

Grants Managers Network, Inc.

Financial Statements
and Independent Auditors' Report

December 31, 2012 and 2011

Grants Managers Network, Inc.

Financial Statements
December 31, 2012 and 2011

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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, 2012 and 2011, 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, 2012 and 2011, 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 supplemental information included on pages 13-14 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.

Rogers & Company PLLC

Vienna, Virginia
March 17, 2013

Grants Managers Network, Inc.

Statements of Financial Position December 31, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	\$ 609,261	\$ 556,660
Contributions receivable	74,138	36,000
Prepaid expenses and deposit	21,392	31,626
Investments	162,017	76,614
Property and equipment, net	3,204	2,395
	<hr/>	<hr/>
Total assets	<u>\$ 870,012</u>	<u>\$ 703,295</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 39,170	\$ 34,954
Deferred conference revenue	103,305	60,970
	<hr/>	<hr/>
Total liabilities	<u>142,475</u>	<u>95,924</u>
Net Assets		
Unrestricted:		
Undesignated	473,801	544,871
Board-designated	162,017	-
	<hr/>	<hr/>
Total unrestricted	635,818	544,871
Temporarily restricted	91,719	62,500
	<hr/>	<hr/>
Total net assets	<u>727,537</u>	<u>607,371</u>
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Total liabilities and net assets	<u>\$ 870,012</u>	<u>\$ 703,295</u>

Grants Managers Network, Inc.

Statement of Activities For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Grants and contributions	\$ 617,600	\$ 131,636	\$ 749,236
Annual conference and workshops	336,825	37,500	374,325
Investment income	12,204	-	12,204
Product sales	2,879	-	2,879
Other income	17,170	-	17,170
Net assets released from restrictions:			
Satisfaction of restrictions	139,917	(139,917)	-
Total revenue and support	<u>1,126,595</u>	<u>29,219</u>	<u>1,155,814</u>
Expenses			
Program services:			
Education programs	635,937	-	635,937
Member engagement	188,994	-	188,994
Effective practices	105,761	-	105,761
Total program services	<u>930,692</u>	<u>-</u>	<u>930,692</u>
Supporting services:			
Management and general	31,851	-	31,851
Fundraising	73,105	-	73,105
Total supporting services	<u>104,956</u>	<u>-</u>	<u>104,956</u>
Total expenses	<u>1,035,648</u>	<u>-</u>	<u>1,035,648</u>
Change in Net Assets	90,947	29,219	120,166
Net Assets, beginning of year	<u>544,871</u>	<u>62,500</u>	<u>607,371</u>
Net Assets, end of year	<u>\$ 635,818</u>	<u>\$ 91,719</u>	<u>\$ 727,537</u>

See accompanying notes.

Grants Managers Network, Inc.

Statement of Activities For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Grants and contributions	\$ 561,920	\$ 36,000	\$ 597,920
Annual conference and workshops	345,200	26,000	371,200
Investment income	5,115	-	5,115
Product sales	4,940	-	4,940
Other income	2,268	-	2,268
Net assets released from restrictions:			
Satisfaction of restrictions	27,500	(27,500)	-
Total revenue and support	946,943	34,500	981,443
Expenses			
Program services:			
Education programs	500,633	-	500,633
Member engagement	219,879	-	219,879
Effective practices	71,999	-	71,999
Total program services	792,511	-	792,511
Supporting services:			
Management and general	35,436	-	35,436
Fundraising	55,180	-	55,180
Total supporting services	90,616	-	90,616
Total expenses	883,127	-	883,127
Change in Net Assets	63,816	34,500	98,316
Net Assets, beginning of year	481,055	28,000	509,055
Net Assets, end of year	\$ 544,871	\$ 62,500	\$ 607,371

See accompanying notes.

Grants Managers Network, Inc.

Statements of Cash Flows For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Change in net assets	\$ 120,166	\$ 98,316
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,120	-
Realized and unrealized gains on investments	(6,686)	(708)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	(38,138)	(34,000)
Prepaid expenses and deposit	10,234	(31,626)
Increase in:		
Accounts payable and accrued expenses	4,216	19,341
Deferred conference revenue	42,335	15,620
	133,247	66,943
Cash Flows from Investing Activities		
Purchases of investments	(78,717)	(75,906)
Purchases of property and equipment	(1,929)	(2,395)
	(80,646)	(78,301)
Net Increase (Decrease) in Cash and Cash Equivalents	52,601	(11,358)
Cash and Cash Equivalents, beginning of year	556,660	568,018
Cash and Cash Equivalents, end of year	\$ 609,261	\$ 556,660

See accompanying notes.

Grants Managers Network, Inc.

Notes to Financial Statements
December 31, 2012 and 2011

1. Nature of Operations

Grant Managers Network, Inc. (GMN) improves grantmaking by advancing the knowledge, skills, and abilities of grants management professionals, and by leading grantmakers to adopt and incorporate effective practices that benefit the philanthropic community. As the nation's only nonprofit membership organization devoted to grantmaking operations, GMN connects its more than 2,400 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 two-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 and are in accordance with generally accepted accounting principles for nonprofit organizations. Net assets are reported based on the presence or absence of donor-imposed restrictions in the following classes:

- *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, 2012, unrestricted net assets include \$162,017 of Board-designated amounts set aside as an operating reserve. There were no Board-designated net assets at December 31, 2011.

Grants Managers Network, Inc.

Notes to Financial Statements
December 31, 2012 and 2011

2. Summary of Significant Accounting Policies (continued)

- *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.

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 represent unconditional amounts committed to GMN, and are recognized as contribution revenue in the period promised or received. 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, 2012 and 2011.

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.

Revenue Recognition

GMN's policy is to report all donor-restricted grants and contributions, including sponsorships, as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, 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 are 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.

Grants Managers Network, Inc.

Notes to Financial Statements
December 31, 2012 and 2011

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.

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.

Reclassifications

Certain 2011 amounts have been reclassified to conform to the 2012 financial statement presentation. None of these reclassifications had any impact on the change in net assets.

Subsequent Events

GMN follows the guidance of FASB Accounting Standards Codification (ASC) 855, *Subsequent Events*, which establishes general standards of accounting for and disclosure of events that occur after the statement of financial position date but before the financial statements are issued. FASB ASC 855 also requires disclosure of the date through which an entity has evaluated subsequent events. In preparing these financial statements, GMN has evaluated events and transactions for potential recognition or disclosure through March 17, 2013, the date the financial statements were 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.

Grants Managers Network, Inc.

Notes to Financial Statements
December 31, 2012 and 2011

4. Contributions Receivable

Contributions receivable consisted of the following at December 31:

	2012	2011
Receivable due in less than one year	\$ 74,138	\$ 26,000
Receivable due in one to three years	-	10,000
Contributions receivable	<u>\$ 74,138</u>	<u>\$ 36,000</u>

Amounts due beyond one year have not been discounted and recorded to their present value, due to immateriality.

5. Investments and Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset between market participants in an orderly transaction on the measurement date. Fair value is based on assumptions that market participants would make in pricing the asset. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should use valuation models.

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.

Investments consist of a blended equity and fixed income mutual fund in the amount of \$162,017 and \$76,614 at December 31, 2012 and 2011, respectively. The Organization 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.

Grants Managers Network, Inc.

Notes to Financial Statements
December 31, 2012 and 2011

5. Investments and Fair Value Measurements (continued)

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

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 5,518	\$ 4,407
Unrealized gain	<u>6,686</u>	<u>708</u>
Total investment income	<u>\$ 12,204</u>	<u>\$ 5,115</u>

6. Property and Equipment

Property and equipment and accumulated depreciation consist of the following at December 31:

	<u>2012</u>	<u>2011</u>
Equipment	\$ 4,324	\$ 2,395
Less: accumulated depreciation	<u>(1,120)</u>	<u>-</u>
Property and equipment, net	<u>\$ 3,204</u>	<u>\$ 2,395</u>

7. Temporarily Restricted Net Assets

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

	<u>2012</u>	<u>2011</u>
Purpose restricted:		
Conference sponsorships	\$ 37,500	\$ 26,000
Project Streamline	29,219	-
Pacific NW Chapter	5,000	-
Time restricted	<u>20,000</u>	<u>36,500</u>
Total temporarily restricted net assets	<u>\$ 91,719</u>	<u>\$ 62,500</u>

Grants Managers Network, Inc.

Notes to Financial Statements
December 31, 2012 and 2011

8. Commitment and Contingency

Hotel Commitment

GMN holds its annual conference at various hotels throughout the United States. This event is contracted with a hotel one year in advance. In the event that GMN cancels its agreement with the hotel, 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

GMN receives several grants from private foundations. Such grants 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.

9. Retirement Plan

Effective January 1, 2010, GMN established a 401(k) profit sharing plan. All employees are eligible to participate in the plan after they meet certain eligibility requirements. GMN matches employees' contributions by contributing 100% of the first 3% of the employees' compensation. Additionally, GMN may make discretionary contributions to the plan. Contribution expense totaled \$5,730 and \$4,286 for the years ended December 31, 2012 and 2011, respectively.

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 section 509(a)(1) of the IRC. For the years ended December 31, 2012 and 2011, 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, 2012 and 2011.

SUPPLEMENTAL INFORMATION

Grants Managers Network, Inc.

Schedule of Functional Expenses
For the Year Ended December 31, 2012

	Program Services				Supporting Services			Total Expenses
	Education Programs	Member Engagement	Effective Practices	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Professional services	\$ 184,365	\$ 25,593	\$ 45,413	\$ 255,371	\$ 77,031	\$ 10,241	\$ 87,272	\$ 342,643
Salaries and benefits	85,340	112,027	40,809	238,176	26,837	46,849	73,686	311,862
Food and beverage	119,453	8,870	-	128,323	5,746	-	5,746	134,069
Office expenses	20,677	715	294	21,686	72,563	1,904	74,467	96,153
Travel	34,701	5,544	81	40,326	11,541	-	11,541	51,867
A/V rental/services	29,796	-	-	29,796	-	-	-	29,796
Publications	22,242	497	-	22,739	-	-	-	22,739
Credit card fees	12,353	-	-	12,353	3,473	865	4,338	16,691
Promotional items	8,702	-	-	8,702	-	-	-	8,702
Bad debt expense	-	-	-	-	5,000	-	5,000	5,000
Miscellaneous	3,076	993	-	4,069	212	-	212	4,281
Subscription/reference	-	244	-	244	3,979	-	3,979	4,223
Insurance	-	-	-	-	2,088	-	2,088	2,088
Recruitment	-	-	-	-	1,473	-	1,473	1,473
Banking services	-	-	-	-	1,443	-	1,443	1,443
Membership dues	-	265	-	265	1,135	-	1,135	1,400
Corporate fees and filings	-	-	-	-	1,218	-	1,218	1,218
Allocation of administrative expenses	115,232	34,246	19,164	168,642	(181,888)	13,246	(168,642)	-
Total Expenses	\$ 635,937	\$ 188,994	\$ 105,761	\$ 930,692	\$ 31,851	\$ 73,105	\$ 104,956	\$ 1,035,648

Grants Managers Network, Inc.

Schedule of Functional Expenses
For the Year Ended December 31, 2011

	Program Services				Supporting Services			Total Expenses
	Education Programs	Member Engagement	Effective Practices	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Professional services	\$ 176,541	\$ 31,720	\$ 23,100	\$ 231,361	\$ 50,785	\$ 24,826	\$ 75,611	\$ 306,972
Salaries	27,587	69,636	27,588	124,811	17,005	16,553	33,558	158,369
Food and beverage	108,495	-	-	108,495	-	-	-	108,495
Computer software and services	1,589	33,179	-	34,768	7,434	-	7,434	42,202
Rent	19,546	-	2,940	22,486	13,560	-	13,560	36,046
Regional programs	-	29,017	-	29,017	-	-	-	29,017
Reception	28,607	-	-	28,607	-	-	-	28,607
Benefits	5,744	9,082	3,701	18,527	3,615	3,615	7,230	25,757
Meeting and travel	-	1,474	263	1,737	15,501	-	15,501	17,238
Board development	-	-	-	-	16,809	-	16,809	16,809
Employer taxes	2,433	5,318	4,476	12,227	1,291	1,291	2,582	14,809
Credit card fees	11,899	-	-	11,899	-	1,078	1,078	12,977
Mailing and photocopying	9,067	-	-	9,067	3,755	-	3,755	12,822
Speaker fees	11,891	-	-	11,891	-	-	-	11,891
Telephone	-	-	-	-	10,782	-	10,782	10,782
Volunteer support	-	9,990	-	9,990	-	-	-	9,990
Promotional items	9,717	-	-	9,717	-	-	-	9,717
Miscellaneous	9,597	-	-	9,597	-	-	-	9,597
Marketing	5,185	-	-	5,185	-	-	-	5,185
Supplies	931	-	-	931	3,753	-	3,753	4,684
Insurance	-	-	-	-	2,291	-	2,291	2,291
Office move expense	-	-	-	-	2,144	-	2,144	2,144
Maintenance and support	2,100	-	-	2,100	-	-	-	2,100
Membership dues	-	-	-	-	1,639	-	1,639	1,639
Corporate fees and filings	-	-	-	-	1,117	-	1,117	1,117
Subscription/reference	-	135	-	135	324	205	529	664
Incentives	656	-	-	656	-	-	-	656
Conferences	-	-	-	-	550	-	550	550
Allocation of administrative expenses	69,048	30,328	9,931	109,307	(116,919)	7,612	(109,307)	-
Total Expenses	\$ 500,633	\$ 219,879	\$ 71,999	\$ 792,511	\$ 35,436	\$ 55,180	\$ 90,616	\$ 883,127