsorship income	386,684	-	386,684	1,933,819	-	1,933,819
Accreditation deposits and fees	482,882	-	482,882	489,267	-	489,267
Other	-	-	-	66,933	-	66,933
Publications	137,255	-	137,255	119,918	-	119,918
Operating investment income, net	120,607	1,616	122,223	-	28,193	28,193
Office rental income	45,077	-	45,077	190,227	-	190,227
Release from restrictions:						
Satisfaction of program restrictions	52,648	(52,648)	-	1,144,061	(1,144,061)	-
Satisfaction of time restrictions	122,239	(122,239)	-	1,298,704	(1,298,704)	-
Total revenue and support	11,514,516	914,103	12,428,619	13,965,217	(1,114,091)	12,851,126
Expenses						
Program services	6,152,868	-	6,152,868	8,025,168	-	8,025,168
Supporting services	3,304,729	-	3,304,729	2,705,485	-	2,705,485
Total expenses	9,457,597	-	9,457,597	10,730,653	-	10,730,653
Change in net assets before non-operating activities	2,056,919	914,103	2,971,022	3,234,564	(1,114,091)	2,120,473
Non-operating activities:						
Investment income, net	98,287	-	98,287	383,169	-	383,169
Unrealized loss on Norwest	-	(10,027,340)	(10,027,340)	-	(2,542,346)	(2,542,346)
Total non-operating activities	98,287	(10,027,340)	(9,929,053)	383,169	(2,542,346)	(2,159,177)
Change in net assets	2,155,206	(9,113,237)	(6,958,031)	3,617,733	(3,656,437)	(38,704)
Net assets, beginning of year	7,273,108	23,754,748	31,027,856	3,655,375	27,411,185	31,066,560
Net assets, end of year	\$ 9,428,314	\$ 14,641,511	\$ 24,069,825	\$ 7,273,108	\$ 23,754,748	\$ 31,027,856

See accompanying notes to the financial statements.

Council on Foundations, Inc. and Affiliate
Consolidated Statement of Functional Expenses

Year ended December 31, 2020

	<u>Program services</u>				<u>Supporting services</u>			<u>2020 Total</u>
	<u>Member services</u>	<u>Strategic communications</u>	<u>Government relations</u>	<u>Total program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total supporting services</u>	
Salaries and benefits	\$ 2,472,723	\$ 449,896	\$ 613,192	\$ 3,535,811	\$ 1,224,088	\$ 318,423	\$ 1,542,511	\$ 5,078,322
Consultants and contract services	582,538	305,746	183,337	1,071,621	1,284,946	17,193	1,302,139	2,373,760
Occupancy	290,448	52,845	72,026	415,319	143,782	37,402	181,184	596,503
Software, subscriptions, and office expenses	383,263	64,373	83,117	530,753	105,842	27,817	133,659	664,412
Depreciation and amortization	99,395	17,925	24,431	141,751	48,771	12,687	61,458	203,209
Travel	44,609	2,698	4,134	51,441	7,342	5,711	13,053	64,494
Printing and production	3,538	1	153	3,692	3	1	4	3,696
Insurance and maintenance	21,214	3,860	5,261	30,335	10,502	2,732	13,234	43,569
Conferences and meetings	158,938	-	5,725	164,663	6,285	2,846	9,131	173,794
Authors and speakers	1,159	69	94	1,322	188	49	237	1,559
Grants, awards, and contributions	61,235	2,463	3,357	67,055	6,700	1,743	8,443	75,498
Bank and other processing fees	35,940	6,431	8,766	51,137	17,498	4,552	22,050	73,187
Telephone and internet fees	17,713	3,223	4,392	25,328	8,768	2,281	11,049	36,377
Taxes and registrations	58,108	1,918	2,614	62,640	5,219	1,358	6,577	69,217
Total functional expenses	<u>\$ 4,230,821</u>	<u>\$ 911,448</u>	<u>\$ 1,010,599</u>	<u>\$ 6,152,868</u>	<u>\$ 2,869,934</u>	<u>\$ 434,795</u>	<u>\$ 3,304,729</u>	<u>\$ 9,457,597</u>

See accompanying notes to the financial statements.

Council on Foundations, Inc. and Affiliate
 Consolidated Statement of Functional Expenses

Year ended December 31, 2019

	Program services				Supporting services			2019 Total
	Member services	Strategic communications	Government relations	Total program services	Management and general	Fundraising	Total supporting services	
Salaries and benefits	\$ 2,581,563	\$ 325,706	\$ 404,851	\$ 3,312,120	\$ 1,131,054	\$ 158,186	\$ 1,289,240	\$ 4,601,360
Consultants and contract services	715,885	28,006	198,928	942,819	789,725	15,760	805,485	1,748,304
Occupancy	539,929	68,032	84,564	692,525	236,251	33,041	269,292	961,817
Software, subscriptions, and office expenses	550,856	84,264	73,349	708,469	133,766	18,410	152,176	860,645
Depreciation and amortization	162,244	20,323	25,261	207,828	70,572	9,870	80,442	288,270
Travel	319,520	4,438	23,530	347,488	15,338	2,162	17,500	364,988
Printing and production	160,547	9,895	1,663	172,105	4,400	697	5,097	177,202
Insurance and maintenance	43,423	5,478	6,810	55,711	19,025	2,661	21,686	77,397
Conferences and meetings	1,306,810	-	22,683	1,329,493	14,936	-	14,936	1,344,429
Authors and speakers	52,474	-	2,774	55,248	-	-	-	55,248
Grants, awards, and contributions	85,700	593	737	87,030	2,059	288	2,347	89,377
Bank and other processing fees	38,729	4,863	6,045	49,637	16,887	2,362	19,249	68,886
Telephone and internet fees	31,586	3,984	4,953	40,523	13,836	1,935	15,771	56,294
Taxes and registrations	17,293	3,067	3,812	24,172	10,650	1,614	12,264	36,436
Total functional expenses	<u>\$ 6,606,559</u>	<u>\$ 558,649</u>	<u>\$ 859,960</u>	<u>\$ 8,025,168</u>	<u>\$ 2,458,499</u>	<u>\$ 246,986</u>	<u>\$ 2,705,485</u>	<u>\$ 10,730,653</u>

See accompanying notes to the financial statements.

Council on Foundations, Inc. and Affiliate

Consolidated Statements of Cash Flows

	Years ended December 31,	
	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (6,958,031)	\$ (38,704)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(99,122)	(347,140)
Unrealized loss on Norwest	10,027,340	2,542,346
Amortization of deferred rent, construction allowance and accrued disposal loss	86,947	762,378
Loss on disposal of equipment and leasehold improvements	-	3,796
Increase in present value discount on grants receivable	(22,309)	3,037
Depreciation and amortization	203,210	288,270
Changes in assets and liabilities:		
Accounts receivable	(169,766)	(69,998)
Grants receivable, net	(1,710,382)	1,017,279
Prepaid expenses	144,977	195,563
Deposits	56,755	112,805
Other assets	-	70,902
Accounts payable and accrued expenses	238,867	(106,501)
Deferred membership dues	-	(2,155,048)
Deferred registration and other fees	188,397	(399,707)
Deferred accreditation and subscription fees	-	22,849
Deposits	10,247	(119,844)
Deferred compensation liability	57,624	62,245
Net cash provided by operating activities	2,054,754	1,844,528
Cash flows from investing activities		
Purchases of equipment and leasehold improvements	(3,895)	(563,793)
Proceeds from the sale of investments	470,189	3,786,501
Purchases of investments	(508,809)	(3,861,611)
Net cash used in investing activities	(42,515)	(638,903)
Cash flows from financing activities		
PPP loan proceeds	720,300	-
Net cash provided by financing activities	720,300	-
Net increase in cash and cash equivalents	2,732,539	1,205,625
Cash and cash equivalents, beginning of year	4,834,948	3,629,323
Cash and cash equivalents, end of year	\$ 7,567,487	\$ 4,834,948

See accompanying notes to the financial statements.

Council on Foundations, Inc. and Affiliate

Notes to Consolidated Financial Statements

Years ended December 31, 2020 and 2019

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Council on Foundations, Inc. (the Council) is a national nonprofit membership association that provides its members with services and support to help them succeed. The Council emphasizes the value of philanthropy in the lives of people everywhere.

The activities of the Council are funded primarily through membership dues from foundations and grant makers.

The Council was incorporated in 1957 under the laws of the state of New York as a nonprofit public charity. The Council works to serve the public good by promoting and enhancing responsible and effective philanthropy. The Council provides the opportunity, leadership and tools needed by philanthropic organizations to expand, enhance and sustain their ability to advance the common good.

To achieve the Council's mission and vision, three important priorities have guided its work during the years ended December 31, 2020 and 2019. These priorities embrace the dramatic changes taking place in philanthropy and, at the same time, build on the Council's distinctive competencies in a growing and varied field. They are as follows:

Member services

The Council ensures that foundations are connected to high-quality services across a broad range of needs. To this end, the Council provides educational expertise and networking opportunities related to core field-wide issues (e.g., educational expertise that supports the field's ability to achieve standards of strong governance and effectiveness in grant makers). Additionally, the Council seeks opportunities to partner with the broader network of philanthropic infrastructure organizations to co-create and deliver educational offerings.

Strategic communications

The Council helps to increase outreach and communications to members, infrastructure partners, the field and the media through multiple communications platforms. The Council capitalizes on networking and knowledge management, incorporating innovative technology.

Government relations

The Council promotes a positive vision for philanthropy, making philanthropy consequential and conveying to influential public leaders and policy makers a case for enabling philanthropy. The Council strives to ensure a positive legislative and regulatory environment for philanthropy, as well as highlight for lawmakers the critical work being done by foundations in communities across the country. These efforts entail advancing public policies on key issues, including tax policy.

Council on Foundations, Inc. and Affiliate

Notes to Consolidated Financial Statements (Continued)

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued)

The Council is affiliated with the Community Foundations National Standards Board (CFNSB). CFNSB was incorporated in April 2009 under the laws of the commonwealth of Virginia as a nonprofit public charity that is a Type I supporting organization to the Council under Internal Revenue Code (IRC) Section 509(a)(3). CFNSB was incorporated as a separate entity in order to foster greater independence of the National Standards for U.S. Community Foundations accreditation program.

A summary of the significant accounting policies are follows:

Basis of accounting

The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional support and promises to give are recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Council and CFNSB. Significant intercompany accounts and transactions have been eliminated in consolidation. The Council and its affiliate, CFNSB are collectively hereafter referred to as the Council.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Non-operating activities

The Council considers the investment income from its cash and cash equivalents and one specific investment fund to be operating in nature. Additionally, all allocable investment income or loss treated as donor restricted in accordance with donor specifications is considered to be operating in nature. All other investment returns are considered to be non-operating in nature.

Cash and cash equivalents

The Council considers cash and cash equivalents to include only demand deposits and savings accounts. The Council maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Federal Deposit Insurance Corporation (FDIC) insures amounts on deposit with each financial institution up to limits prescribed by law. The Council may hold funds with financial institutions in excess of the FDIC insured amounts; however, the Council has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Council on Foundations, Inc. and Affiliate

Notes to Consolidated Financial Statements (Continued)

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued)

Investments and Fair Value Measurement

Investments, including deferred compensation investments, are carried at fair value. To adjust the carrying value of these investments, the change in fair value of investments is recorded as a component of investment income, net of fees, in the consolidated statements of activities as non-operating revenue.

In accordance with GAAP, the Council prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets that the Council 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 markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities for substantially the entire period and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

Investment in common stock of Norwest Venture Partners FVCI-Mauritius

The Council is accounting for its investment in Norwest Venture Partners FVCI-Mauritius (Norwest), a 40.33% owned affiliate based on total shares, at fair value. The Council's investment is recorded at fair value as of December 31, 2020 and 2019, based on the audited financial statements of Norwest for the same period that reflect the investment in the underlying entity at fair value. The unrealized gain or loss on fair value changes for the year ended December 31, 2020 and 2019, is recognized in the Council's consolidated statements of activities. See Note 5 for further information.

Council on Foundations, Inc. and Affiliate

Notes to Consolidated Financial Statements (Continued)

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued)

Risks and Uncertainties

The Council's investments include various types of securities that are exposed to various risks, such as interest rate, market and credit risk. 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 could materially affect investment balances and the amounts reported in the consolidated financial statements.

COVID-19 Risks and Uncertainties

In March 2020, the World Health Organization declared a pandemic related to the rapidly spreading coronavirus (COVID-19) outbreak, which has led to a global health emergency. The Council's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on the Council, donors, employees, and vendors. As such, COVID-19 could have a material adverse effect on the Council's financial position in the future including impact on future contributions and/or fair value of the Council's investments. The ultimate duration and impact of the COVID-19 outbreak on the Council's financial position cannot be reasonably estimated at this time.

Loan Payable

On May 12, 2020, the Council received a loan pursuant to the Paycheck Protection Program (the Program), a program implemented and federally authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, for an aggregate principal amount of \$720,300 (the PPP Loan). The PPP Loan is reported as PPP loan payable on the consolidated statements of financial position and is reported at the outstanding principal balance of the debt. Interest expense is accrued on the outstanding principal balance. As of December 31, 2020, the Council accounted for this PPP loan in accordance with FASB ASC 470, Debt. See Note 10 for more information.

Accounts and grants receivable

Accounts and grants receivable are carried at gross amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on an annual basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts and grants receivables are written off when deemed uncollectible. Recoveries of accounts and grants receivable previously written off are recorded as revenue when received. There was no allowance for doubtful accounts at December 31, 2020 and 2019.

Grants to be received in a future period are discounted to their net present value at the time the revenue is recorded. The Council's grants are generally receivable over a two-year period and are discounted using a risk-adjusted interest rate applicable to the year in which the grant was received. Amortization of the discounts is included in grants and contributions revenue.

Council on Foundations, Inc. and Affiliate

Notes to Consolidated Financial Statements (Continued)

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued)

Equipment and leasehold improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation. Depreciation is principally provided on a straight-line basis over the estimated useful lives of the respective assets, which range from 3 to 10 years. Leasehold improvements are amortized over the shorter of the lease period or estimated useful lives of the improvements. Maintenance and repairs are charged to expense when incurred; major improvements in excess of \$5,000 are capitalized. Upon the retirement or disposal of assets, the accounts are relieved of the cost and accumulated depreciation with any resulting gain or loss included in revenue or expense.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor 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 board has designated, from net assets without donor restrictions, certain net assets as board-designated funds. Appropriations of the funds can only be made with board approval. See Note 12 for further information.

Net Assets With Donor Restrictions - Net assets subject to donor, or grantor, 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. The Council reports assets 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 in which the revenue is recognized. All other donor-restricted contributions are reported as increased in net assets with donor restrictions, depending on the nature of the restrictions. Donor-imposed restrictions are released when a restriction expires. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Council on Foundations, Inc. and Affiliate

Notes to Consolidated Financial Statements (Continued)

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued)

Revenue recognition

Membership dues:

Membership dues, limited to the estimated fair value of the benefits provided, are recognized as revenue over time throughout the membership cycle. Members have continuous access to discounted registrations to conferences, free access to webinars, the opportunity to work with the Council and advocate to policy makers, the ability to interact online on Philanthropic Edge, and the opportunity to engage with the Council's legal team for on-demand support during the membership period. Amounts equal to the estimated fair value of benefits received in advance of a given membership period are recognized over time, as deferred revenue when received and recognized as revenue over the course of the applicable membership period. Membership dues are not refundable and non-transferable. For the years ended December 31, 2020 and 2019, Council recognized \$557,589 and \$832,365, respectively, in revenue from exchange benefits provided to members, which is included under membership dues in the consolidated statements of activities.

Membership dues paid in excess of the benefits received (excess dues) are considered an unconditional contribution and are recorded as revenue without donor restriction if received in the year to which the dues pertain. Excess dues are recognized as an unconditional contribution with donor imposed restriction if collected in advance of the year to which the dues pertain. The implied time restriction is met in the year the member intends the excess dues to be available to the Council. For the years ended December 31, 2020 and 2019, Council received and recognized \$5,525,290 and \$4,171,943 in contributions from members, respectively.

Grants and contributions:

Grants and contributions are recognized when the intent to give is received. Conditional promises to give, 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. The Council did not receive any conditional promises to give for the years ended December 31, 2020 and 2019. The Council reports gifts of cash and other assets as donor restricted if they are received with stipulations that limit the use of the donated asset. When a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Contributions without donor restrictions are reported as revenue in the year in which payments are received and/or unconditional promises are made.

Council on Foundations, Inc. and Affiliate

Notes to Consolidated Financial Statements (Continued)

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued)

Revenue recognition (continued)

Conference registrations, exhibit income and sponsorship income:

The proceeds from registration, exhibition, and sponsorship of conferences are recognized as revenue at a point in time, when the conference or event is held, when goods, services or benefits related to the conference or event are provided. Amounts received in advance for conferences or events held in future years are recorded as deferred revenue when received and recognized as revenue when the conference or event takes place. Refunds are only provided if the Council cancels the event. The Council has determined a refund liability is not necessary as of December 31, 2020 and 2019.

Publications:

The proceeds from publication revenue is recorded at a point in time, when the publication is shipped and is reported net of any discounts in the consolidated statements of activities. No refunds are permitted once the publication has been released.

Accreditation deposits and fees:

Deposits received from community foundations are recognized as revenue at the point in time when the Council issues certification or recertification decision. As such, deposits are nonrefundable to the community foundations but will be applied to the certification process. Accreditation fees are recognized as revenue at a point in time upon performance of the certification or recertification services.

Functional allocation of expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function, and therefore, require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs such as salaries and benefits, occupancy, office expenses and supplies, depreciation and amortization, telephone and internet fees have been allocated among the programs and supporting services benefited. Such allocations are determined by management based on actual time and effort. All other expenses are directly allocated based on the nature of the expenditure.

Income taxes

The Council and CFNSB are exempt from income taxes under Section 501(c)(3) of the IRC. In addition, the Council and CFNSB qualify for charitable contribution deductions and have been classified as organizations that are not a private foundation. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes.

Council on Foundations, Inc. and Affiliate

Notes to Consolidated Financial Statements (Continued)

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued)

Income taxes (continued)

Management evaluated the Council's and CFNSB's tax positions and concluded that the Council and CFNSB had taken no uncertain tax positions that require adjustment to the consolidated financial statements. For the years ended December 31, 2020 and 2019, no provision for income taxes was made for the Council or CFNSB, as neither organization had any significant net unrelated business income and did not identify any uncertain tax positions requiring recognition or disclosure in the consolidated financial statements.

Subsequent events

The Council has evaluated subsequent events through August 30, 2021, the date the consolidated financial statements were available to be issued.

Note 2 - Liquidity and Availability of Financial Assets

The Council regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. The Council has various sources of liquidity at its disposal, including cash, receivables and investments. As of December 31, 2020, and 2019 the following financial assets are available for general expenditures within one year of the consolidated statements of financial position date:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 7,567,487	\$ 4,834,948
Accounts receivable	452,025	282,259
Grants receivable, net	1,956,079	223,388
Investments	<u>3,745,030</u>	<u>3,673,009</u>
Total financial assets	13,720,621	9,013,604
Less board-designated net assets	(3,754,497)	-
Less donor restrictions (excludes investment in Norwest)	(2,221,119)	(1,307,016)
Less grants receivable, long term	<u>(600,000)</u>	<u>(100,000)</u>
Available to meet general expenditures within one year	<u>\$ 7,145,005</u>	<u>\$ 7,606,588</u>

The Council manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining a sufficient level of asset liquidity
- Monitoring and maintaining reserves to provide reasonable assurance that long-term commitments and obligations related to donor restrictions will continue to be met

The Council has established a board-designated net assets to designate a portion of net assets for future operating activities. The Council receives time restricted promises to give and purpose restricted contributions from time to time, which are not available for general expenditures.

Council on Foundations, Inc. and Affiliate

Notes to Consolidated Financial Statements (Continued)

Note 3 - Investments

The following table presents the Council's investments measured at fair value within the GAAP fair value hierarchy at December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>N/A</u>	<u>Total</u>
Investments					
Mutual funds	\$ 3,745,030	\$ -	\$ -	\$ -	\$ 3,745,030
Common stock - Norwest	-	-	12,420,392	-	12,420,392
Deferred compensation plan					
Money market funds*	-	-	-	49,331	49,331
Mutual funds	<u>463,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>463,946</u>
Total investments	<u>\$ 4,208,976</u>	<u>\$ -</u>	<u>\$12,420,392</u>	<u>\$ 49,331</u>	<u>\$16,678,699</u>

The following table presents the Council's investments measured at fair value within the GAAP fair value hierarchy at December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>N/A</u>	<u>Total</u>
Investments					
Mutual funds	\$ 3,673,009	\$ -	\$ -	\$ -	\$ 3,673,009
Common stock - Norwest	-	-	22,447,732	-	22,447,732
Deferred compensation plan					
Money market funds*	-	-	-	57,371	57,371
Mutual funds	<u>390,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>390,185</u>
Total investments	<u>\$ 4,063,194</u>	<u>\$ -</u>	<u>\$22,447,732</u>	<u>\$ 57,371</u>	<u>\$26,568,297</u>

* Money market funds have been excluded from the fair value level disclosures in the table above, in accordance with GAAP.

The Council's mutual funds are actively traded for identical assets and are considered Level 1 investments.

The valuation of the Council's investment in Norwest is based on the fair value of the underlying investment by Norwest in Sulekha.com New Media Pvt Ltd and is not an observable input corroborated by market data. The underlying investments of Norwest are generally valued annually. Valuation policies are audited by a reputable third-party firm, but do not necessarily reflect the price at which each asset would be sold, since market valuations can only ultimately be determined through negotiation between a willing buyer and seller. The primary investment objective is to sell the investment in Norwest as soon as feasibly possible to be able to use the proceeds for community development purposes. There are no unfunded commitments or established redemption terms. Activity of the level 3 investment for the years ended December 31, 2020 and 2019 is disclosed in Note 5.

Council on Foundations, Inc. and Affiliate

Notes to Consolidated Financial Statements (Continued)

Note 4 - Grants Receivable

Grants receivable at December 31, 2020 and 2019, are due to be received as follows:

	2020	2019
Within one year	\$ 1,385,000	\$ 130,000
One to two years	600,000	100,000
	1,985,000	230,000
Less present value discount	(28,921)	(6,612)
Grants receivable, net	\$ 1,956,079	\$ 223,388

Amounts due beyond one year are discounted at a rate of 3.75% per annum.

Note 5 - Investment in Common Stock of Norwest Venture Partners FVCI-Mauritius

In June 2018, the Council received an unconditional stock donation from a third-party. The entity is Norwest, which is a private company, and the Council was gifted a 47% interest in voting shares and 40.33% of total shares. The sole purpose of Norwest is to own shares of Sulekha.com New Media Limited, a for-profit Indian entity, of which it holds a 22.41% and 22.45% ownership on a diluted basis as of December 31, 2020 and 2019, respectively. The Council plans to sell its interest in Norwest as soon as feasibly possible in order to use the funds for discretionary grant-making and to establish a Community Development Partnership Program, as defined by the terms of the donor agreement.

The investment in Norwest is calculated as follows for 2020:

Value of investment in Norwest as of January 1, 2020	\$ 22,447,732
Unrealized loss on fair value investment	(10,027,340)
Investment in common stock of Norwest as of December 31, 2020	\$ 12,420,392

The investment in Norwest is calculated as follows for 2019:

Value of investment in Norwest as of January 1, 2019	\$ 24,990,078
Unrealized loss on fair value investment	(2,542,346)
Investment in common stock of Norwest as of December 31, 2019	\$ 22,447,732

There were no purchases of level 3 investments during the years ended December 31, 2020 and 2019. There were no transfers into or out of level 3 investments, including the sale of securities during the years ended December 31, 2020 and 2019.

The investment in Norwest was recorded at fair value when received in accordance with the Non-Profit Entities topic of GAAP, and is considered to be net assets with donor restrictions for purpose.

Council on Foundations, Inc. and Affiliate

Notes to Consolidated Financial Statements (Continued)

Note 5 - Investment in Common Stock of Norwest Venture Partners FVCI-Mauritius (Continued)

The audited financial statements for Norwest present the investment in Sulekha.com New Media Pvt Ltd at fair value as of December 31, 2020, and 2019 and therefore, management also reports its investment in Norwest at fair value. The unrealized loss on fair value is included in the consolidated statements of activities for the years ended December 31, 2020 and 2019. There were no interest or dividends received from Norwest during the years ended December 31, 2020 and 2019.

Note 6 - Equipment and Leasehold Improvements

Equipment and leasehold improvements consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Furniture and equipment, including software	\$ 949,436	\$ 949,436
Leasehold improvements	914,310	910,415
Website development	10,500	10,500
Work in progress	51,400	51,400
Computer and equipment	<u>60,052</u>	<u>60,052</u>
	1,985,698	1,981,803
Less accumulated depreciation and amortization	<u>(831,123)</u>	<u>(627,913)</u>
Equipment and leasehold improvements, net	<u>\$ 1,154,575</u>	<u>\$ 1,353,890</u>

Depreciation expense for the years ended December 31, 2020 and 2019, was \$203,210 and \$288,270, respectively.

Note 7 - Donor Restricted Net Assets

Donor restricted net assets as of December 31, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
Time and purpose:		
Dues support of future activities	\$ 284,660	\$ 857,286
Time restricted for 2021	957,277	130,000
Time restricted for 2022	450,484	100,000
Other grant-funded projects	1,616	14,748
Community development (Note 5)	12,420,392	22,447,732
Government relations	177,082	204,982
Global Philanthropy	100,000	-
Career Pathways	<u>250,000</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 14,641,511</u>	<u>\$ 23,754,748</u>

Council on Foundations, Inc. and Affiliate

Notes to Consolidated Financial Statements (Continued)

Note 8 - Commitments and Contingencies

Operating leases

In February 2018, the Council entered into a noncancelable operating lease for its headquarters in Washington, D.C. The lease is for the period from February 2019 through March 2030. The lease provides for 14 months of rent abatement, an annual fixed escalation of rent, and required the Council to maintain a security deposit with a local financial institution. Additionally, under the terms of this lease, the Council received from the landlord an allowance of \$1,227,060 for leasehold improvements as an incentive to enter into the lease agreement.

During 2019, the Council established a letter of credit in the amount of \$170,425 that expired in April 2020 in order to maintain the lease security deposit. During 2020, the Council renewed the \$170,425 letter of credit and extended the term to April of 2022. During the years ended December 31, 2020 and 2019 there were no drawdowns.

Accounting guidance requires that all fixed rent increases, less any rental abatements and all lease incentives be recognized on a straight-line basis over the term of the lease. The difference between this rent expense and the required lease payments is reflected as deferred rent and construction allowance in the consolidated statements of financial position.

Rent expense for the years ended December 31, 2020 and 2019, including pass-through costs, was \$596,505 and \$961,817, respectively, and is included in occupancy expense in the consolidated statements of functional expenses.

The following is a schedule of the future minimum lease payments:

Years ending December 31:	<u>Operating Lease</u>
2021	\$ 714,740
2022	732,566
2023	750,927
2024	769,707
2025	788,897
Thereafter	<u>3,579,675</u>
	<u>\$ 7,336,512</u>

Employee agreement

In March 2019, the Council entered into an employment agreement with its President, which expires in March 2023. In the event of termination without cause, the agreement provides for severance payments for nine months after the date of termination.

Council on Foundations, Inc. and Affiliate

Notes to Consolidated Financial Statements (Continued)

Note 8 - Commitments and Contingencies (Continued)

Hotel commitments

The Council has entered into agreements with hotels for future meetings. These agreements indicate that the Council is liable for liquidated damages in the event of cancellation. The potential liability at December 31, 2020 in the event of cancellation is approximately \$66,000.

Note 9 - Line of Credit

On July 20, 2014, the Council established a margin account through its investment broker to serve as a line of credit to finance short-term working capital needs. In September 2018, the Council repaid all amounts outstanding on the line of credit, and there was no outstanding balance at December 31, 2019. The Council closed the margin account line of credit with its investment broker effective August 17, 2020.

Note 10 - Paycheck Protection Program (PPP) Loan

On May 12, 2020, the Council received a PPP Loan in the amount of \$720,300. The PPP Loan is unsecured and guaranteed by the Small Business Administration (SBA), has a two year loan term with a maturity date of May 12, 2022, and bears an interest rate of 1% per annum. To the extent that all or part of the PPP Loan is not forgiven, principal and interest payments are deferred ten months after the end of the Council's loan forgiveness covered period. Thereafter, the Council is obligated to make monthly principal and interest payments through the maturity date. As of December 31, 2020, unpaid principal on the PPP Loan totaled \$720,300.

To the extent that the proceeds are used to pay qualified expenses, and other employment criteria required by the Program have been met by the Council, the PPP Loan may be subject to forgiveness under the Program upon the Council's request. The Council intends to apply for forgiveness with respect to covered expenses and expects to receive forgiveness for the full amount of the loan and accrued interest.

Note 11 - Retirement Plans

Defined contribution plan

The Council sponsors and maintains a defined contribution plan under Section 403(b) of the IRC, known as the Council's Tax Deferred Annuity Retirement Plan (403(b) Plan). Under the 403(b) Plan, eligible employees may elect to contribute up to the federal tax limitation. As approved by the Board of Directors, the employer contribution was a fixed matching contribution equal to 100% of an eligible participant's elective deferrals, up to 7% of such eligible participant's compensation for the year ended December 31, 2020, and up to 5% of such eligible participant's compensation for the year ended December 31, 2019. Contribution expense, net of forfeitures, for the years ended December 31, 2020 and 2019, was \$244,619 and \$133,223, respectively.

Council on Foundations, Inc. and Affiliate

Notes to Consolidated Financial Statements (Continued)

Note 11 - Retirement Plans (Continued)

Supplemental executive retirement plans

The Council sponsors and maintains an executive deferred compensation plan under Sections 457(b) and 457(f) of the IRC for the benefit of certain employees who constitute a select group of management or highly compensated employees known as the Council on Foundations Executive Deferred Compensation Plan (Executive Plan).

Pursuant to the Section 457(b) component part of the Executive Plan, eligible executives are provided the opportunity to defer compensation to supplement such executives' retirement benefits under the 403(b) Plan. Executives are fully vested when plan contributions are made. Pursuant to the Section 457(f) component part of the Executive Plan, the Board of Directors had only designated the President and CEO of the Council as being eligible to participate. The cumulative contributions and investment income for both deferred compensation plans totaled \$15,226 and \$86,187 at December 31, 2020 and 2019, respectively. The consolidated statements of financial position reflect an asset and corresponding liability, with the investment income and an offsetting expense recorded in the consolidated statements of activities.

Note 12 - Board-Designated Net Assets

During the year ended December 31, 2020, the Council's Board of Directors designated \$3,480,000 as a reserve fund for the Council. Additions to board-designated assets during the year ended December 31, 2020 totaled \$274,497 and are comprised of dividends, interest and appreciation in the underlying investments. The ending balance of board designated net assets is \$3,754,497 as of December 31, 2020.

The board-designated funds are to be used to ensure the stability of the mission, employment, and ongoing operations of the Council and to provide a source of internal funds for priorities such as projects, program, activities and initiatives that enable the Council to full its mission. Appropriations from board-designated funds require approval from the Board of Directors of the Council.

Note 13 - Related Party Transactions

The Board of Directors includes individuals who are employed by organizations who pay membership dues and make contributions to the Council. For the years ended December 31, 2020 and 2019, the Council recognized approximately \$1,794,750 and \$2,446,553 in such membership dues and contributions, respectively.

Council on Foundations, Inc. and Affiliate
Consolidating Statement of Financial Position

December 31, 2020

(with summarized comparative totals for 2019)

	2020				2019
	Council	CFNSB	Eliminations	Total	Total
Assets					
Cash and cash equivalents	\$ 7,265,501	\$ 301,986	\$ -	\$ 7,567,487	\$ 4,834,948
Investments	3,745,030	-	-	3,745,030	3,673,009
Accounts receivable	97,804	377,366	(23,145)	452,025	282,259
Grants receivable, net	1,956,079	-	-	1,956,079	223,388
Prepaid expenses	130,804	-	-	130,804	275,781
Investment in common stock of Norwest Venture Partners FVCI-Mauritius	12,420,392	-	-	12,420,392	22,447,732
Equipment and leasehold improvements, net	1,154,575	-	-	1,154,575	1,353,890
Deferred compensation assets	513,277	-	-	513,277	447,556
Deposits	187,520	-	-	187,520	244,275
Total assets	<u>\$ 27,470,982</u>	<u>\$ 679,352</u>	<u>\$ (23,145)</u>	<u>\$ 28,127,189</u>	<u>\$ 33,782,838</u>
Liabilities and net assets					
Liabilities:					
Accounts payable and accrued expenses	\$ 633,950	\$ 20,169	\$ (23,145)	\$ 630,974	\$ 392,106
Deferred membership dues	218,079	-	-	218,079	124,872
Deferred registration and other fees	151,074	-	-	151,074	52,798
Deferred accreditation and subscription fees	-	33,000	-	33,000	36,087
Deferred rent and construction allowance	1,841,590	-	-	1,841,590	1,754,643
Deposits	10,497	-	-	10,497	250
PPP Loan	720,300	-	-	720,300	-
Deferred compensation liability	451,850	-	-	451,850	394,226
Total liabilities	4,027,340	53,169	(23,145)	4,057,364	2,754,982
Net assets:					
Without donor restrictions	8,802,131	626,183	-	9,428,314	7,273,108
With donor restrictions	14,641,511	-	-	14,641,511	23,754,748
Total net assets	<u>23,443,642</u>	<u>626,183</u>	<u>-</u>	<u>24,069,825</u>	<u>31,027,856</u>
Total liabilities and net assets	<u>\$ 27,470,982</u>	<u>\$ 679,352</u>	<u>\$ (23,145)</u>	<u>\$ 28,127,189</u>	<u>\$ 33,782,838</u>

Council on Foundations, Inc. and Affiliate

Consolidating Statement of Activities

Year ended December 31, 2020

(with summarized comparative totals for 2019)

	2020									2019 Total
	Council			CFNSB			Subtotal	Eliminations	Total	
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total				
Revenue and support:										
Membership dues	\$ 5,798,219	\$ 284,660	\$ 6,082,879	\$ -	\$ -	\$ -	\$ 6,082,879	\$ -	\$ 6,082,879	\$ 5,004,308
Cumulative effect of ASU 2014-09	-	-	-	-	-	-	-	-	-	1,956,524
Release from restrictions:										
Satisfaction of time restrictions	857,286	(857,286)	-	-	-	-	-	-	-	-
Total membership dues and contributions	6,655,505	(572,626)	6,082,879	-	-	-	6,082,879	-	6,082,879	6,960,832
Grants and contributions	3,511,619	1,660,000	5,171,619	-	-	-	5,171,619	-	5,171,619	3,061,937
Conference registrations, exhibit income and sponsorship income	386,684	-	386,684	-	-	-	386,684	-	386,684	1,933,819
Accreditation deposits and fees	49	-	49	482,833	-	482,833	482,882	-	482,882	489,267
Other	253,333	-	253,333	-	-	-	253,333	(253,333)	-	66,933
Publications	137,255	-	137,255	-	-	-	137,255	-	137,255	119,918
Operational investment income, net	120,607	1,616	122,223	-	-	-	122,223	-	122,223	28,193
Office rental income	45,077	-	45,077	-	-	-	45,077	-	45,077	190,227
Release from restrictions										
Satisfaction of program restrictions	52,648	(52,648)	-	-	-	-	-	-	-	-
Satisfaction of time restrictions	122,239	(122,239)	-	-	-	-	-	-	-	-
Total revenue and support	11,285,016	914,103	12,199,119	482,833	-	482,833	12,681,952	(253,333)	12,428,619	12,851,126
Expenses:										
Program services	6,063,129	-	6,063,129	343,072	-	343,072	6,406,201	(253,333)	6,152,868	8,025,168
Supporting services	3,296,679	-	3,296,679	8,050	-	8,050	3,304,729	-	3,304,729	2,705,485
Total expenses	9,359,808	-	9,359,808	351,122	-	351,122	9,710,930	(253,333)	9,457,597	10,730,653
Change in net assets before non-operating activities	1,925,208	914,103	2,839,311	131,711	-	131,711	2,971,022	-	2,971,022	2,120,473
Non-operating activities:										
Investment income, net	98,287	-	98,287	-	-	-	98,287	-	98,287	383,169
Unrealized loss on Norwest	-	(10,027,340)	(10,027,340)	-	-	-	(10,027,340)	-	(10,027,340)	(2,542,346)
Total revenue and support	98,287	(10,027,340)	(9,929,053)	-	-	-	(9,929,053)	-	(9,929,053)	(2,159,177)
Change in net assets	2,023,495	(9,113,237)	(7,089,742)	131,711	-	131,711	(6,958,031)	-	(6,958,031)	(38,704)
Net assets:										
Beginning of year	6,778,636	23,754,748	30,533,384	494,472	-	494,472	31,027,856	-	31,027,856	31,066,560
End of year	<u>\$ 8,802,131</u>	<u>\$ 14,641,511</u>	<u>\$ 23,443,642</u>	<u>\$ 626,183</u>	<u>\$ -</u>	<u>\$ 626,183</u>	<u>\$ 24,069,825</u>	<u>\$ -</u>	<u>\$ 24,069,825</u>	<u>\$ 31,027,856</u>