

Grants Managers Network, Inc.

Financial Statements
and Independent Auditors' Report

December 31, 2016 and 2015

Grants Managers Network, Inc.

Financial Statements
December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Grants Managers Network, Inc.

We have audited the accompanying financial statements of Grants Managers Network, Inc. (GMN), which are comprised of the statements of financial position as of December 31, 2016 and 2015, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GMN as of December 31, 2016 and 2015, 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

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 15-16 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.



Vienna, Virginia
March 19, 2017

Grants Managers Network, Inc.

Statements of Financial Position December 31, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 1,395,147	\$ 788,392
Contributions receivable	296,900	410,000
Prepaid expenses and deposit	69,120	92,277
Investments	595,489	407,089
Property and equipment, net	52,434	85,651
Total assets	<u>\$ 2,409,090</u>	<u>\$ 1,783,409</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 62,850	\$ 75,281
Deferred revenue	309,202	338,955
Total liabilities	<u>372,052</u>	<u>414,236</u>
Net Assets		
Unrestricted:		
Undesignated	1,015,649	494,084
Board-designated operating reserve	595,489	407,089
Total unrestricted	1,611,138	901,173
Temporarily restricted	425,900	468,000
Total net assets	<u>2,037,038</u>	<u>1,369,173</u>
Total liabilities and net assets	<u>\$ 2,409,090</u>	<u>\$ 1,783,409</u>

Grants Managers Network, Inc.

Statement of Activities For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Grants and contributions	\$ 1,282,262	\$ 373,340	\$ 1,655,602
Annual conference	557,963	155,250	713,213
Other registration fees	39,355	77,500	116,855
Membership dues	410,967	-	410,967
Investment income	25,148	-	25,148
Product sales	1,400	-	1,400
Other income	7,254	-	7,254
Released from restrictions	648,190	(648,190)	-
Total revenue and support	2,972,539	(42,100)	2,930,439
Expenses			
Program services:			
Learning programs	1,050,030	-	1,050,030
Effective practices	285,895	-	285,895
Member engagement	510,144	-	510,144
Total program services	1,846,069	-	1,846,069
Supporting services:			
Management and general	228,741	-	228,741
Fundraising	187,764	-	187,764
Total supporting services	416,505	-	416,505
Total expenses	2,262,574	-	2,262,574
Change in Net Assets	709,965	(42,100)	667,865
Net Assets, beginning of year	901,173	468,000	1,369,173
Net Assets, end of year	\$ 1,611,138	\$ 425,900	\$ 2,037,038

See accompanying notes.

Grants Managers Network, Inc.

Statement of Activities For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Grants and contributions	\$ 762,375	\$ 700,000	\$ 1,462,375
Annual conference	510,709	103,000	613,709
Other registration fees	46,195	11,500	57,695
Membership dues	260,227	-	260,227
Investment loss	(73)	-	(73)
Product sales	45	-	45
Other income	4,948	-	4,948
Released from restrictions	483,280	(483,280)	-
Total revenue and support	2,067,706	331,220	2,398,926
Expenses			
Program services:			
Learning programs	880,669	-	880,669
Effective practices	249,131	-	249,131
Member engagement	248,917	-	248,917
Total program services	1,378,717	-	1,378,717
Supporting services:			
Management and general	115,634	-	115,634
Fundraising	242,609	-	242,609
Total supporting services	358,243	-	358,243
Total expenses	1,736,960	-	1,736,960
Change in Net Assets	330,746	331,220	661,966
Net Assets, beginning of year	570,427	136,780	707,207
Net Assets, end of year	\$ 901,173	\$ 468,000	\$ 1,369,173

See accompanying notes.

Grants Managers Network, Inc.

Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ 667,865	\$ 661,966
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	42,393	44,751
Unrealized (gain) loss on investments	(11,055)	14,727
Change in operating assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	113,100	(331,361)
Prepaid expenses and deposit	23,157	(37,575)
Increase (decrease) in:		
Accounts payable and accrued expenses	(12,431)	(57,221)
Deferred revenue	(29,753)	260,423
	793,276	555,710
Cash Flows from Investing Activities		
Purchases of investments	(177,345)	(14,025)
Purchases of property and equipment	(9,176)	(48,342)
	(186,521)	(62,367)
Net cash used in investing activities	(186,521)	(62,367)
Net Increase in Cash and Cash Equivalents	606,755	493,343
Cash and Cash Equivalents, beginning of year	788,392	295,049
Cash and Cash Equivalents, end of year	\$ 1,395,147	\$ 788,392

See accompanying notes.

Grants Managers Network, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

1. Nature of Operations

Grants Managers Network, Inc. (GMN) advances grantmaking so that grantmakers and grantseekers can best achieve their missions. GMN connects, convenes, and trains grantmakers to create momentum for change, making best practices standard practices, improving the ways grantmakers deliver resources directly to mission-driven activities, leading to better outcomes for grantmakers and grantseekers alike. As the nation's only nonprofit membership organization devoted to grantmaking operations, GMN connects its more than 3,500 members to effective practices, innovative learning experiences, and each other, building the collective knowledge of the field.

GMN was incorporated as an independent organization on September 2, 2005. GMN became a registered 501(c)(3) tax-exempt organization in December 2006.

GMN is governed by a Board of Directors, all of whom are elected by the membership for three-year terms.

To accomplish its mission, GMN delivers professional development that helps grant managers achieve more in their jobs through an annual conference, local meetings through its 14 regional chapters, webinars, workshops, and an active online member community. It identifies, develops, and promotes effective grantmaking practices through programs, tools, research, and publications.

All regional chapter program operations are conducted under the management of GMN staff and all expenses are approved and paid for by GMN. Accordingly, the accounts and operations of the regional chapters are included in the accompanying financial statements.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of GMN's general operations. At December 31, 2016 and 2015, unrestricted net assets include \$595,489 and \$407,089, respectively, of Board-designated amounts set aside as an operating reserve.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of GMN or through the passage of time.

Grants Managers Network, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Cash Equivalents

GMN considers all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase, to be cash equivalents.

Contributions Receivable

Contributions receivable represents unconditional amounts committed to GMN. All contributions receivable are deemed to be fully collectible and are reflected at either net realizable value or at net present value based on projected cash flows. No discount was recorded on multi-year contributions receivable during the years ended December 31, 2016 and 2015, due to immateriality. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience. Based on these reviews, management did not deem the use of an allowance for uncollectible receivables to be necessary at December 31, 2016 and 2015.

Investments

Investments are stated at fair value. Interest and dividend income is accounted for on the accrual basis. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Property and Equipment

Property and equipment with a cost in excess of \$1,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation and amortization on property and equipment is computed using the straight-line method over the estimated useful lives of the related assets, which is 3 years. Repairs and maintenance costs are expensed as incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is included in revenues or expenses.

Grants Managers Network, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions, including sponsorships, are recognized as revenue in the earlier of the period promised or received. Contributions also include voluntary membership dues, which are recognized as unrestricted contributions when received except for the portion related to the estimated fair value of tangible benefits to be received by members. This portion of the contribution is classified as membership dues on the accompanying statements of activities and is recognized as revenue ratably over the membership period. Grants are recognized as revenue in the period such promises or agreements are made. Grants and contributions received are considered to be available for use unless specifically restricted by the grantor or donor. Amounts received that are designated for a future period, or are restricted by the grantor or donor for specific purposes, are reported as temporarily restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Revenue from the conference and other program fees is recognized as revenue when the events or programs are held. Deferred conference fees represent advance payments received that are applicable to future periods.

All other revenues are recognized when earned.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective for calendar year 2020.

Grants Managers Network, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

In August 2016, FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective for calendar year 2018.

Subsequent Events

In preparing these financial statements, GMN has evaluated events and transactions for potential recognition or disclosure through March 19, 2017, the date the financial statements were available to be issued.

3. Concentration of Credit Risk

Financial instruments that potentially subject GMN to significant concentrations of credit risk consist of cash and cash equivalents, and investments. GMN maintains various cash deposit and transaction accounts with financial institutions that at times exceed Federal Deposit Insurance Corporation (FDIC) limits. GMN also maintains investments with a financial institution that at times may exceed insurable limits under the Securities Investor Protection Corporation (SIPC). GMN has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

4. Contributions Receivable

Contributions receivable consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Receivable due in less than one year	\$ 196,900	\$ 260,000
Receivable due in one to three years	<u>100,000</u>	<u>150,000</u>
Total contributions receivable	<u>\$ 296,900</u>	<u>\$ 410,000</u>

Grants Managers Network, Inc.

Notes to Financial Statements
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5. Investments and Fair Value Measurements

GMN follows FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs.

GMN recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

Investments consist of a blended equity and fixed income mutual fund in the amount of \$595,489 and \$407,089 at December 31, 2016 and 2015, respectively. GMN uses quoted prices in active markets for identical assets to determine the fair value of its investment, and, accordingly, the mutual fund is classified as a Level 1 investment.

Investment income (loss) consists of the following for the years ended December 31:

	2016	2015
Interest and dividends	\$ 14,093	\$ 14,654
Unrealized gain (loss)	11,055	(14,727)
Total investment income (loss)	<u>\$ 25,148</u>	<u>\$ (73)</u>

Grants Managers Network, Inc.

Notes to Financial Statements
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6. Property and Equipment

Property and equipment consists of the following at December 31:

	2016	2015
Software	\$ 129,467	\$ 125,867
Equipment	18,094	12,355
Total property and equipment	147,561	138,222
Less: accumulated depreciation and amortization	(95,127)	(52,571)
Property and equipment, net	<u>\$ 52,434</u>	<u>\$ 85,651</u>

7. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31:

	2016	2015
Purpose restricted:		
Conference sponsorships	\$ 109,500	\$ 58,000
Time restricted	316,400	410,000
Total temporarily restricted net assets	<u>\$ 425,900</u>	<u>\$ 468,000</u>

8. Commitments and Contingencies

Operating Lease

GMN leased office space under an operating lease, which expired on May 14, 2015. The lease required fixed monthly rent payments in the amount of \$1,450. Upon expiration, the lease was automatically extended on a month-to-month basis at the same monthly rate.

On April 1, 2016, GMN began leasing office space under an operating lease in a new location, with the lease commencing on April 1, 2016 and scheduled to expire on May 31, 2017. Upon expiration of the lease, GMN has the option to renew the lease for additional one-year terms for up to six years. The lease requires fixed monthly rent payments of \$7,316. Future minimum lease payments for the year ending December 31, 2017 are \$36,580.

Grants Managers Network, Inc.

Notes to Financial Statements
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8. Commitments and Contingencies (continued)

Operating Lease (continued)

Rent expense for the years ended December 31, 2016 and 2015 totaled \$83,223 and \$67,538, respectively.

Hotel Commitment

GMN holds its annual conference at various hotels throughout the United States. These events are contracted with hotels for its future meetings through 2018. In the event that GMN cancels its agreement with the hotels, it can be held liable for liquidated damages up to the amount of lost profit less the hotel's mitigation, depending upon the date of cancellation.

Grants Contingency

Certain grants received by GMN are governed by various guidelines and contractual agreements, and are subject to audit or review by the applicable funding source that could result in requests for reimbursements for expenditures that are not allowed. Therefore, a contingency to refund amounts received in excess of allowable costs exists. Management is of the opinion that no material liability currently exists.

Service Organization

During 2015, GMN began contracting with Insperity PEO Services, L.P. ("Insperity") as their professional employer organization. Insperity is the employer of record for tax, benefits, and insurance purposes for GMN's employees. This co-employment relationship allows GMN to maintain direct control of the day-to-day activities of employees, while Insperity assumes the administrative functions of human resources and absorbs many employer-related liabilities.

9. Retirement Plan

Prior to 2015, GMN maintained a 401(k) profit sharing plan. All employees were eligible to participate in the plan after they met certain eligibility requirements. GMN matched employees' contributions by contributing 100% of the first 3% of the employees' compensation. Additionally, GMN could make discretionary contributions to the plan. During the year ended December 31, 2015, the administration of the retirement plan was transferred to Insperity as part of its co-employment agreement. Contribution expense totaled \$18,613 and \$5,650 for the years ended December 31, 2016 and 2015, respectively.

Grants Managers Network, Inc.

Notes to Financial Statements
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10. Tax Status

GMN is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code (IRC), and is not a private foundation pursuant to IRC Section 509(a)(1). For the years ended December 31, 2016 and 2015, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded.

Management has evaluated GMN's tax positions and has concluded that GMN has taken no uncertain tax positions that qualify for either recognition or disclosure in the financial statements for the years ended December 31, 2016 and 2015.

SUPPLEMENTARY INFORMATION

Grants Managers Network, Inc.

Schedule of Functional Expenses
For the Year Ended December 31, 2016

	Program Services				Supporting Services			Total Expenses
	Learning Programs	Effective Practices	Member Engagement	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 301,901	\$ 137,822	\$ 239,102	\$ 678,825	\$ 228,341	\$ 61,559	\$ 289,900	\$ 968,725
Professional services	110,920	61,105	25,868	197,893	143,791	85,690	229,481	427,374
Food and beverage	242,463	233	11,759	254,455	13,467	-	13,467	267,922
Travel	29,499	23,321	19,359	72,179	49,086	997	50,083	122,262
Rent	800	895	-	1,695	81,528	-	81,528	83,223
Technology	91,190	1,269	76,975	169,434	20,271	1,461	21,732	191,166
Miscellaneous	10,415	4,825	892	16,132	-	347	347	16,479
Office expenses	-	6	1,511	1,517	17,813	-	17,813	19,330
Promotional items	6,909	35	-	6,944	-	-	-	6,944
Post-conference event	4,628	-	-	4,628	-	-	-	4,628
Printing and mailing	16,585	1,071	5,064	22,720	1,113	-	1,113	23,833
Fees and insurance	29,817	-	-	29,817	15,776	-	15,776	45,593
Speaker fees	1,000	-	7,500	8,500	-	-	-	8,500
Depreciation and amortization	8,467	-	25,943	34,410	6,583	1,400	7,983	42,393
Membership dues	-	1,527	-	1,527	1,696	-	1,696	3,223
Professional development	32	-	1,250	1,282	23,861	-	23,861	25,143
Subscription/reference	-	151	-	151	1,523	1,295	2,818	2,969
Recruitment	-	435	-	435	2,432	-	2,432	2,867
Allocation of administrative expenses	195,404	53,200	94,921	343,525	(378,540)	35,015	(343,525)	-
Total Expenses	\$ 1,050,030	\$ 285,895	\$ 510,144	\$ 1,846,069	\$ 228,741	\$ 187,764	\$ 416,505	\$ 2,262,574

Grants Managers Network, Inc.

Schedule of Functional Expenses
For the Year Ended December 31, 2015

	Program Services				Supporting Services			Total Expenses
	Learning Programs	Effective Practices	Member Engagement	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 192,847	\$ 95,591	\$ 105,441	\$ 393,879	\$ 115,632	\$ 90,143	\$ 205,775	\$ 599,654
Professional services	172,122	112,016	4,903	289,041	78,411	111,271	189,682	478,723
Food and beverage	225,121	61	9,024	234,206	11,325	-	11,325	245,531
Travel	21,176	4,029	5,754	30,959	20,471	2,347	22,818	53,777
Rent	-	-	-	-	67,538	-	67,538	67,538
Technology	72,823	-	45,362	118,185	12,383	450	12,833	131,018
Miscellaneous	10,726	206	619	11,551	398	-	398	11,949
Office expenses	528	-	706	1,234	13,434	-	13,434	14,668
Promotional items	6,776	-	1,397	8,173	-	-	-	8,173
Post-conference event	3,627	-	-	3,627	-	-	-	3,627
Printing and mailing	13,683	411	4,754	18,848	948	482	1,430	20,278
Fees and insurance	18,343	-	-	18,343	14,308	-	14,308	32,651
Speaker fees	7,787	-	4,520	12,307	-	-	-	12,307
Depreciation and amortization	7,826	-	29,215	37,041	5,510	2,200	7,710	44,751
Membership dues	-	710	-	710	793	-	793	1,503
Professional development	-	-	-	-	4,224	700	4,924	4,924
Subscription/reference	175	150	1,295	1,620	1,568	-	1,568	3,188
Recruitment	-	-	-	-	2,700	-	2,700	2,700
Allocation of administrative expenses	127,109	35,957	35,927	198,993	(234,009)	35,016	(198,993)	-
Total Expenses	\$ 880,669	\$ 249,131	\$ 248,917	\$ 1,378,717	\$ 115,634	\$ 242,609	\$ 358,243	\$ 1,736,960