

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

**Financial Statements Together with
Report of Independent Public Accountants**

For the Years Ended December 31, 2023 and 2022

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

Financial Statements Together With Report Of Independent Public Accountants

DECEMBER 31, 2023 AND 2022

CONTENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to the Financial Statements	9



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

Opinion

We have audited the financial statements of Grantmakers for Effective Organizations (the Organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Other Matter

The financial statements of the Organization as of and for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on November 1, 2023.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Owings Mills, Maryland
July 15, 2024

SB + Company, LLC

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

Statements of Financial Position As of December, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 2,458,168	\$ 8,715,307
Grants and contributions receivable, net	823,828	1,360,558
Membership receivable	16,670	60,570
Other receivables	32,345	16,597
Investments	6,145,035	1,459,785
Prepaid expenses	34,638	45,812
Deposits	31,550	205,760
Property and equipment, net	401,697	439,748
Right-of-use asset - operating, net	803,290	1,075,542
Total Assets	\$ 10,747,221	\$ 13,379,679
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 57,600	\$ 102,965
Accrued leave	196,752	189,514
Deferred seminar registration revenue	44,509	56,379
Lease liability - operating	1,283,977	1,699,803
Total Liabilities	1,582,838	2,048,661
Net Assets		
Without donor restrictions:		
Undesignated	2,878,318	7,339,575
Board designated for strategy and contingency reserve	4,500,000	1,535,000
Total Without Donor Restrictions	7,378,318	8,874,575
With donor restrictions	1,786,065	2,456,443
Total Net Assets	9,164,383	11,331,018
Total Liabilities and Net Assets	\$ 10,747,221	\$ 13,379,679

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

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2023, with Comparative Totals for 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and Support				
Member contributions	\$ 2,118,360	\$ 89,630	\$ 2,207,990	\$ 2,288,170
Grants and contributions	641,325	782,410	1,423,735	2,508,322
Conference registration	477,475	-	477,475	655,800
Conference sponsorship	-	443,580	443,580	488,500
Seminars	112,029	-	112,029	126,550
Investment income (loss), net	219,569	-	219,569	(62,675)
Other income	10,265	-	10,265	8,988
Satisfaction of purpose restrictions	1,985,998	(1,985,998)	-	-
Total Revenues and Support	5,565,021	(670,378)	4,894,643	6,013,655
Expenses				
Program services				
Conferences	1,358,154	-	1,358,154	1,435,648
Communications	493,306	-	493,306	327,066
Member programs	1,916,677	-	1,916,677	1,752,062
Research and learning	964,940	-	964,940	680,949
Total Program Services	4,733,077	-	4,733,077	4,195,725
Supporting Services				
Management and general	1,851,649	-	1,851,649	1,981,255
Fundraising	476,552	-	476,552	318,867
Total Supporting Services	2,328,201	-	2,328,201	2,300,122
Total Expenses	7,061,278	-	7,061,278	6,495,847
Changes in net assets	(1,496,257)	(670,378)	(2,166,635)	(482,192)
Net assets, beginning of year	8,874,575	2,456,443	11,331,018	11,813,210
Net Assets, End of Year	\$ 7,378,318	\$ 1,786,065	\$ 9,164,383	\$11,331,018

The accompanying notes are an integral part of this financial statement.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Member contributions	\$ 2,004,898	\$ 283,272	\$ 2,288,170
Grants and contributions	1,155,492	1,352,830	2,508,322
Conference registration	655,800	-	655,800
Conference sponsorship	-	488,500	488,500
Seminars	126,550	-	126,550
Investment loss, net	(62,675)	-	(62,675)
Other income	8,988	-	8,988
Satisfaction of purpose restrictions	2,527,825	(2,527,825)	-
Total Revenues and Support	<u>6,416,878</u>	<u>(403,223)</u>	<u>6,013,655</u>
Expenses			
Program services			
Conferences	1,435,648	-	1,435,648
Communications	327,066	-	327,066
Member programs	1,752,062	-	1,752,062
Research and learning	680,949	-	680,949
Total Program Services	<u>4,195,725</u>	<u>-</u>	<u>4,195,725</u>
Supporting Services			
Management and general	1,981,255	-	1,981,255
Fundraising	318,867	-	318,867
Total Supporting Services	<u>2,300,122</u>	<u>-</u>	<u>2,300,122</u>
Total Expenses	<u>6,495,847</u>	<u>-</u>	<u>6,495,847</u>
Changes in net assets	(78,969)	(403,223)	(482,192)
Net assets, beginning of year	<u>8,953,544</u>	<u>2,859,666</u>	<u>11,813,210</u>
Net Assets, End of Year	<u>\$ 8,874,575</u>	<u>\$ 2,456,443</u>	<u>\$11,331,018</u>

The accompanying notes are an integral part of this financial statement.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

Statement of Functional Expenses For the Year Ended December 31, 2023, with Comparative Totals for 2022

	2023								2022	
	Conferences	Communications	Member Programs	Research and Learning	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Expenses										
Salaries	\$ 282,459	\$ 266,341	\$ 1,020,818	\$ 375,130	\$ 1,944,748	\$ 906,758	\$ 300,461	\$ 1,207,219	\$ 3,151,967	\$ 2,869,851
Employee benefits	61,505	60,309	207,658	77,859	407,331	212,893	62,721	275,614	682,945	568,685
Payroll taxes	20,238	21,795	76,790	28,183	147,006	66,771	22,465	89,236	236,242	214,460
Payroll service	-	-	-	-	-	8,366	-	8,366	8,366	6,010
Staff development	-	6,035	27,224	20,025	53,284	16,959	13,852	30,811	84,095	57,707
Recruitment	-	878	-	-	878	1,764	689	2,453	3,331	21,012
Accounting	-	-	-	-	-	143,734	-	143,734	143,734	136,566
Legal	-	-	-	-	-	43,214	-	43,214	43,214	40,753
Authors/editors	-	-	-	-	-	-	-	-	-	143,108
Licenses/permits/fees	36,603	9,430	11,356	27,025	84,414	17,342	2,169	19,511	103,925	105,928
Grants and contributions	4,362	-	55,501	-	59,863	-	-	-	59,863	54,600
Consultants	98,450	69,085	177,672	307,631	652,838	124,020	-	124,020	776,858	547,999
Consultants - information technology	6,760	6,364	25,077	9,412	47,613	22,739	7,125	29,864	77,477	68,755
Service charges	-	-	10	-	10	45,471	59	45,530	45,540	54,180
Operating lease expense	28,222	26,038	100,262	37,520	192,042	91,422	28,501	119,923	311,965	297,137
Insurance	5,285	191	815	321	6,612	19,817	236	20,053	26,665	27,190
Depreciation	7,469	9,430	38,666	20,770	76,335	35,430	12,660	48,090	124,425	127,814
Office and computer supplies	9,153	534	7,084	894	17,665	14,348	1,709	16,057	33,722	27,600
Furniture and equipment	205	160	669	259	1,293	616	924	1,540	2,833	2,059
Furniture/equipment rental	13,301	292	1,125	373	15,091	965	286	1,251	16,342	9,464
Telephone	1,921	3,273	15,777	4,212	25,183	13,833	5,400	19,233	44,416	39,729
Subscriptions/books/dues	161	864	9,879	1,741	12,645	3,242	106	3,348	15,993	12,229
Travel	41,708	4,408	64,609	37,510	148,235	38,741	14,521	53,262	201,497	183,963
Meals - non-travel	239	31	136	83	489	250	-	250	739	1,231
Meetings/meeting space	696,947	2,627	62,234	15,894	777,702	19,176	1,636	20,812	798,514	833,254
Design/artwork/photography	19,762	5,130	10,228	-	35,120	-	-	-	35,120	18,019
Printing	20,865	33	926	59	21,883	600	44	644	22,527	19,197
Postage and shipping	1,249	8	2,131	26	3,414	42	488	530	3,944	5,245
Advertising and promotion	-	-	-	-	-	-	500	500	500	-
Other	1,290	50	30	13	1,383	3,136	-	3,136	4,519	2,102
Total Expenses	\$ 1,358,154	\$ 493,306	\$ 1,916,677	\$ 964,940	\$ 4,733,077	\$ 1,851,649	\$ 476,552	\$ 2,328,201	\$ 7,061,278	\$ 6,495,847

The accompanying notes are an integral part of this financial statement.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

Statement of Functional Expenses For the Year Ended December 31, 2022

	<u>Conferences</u>	<u>Communications</u>	<u>Member Programs</u>	<u>Research and Learning</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Expenses									
Salaries	\$ 323,095	\$ 197,110	\$ 823,446	\$ 327,849	\$ 1,671,500	\$ 1,002,230	\$ 196,121	\$ 1,198,351	\$ 2,869,851
Employee benefits	61,397	38,192	159,852	63,783	323,224	206,897	38,564	245,461	568,685
Meeting/meeting space	789,977	371	23,684	8,937	822,969	9,352	933	10,285	833,254
Consultants	50,400	27,743	188,068	128,583	394,794	148,305	4,900	153,205	547,999
Consultants - information technology	7,239	4,973	19,914	7,612	39,738	23,789	5,228	29,017	68,755
Operating lease expense	34,836	20,630	86,208	34,052	175,726	101,046	20,365	121,411	297,137
Travel	37,969	261	57,777	27,632	123,639	48,506	11,818	60,324	183,963
Depreciation	11,708	8,878	38,611	16,726	75,923	42,630	9,261	51,891	127,814
Payroll taxes	25,293	14,833	62,048	24,799	126,973	73,062	14,425	87,487	214,460
Accounting	-	-	-	-	-	136,566	-	136,566	136,566
Design/artwork/photography	8,002	-	10,017	-	18,019	-	-	-	18,019
License/permits/fees	49,264	8,340	11,594	23,639	92,837	11,818	1,273	13,091	105,928
Service charges	-	-	-	-	-	54,180	-	54,180	54,180
Authors/editors	742	-	142,366	-	143,108	-	-	-	143,108
Legal	-	-	-	-	-	40,753	-	40,753	40,753
Office and computer supplies	1,406	299	9,275	2,357	13,337	13,433	830	14,263	27,600
Telephone	2,121	1,609	12,696	5,792	22,218	14,287	3,224	17,511	39,729
Staff development	550	1,824	27,498	7,436	37,308	16,113	4,286	20,399	57,707
Grants and contributions	3,500	-	51,100	-	54,600	-	-	-	54,600
Printing	7,958	67	10,556	133	18,714	417	66	483	19,197
Furniture and equipment	228	145	596	245	1,214	703	142	845	2,059
Furniture/equipment rental	8,299	163	628	216	9,306	-	158	158	9,464
Recruitment	-	1,243	3,023	-	4,266	10,104	6,642	16,746	21,012
Other	-	-	271	-	271	1,831	-	1,831	2,102
Subscriptions/books/dues	548	153	9,790	246	10,737	1,398	94	1,492	12,229
Meals - non-travel	104	-	326	195	625	542	64	606	1,231
Insurance	9,171	148	648	197	10,164	16,908	118	17,026	27,190
Payroll service	-	-	-	-	-	6,010	-	6,010	6,010
Postage and shipping	1,841	84	2,070	520	4,515	375	355	730	5,245
Total Expenses	<u>\$ 1,435,648</u>	<u>\$ 327,066</u>	<u>\$ 1,752,062</u>	<u>\$ 680,949</u>	<u>\$ 4,195,725</u>	<u>\$ 1,981,255</u>	<u>\$ 318,867</u>	<u>\$ 2,300,122</u>	<u>\$ 6,495,847</u>

The accompanying notes are an integral part of this financial statement.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

Statements of Cash Flows For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ (2,166,635)	\$ (482,192)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	124,425	127,814
(Gain) loss on investments	(69,348)	103,664
Non-cash lease expense	(143,574)	(131,965)
Effect of changes in non-cash operating assets and liabilities:		
Grants and contributions receivable, net	536,730	352,268
Membership receivable	43,900	(41,380)
Other receivables	(15,748)	(16,554)
Prepaid expenses	11,174	(18,004)
Deposits	174,210	(174,210)
Accounts payable and accrued expenses	(45,365)	59,004
Accrued leave	7,238	44,764
Deferred seminar registration revenue	(11,870)	56,379
Net Cash from Operating Activities	<u>(1,554,863)</u>	<u>(120,412)</u>
Cash Flows from Investing Activities		
Purchases of investments	(4,680,251)	(27,788)
Proceeds from sale of investments	64,351	-
Proceeds from sale of property and equipment	35,914	-
Purchases of property and equipment	(122,290)	(20,151)
Net Cash from Investing Activities	<u>(4,702,276)</u>	<u>(47,939)</u>
Net change in cash and cash equivalents	(6,257,139)	(168,351)
Cash and cash equivalents, beginning of year	8,715,307	8,883,658
Cash and Cash Equivalents, End of Year	<u>\$ 2,458,168</u>	<u>\$ 8,715,307</u>
Noncash Transactions from Investing and Financing Activities		
Establishment of operating right-of-use asset	<u>\$ -</u>	<u>\$ 1,343,303</u>
Establishment of operating lease liability	<u>\$ -</u>	<u>\$ 2,099,529</u>

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

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

Notes to the Financial Statements December 31, 2023 and 2022

1. NATURE OF OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents consisted of money market funds as of December 31, 2023 and 2022.

Grants and Contributions Receivable

Grants and contributions receivable are stated at their estimated net realizable value. Grants and contributions receivable that are past due are individually analyzed for collectability. The Organization considers grants and contributions receivable to be fully collectible as of December 31, 2023 and 2022, and, accordingly, no allowance for uncollectible grants and contributions has been recorded. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected after one year are recorded at their present value using appropriate discount rates.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Membership and Other Receivables

Membership and other receivables consist of amounts due for member contributions and other amounts that were not collected as of year end. Management reviews the collectability of the accounts on a regular basis. Amounts as of December 31, 2023 and 2022 are considered to be fully collectible by management, and accordingly, no allowance for doubtful accounts is considered necessary.

Fair Value Measurements

Accounting principles generally accepted in the United States of America establish 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under accounting principles generally accepted in the United States of America are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity 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; and
- 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.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

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

Right-of-Use Asset and Lease Liability

The Organization records a right-of-use asset related to the office facility where the Organization conducts its operations. The Organization's 8-year lease was recorded at \$1,344,690, net of deferred rent and tenant improvement allowances, which represented its present value of the total remaining lease payments on January 1, 2022. The right-of-use asset is being amortized over the term of the lease. During the years ended December 31, 2023 and 2022, the amortization expense related to the right-of-use asset was \$272,252 and \$269,147, respectively. As of December 31, 2023 and 2022, the net present value of the right-to-use asset was \$803,290 and \$1,075,542, respectively.

The lease liability represents the future commitments for the Organization's office lease. The term of a lease is assessed as the non-cancellable period of the lease, plus any extension options that the Organization is reasonably certain to exercise. The lease liability is discounted using the Organization's estimated borrowing rate of 1.34% at lease adoption. Costs related to maintenance and other janitorial services are expensed as incurred.

Net Assets

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

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization, management and the Board of Directors. Board-designated for strategy and contingency reserve funds are classified as net assets without donor restrictions.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

Net assets with donor restrictions

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

Donor-restricted contributions are reported as increases in net assets with donor restrictions.

Revenue Recognition

Membership contribution revenue is typically bifurcated between support and exchange revenue. Management has analyzed the provisions of accounting principles generally accepted in the United States and has concluded that membership contribution revenue is associated with both exchange and contribution support revenue. The revenue associated with the exchange transaction is immaterial for the years ended December 31, 2023 and 2022.

Revenue recognized on grants and contributions that have been committed to the Organization, but have not been received, are reflected as part of grants and contributions receivable in the accompanying statements of financial position. 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 substantially met.

The Organization recognizes all unconditional grants and contributions in the period in which the commitment to give is made. Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restrictions.

Registration fees and conference sponsorships received for the annual conference are recognized as revenue in the year in which the annual conference is held. Accordingly, if revenue related to the seminars is received in advance, it is recorded as deferred revenue in the accompanying statements of financial position.

Interest, dividends, and miscellaneous income are recognized in the period earned.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Nonfinancial Assets

Individuals volunteer their time and perform a variety of tasks that assist the Organization. Certain services do not meet the recognition criteria under accounting principles generally accepted in the United States of America. Contributed property and equipment are recorded at fair value at the date of donation. Contributed services are recorded based on time spent and organizational billing rates. There were no contributed nonfinancial assets for the years ended December 31, 2023 and 2022.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and the statements of functional expenses. Accordingly, certain expenses have been allocated proportionately among the programs and supporting services to which they relate. The expenses that are allocated include salaries, employee benefits, operating lease expense, and other expenses, which are allocated on the basis of estimates of time and effort by employees. Expenses directly identifiable to specific programs and supporting activities are allocated accordingly.

Tax Status

The Organization is exempt from income taxes on its exempt activities under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies under Section 509(a)(2) as an organization other than a private foundation. However, the Organization is subject to unrelated business income taxes on its unrelated business income activity.

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertain tax positions as of December 31, 2023 and 2022, and determined that there were no matters that would require recognition in the accompanying financial statements or which may have any effect on its tax-exempt status. As of December 31, 2023, the statute of limitations for fiscal years 2021 through 2023 remains open with the U.S. Federal jurisdiction and the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

Notes to the Financial Statements December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, grants and contributions receivable.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The financial assets and liquidity resources available within one year of the statement of financial position date for general expenditure were as follows as of December 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,458,168	\$ 8,715,307
Grants and contributions receivables due in less than one year	547,330	1,128,000
Membership receivable	16,670	60,570
Other receivables	32,345	16,597
Investments	<u>6,145,035</u>	<u>1,459,785</u>
Total financial assets available within one year	9,199,548	11,380,259
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Purpose restrictions by donors	(564,782)	(394,476)
Time restrictions	(40,786)	-
Board designated for strategy and contingency reserve	<u>(4,500,000)</u>	<u>(1,535,000)</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 4,093,980</u>	<u>\$ 9,450,783</u>

Board designated amounts for strategy and contingency reserves could be utilized with approval from the Board of Directors.

Subsequent Events

The Organization evaluated the subsequent events and transactions through July 15, 2024, the date these financial statements were available for issue, and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

Notes to the Financial Statements December 31, 2023 and 2022

3. INVESTMENTS

Investments consist of mutual funds, Federal Deposit Insurance Corporation eligible bank deposits, and U.S. Treasury securities held for investment purposes. These investments are recorded in the accompanying statements of financial position at their estimated fair value. Fair value is 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. Interest and dividend income is recorded as earned and netted with investment fees. Unrealized gains or losses are determined by comparison of cost to fair value at the beginning and end of the reporting period. Realized gains or losses on sales of investments are recorded on the trade date of the transactions.

The following present the Organization's assets and liabilities measured at fair value on a recurring basis as of December 31:

2023	Level 1	Level 2	Level 3	Total
Vanguard Short-Term Federal Admiral	\$ 815,333	\$ -	\$ -	\$ 815,333
Vanguard Short-Term Treasury Admiral	699,545	-	-	699,545
FDIC eligible bank deposits	1,146,379	-	-	1,146,379
U.S. Treasury securities	3,483,778	-	-	3,483,778
Total Assets at Fair Value	\$ 6,145,035	\$ -	\$ -	\$ 6,145,035
2022	Level 1	Level 2	Level 3	Total
Vanguard Short-Term Federal Admiral	\$ 784,638	\$ -	\$ -	\$ 784,638
Vanguard Short-Term Treasury Admiral	675,147	-	-	675,147
Total Assets at Fair Value	\$ 1,459,785	\$ -	\$ -	\$ 1,459,785

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

Investment income is summarized as follows for the years ended December 31:

	2023	2022
Interest and dividends	\$ 157,256	\$ 40,989
Unrealized gain (loss)	39,617	(103,664)
Realized gain	29,731	-
Investment fees	(7,035)	-
Total Investment Income (Loss), Net	\$ 219,569	\$ (62,675)

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

Notes to the Financial Statements December 31, 2023 and 2022

4. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2023 and 2022, the Organization had grants and contributions receivable due as follows:

	<u>2023</u>	<u>2022</u>
Due in less than one year	\$ 547,330	\$ 1,128,000
Due in one to five years	<u>300,000</u>	<u>250,000</u>
Total grants and contributions receivable	847,330	1,378,000
Discount to net present value	<u>(23,502)</u>	<u>(17,442)</u>
Total Grants and Contributions Receivable	<u>\$ 823,828</u>	<u>\$ 1,360,558</u>

The discount rate was 8.5% and 7.5% for the years ended December 31, 2023 and 2022, respectively.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>	<u>Useful Lives</u>
Leasehold improvements	\$ 587,799	\$ 587,799	8 years
Equipment	187,993	231,245	3-6 years
Furniture and fixtures	197,467	197,467	7 years
Software	<u>251,969</u>	<u>191,002</u>	3-5 years
Total property and equipment	1,225,228	1,207,513	
Accumulated depreciation	<u>(823,531)</u>	<u>(767,759)</u>	
Property and Equipment, Net	<u>\$ 401,697</u>	<u>\$ 439,754</u>	

Depreciation expense for the years ended December 31, 2023 and 2022, was \$124,425 and \$127,814, respectively.

6. PENSION PLAN

The Organization has a Section 403(b) defined contribution pension plan (the Plan), which covers employees after six months of service who are over age 21. Under the Plan, the Organization may make a discretionary contribution to employees. The Organization made contributions to the Plan totaling approximately \$201,000 and \$167,000 for the years ended December 31, 2023 and 2022, respectively. Employees are 100% vested upon entering the Plan and may also elect to make their own salary deferrals.

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

Notes to the Financial Statements December 31, 2023 and 2022

7. NET ASSETS

Board Designated Net Assets

Board designated net assets were designated for the following as of December 31:

	<u>2023</u>	<u>2022</u>
Strategic reserve	\$ 1,500,000	\$ 575,000
Contingency reserve	3,000,000	960,000
Total Board Designated Net Assets	<u>\$ 4,500,000</u>	<u>\$ 1,535,000</u>

Net Assets With Donor Restrictions

As of December 31, 2023 and 2022, net assets with donor restrictions were available for the following donors or purposes:

	<u>2023</u>	<u>2022</u>
Time restricted	\$ 1,221,283	\$ 2,061,967
National conference	155,450	32,000
Angell Foundation	192,166	-
Raikes Foundation	-	50,000
The California Endowment	217,166	-
University of Arkansas	-	59,621
W.K. Kellogg Strong Sector	-	252,855
Total Net Assets With Donor Restrictions	<u>\$ 1,786,065</u>	<u>\$ 2,456,443</u>

For the years ended December 31, 2023 and 2022, net assets were released from restrictions by incurring expenses satisfying the purpose or time restrictions as follows:

	<u>2023</u>	<u>2022</u>
Time restricted	\$ 1,303,392	\$ 1,308,297
National conference	320,130	401,428
Learning conference	-	88,000
Monitor capacity	-	75,000
Peer-to-Peer program	-	200,000
W.K. Kellogg Strong Sector	252,855	439,721
Racial Equity	-	15,379
Raikes Foundation	50,000	-
University of Arkansas	59,621	-
Total Net Assets Released from Restrictions	<u>\$ 1,985,998</u>	<u>\$ 2,527,825</u>

GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS

Notes to the Financial Statements December 31, 2023 and 2022

8. COMMITMENTS

Operating Lease Liability

The Organization is obligated under a lease for office space through October 31, 2026. Under the terms of the lease, the base lease payment increases annually based on scheduled increases provided for in the lease. In addition, the lessor provided lease incentives totaling approximately \$718,000 including deferred rent of approximately \$322,000 and tenant improvement allowance of approximately \$396,000.

The operating lease expense is recognized on a straight-line basis over the remaining lease term. Minimum lease payments as of December 31, 2023, are as follows:

<u>Years Ending December 31</u>	
2024	\$ 452,052
2025	463,338
2026	394,147
Total minimum lease payments	<u>1,309,537</u>
Discount to present value	25,560
Total Operating Lease Liability	<u>\$ 1,283,977</u>

Hotel Commitments

The Organization has entered into an agreement with a hotel to provide conference facilities for its annual conference in 2025. In the event the Organization cancels the agreement, the Organization may be liable for cancellation costs of up to \$189,878. The Organization does not expect to cancel the hotel commitment for 2025, therefore the costs are not reflected in expenses or liabilities as of December 31, 2023. However, during the year ended December 31, 2023, the hotel commitment was cancelled for 2024. Cancellation costs of \$367,754 for the 2024 conference are recorded in expenses as of December 31, 2023.