

PEAK Grantmaking, Inc.

Financial Statements
and Independent Auditors' Report

December 31, 2019 and 2018

PEAK Grantmaking, Inc.

Financial Statements
December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
PEAK Grantmaking, Inc.

We have audited the accompanying financial statements of PEAK Grantmaking, Inc. (“PEAK Grantmaking”), which are comprised of the statements of financial position as of December 31, 2019 and 2018; the related statements of activities, functional expenses, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the 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.

Auditor's Responsibility (continued)

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 PEAK Grantmaking as of December 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, PEAK Grantmaking adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) and FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.



Vienna, Virginia
April 29, 2020

PEAK Grantmaking, Inc.

Statements of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 503,985	\$ 708,986
Grants and contributions receivable	211,000	228,407
Prepaid expenses and deposit	57,220	32,672
Investments	1,052,104	814,599
Property and equipment, net	<u>7,582</u>	<u>18,210</u>
Total assets	<u>\$ 1,831,891</u>	<u>\$ 1,802,874</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 81,056	\$ 28,872
Deferred revenue	<u>630,087</u>	<u>530,319</u>
Total liabilities	<u>711,143</u>	<u>559,191</u>
Net (Deficit) Assets		
Without donor restrictions:		
Undesignated	(498,244)	21,219
Board-designated operating reserve	<u>1,052,104</u>	<u>814,599</u>
Total without donor restrictions	553,860	835,818
With donor restrictions	<u>566,888</u>	<u>407,865</u>
Total net assets	<u>1,120,748</u>	<u>1,243,683</u>
Total liabilities and net assets	<u>\$ 1,831,891</u>	<u>\$ 1,802,874</u>

PEAK Grantmaking, Inc.

Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 636,599	\$ 521,650	\$ 1,158,249
Annual conference	860,774	67,625	928,399
Other registration fees	4,770	-	4,770
Membership dues	545,704	-	545,704
Investment income	163,196	-	163,196
Product sales	12,523	-	12,523
Other income	10,323	-	10,323
Released from restrictions	430,252	(430,252)	-
Total revenue and support	2,664,141	159,023	2,823,164
Expenses			
Program services:			
Programs	1,870,315	-	1,870,315
Member engagement	581,491	-	581,491
Total program services	2,451,806	-	2,451,806
Supporting services:			
Management and general	393,672	-	393,672
Fundraising	100,621	-	100,621
Total supporting services	494,293	-	494,293
Total expenses	2,946,099	-	2,946,099
Change in Net Assets	(281,958)	159,023	(122,935)
Net Assets, beginning of year	835,818	407,865	1,243,683
Net Assets, end of year	\$ 553,860	\$ 566,888	\$ 1,120,748

See accompanying notes.

PEAK Grantmaking, Inc.

Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 709,243	\$ 351,000	\$ 1,060,243
Annual conference	749,735	187,125	936,860
Other registration fees	7,490	-	7,490
Membership dues	354,035	-	354,035
Investment loss	(33,643)	-	(33,643)
Product sales	455	-	455
Other income	8,962	-	8,962
Released from restrictions	282,118	(282,118)	-
Total revenue and support	2,078,395	256,007	2,334,402
Expenses			
Program services:			
Programs	1,724,240	-	1,724,240
Member engagement	681,140	-	681,140
Total program services	2,405,380	-	2,405,380
Supporting services:			
Management and general	284,444	-	284,444
Fundraising	118,591	-	118,591
Total supporting services	403,035	-	403,035
Total expenses	2,808,415	-	2,808,415
Change in Net Assets	(730,020)	256,007	(474,013)
Net Assets, beginning of year	1,565,838	151,858	1,717,696
Net Assets, end of year	\$ 835,818	\$ 407,865	\$ 1,243,683

See accompanying notes.

PEAK Grantmaking, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services			Supporting Services			Total Expenses
	Programs	Member Engagement	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 678,218	\$ 319,447	\$ 997,665	\$ 288,520	\$ 76,147	\$ 364,667	\$ 1,362,332
Professional services	205,301	17,224	222,525	270,989	-	270,989	493,514
Food and beverage	327,267	21,977	349,244	21,359	-	21,359	370,603
Travel	51,240	35,265	86,505	41,307	507	41,814	128,319
Rent	-	-	-	87,731	-	87,731	87,731
Technology	124,545	42,068	166,613	55,549	1,440	56,989	223,602
Miscellaneous	10,652	8	10,660	2,921	-	2,921	13,581
Office expenses	377	424	801	19,618	-	19,618	20,419
Promotional items	21,958	1,288	23,246	-	-	-	23,246
Printing and mailing	10,783	10,485	21,268	2,113	-	2,113	23,381
Fees and insurance	19,968	-	19,968	21,856	-	21,856	41,824
Legal and accounting	-	-	-	83,295	-	83,295	83,295
Speaker fees	12,500	6,554	19,054	-	-	-	19,054
Depreciation and amortization	1,079	8,254	9,333	4,324	400	4,724	14,057
Membership dues	24,195	-	24,195	4,568	-	4,568	28,763
Professional development	794	-	794	6,357	-	6,357	7,151
Subscription/reference	340	-	340	1,484	1,624	3,108	3,448
Recruitment	-	14	14	1,765	-	1,765	1,779
Allocation of administrative expenses	381,098	118,483	499,581	(520,084)	20,503	(499,581)	-
Total Expenses	\$ 1,870,315	\$ 581,491	\$ 2,451,806	\$ 393,672	\$ 100,621	\$ 494,293	\$ 2,946,099

See accompanying notes.

PEAK Grantmaking, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services			Supporting Services			Total Expenses
	Programs	Member Engagement	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 609,450	\$ 340,768	\$ 950,218	\$ 209,341	\$ 96,319	\$ 305,660	\$ 1,255,878
Professional services	249,200	72,968	322,168	115,992	-	115,992	438,160
Food and beverage	302,855	16,896	319,751	19,535	-	19,535	339,286
Travel	71,726	35,470	107,196	45,362	361	45,723	152,919
Rent	-	-	-	93,426	-	93,426	93,426
Technology	121,000	73,949	194,949	41,626	1,690	43,316	238,265
Miscellaneous	14,264	457	14,721	1,577	-	1,577	16,298
Office expenses	889	1,478	2,367	20,839	-	20,839	23,206
Promotional items	4,581	2,367	6,948	-	-	-	6,948
Printing and mailing	23,002	2,856	25,858	6,516	-	6,516	32,374
Fees and insurance	28,741	-	28,741	13,871	-	13,871	42,612
Legal and accounting	-	-	-	75,102	-	75,102	75,102
Speaker fees	8,075	9,336	17,411	-	-	-	17,411
Depreciation and amortization	2,621	16,347	18,968	3,996	-	3,996	22,964
Membership dues	10,990	-	10,990	3,927	-	3,927	14,917
Professional development	350	-	350	29,614	-	29,614	29,964
Subscription/reference	2,477	-	2,477	2,353	1,374	3,727	6,204
Recruitment	-	-	-	2,481	-	2,481	2,481
Allocation of administrative expenses	274,019	108,248	382,267	(401,114)	18,847	(382,267)	-
Total Expenses	\$ 1,724,240	\$ 681,140	\$ 2,405,380	\$ 284,444	\$ 118,591	\$ 403,035	\$ 2,808,415

See accompanying notes.

PEAK Grantmaking, Inc.

Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (122,935)	\$ (474,013)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization expense	14,057	22,964
Unrealized (gain) loss on investments	(137,043)	55,966
Change in operating assets and liabilities:		
Decrease (increase) in:		
Grants and contributions receivable	17,407	(146,982)
Prepaid expenses and deposit	(24,548)	70,489
Increase (decrease) in:		
Accounts payable and accrued expenses	52,184	(14,835)
Deferred revenue	99,768	189,081
Net cash used in operating activities	<u>(101,110)</u>	<u>(297,330)</u>
Cash Flows from Investing Activities		
Purchases of investments	(75,000)	(100,000)
Reinvested interest and dividends	(25,462)	(20,692)
Purchases of property and equipment	<u>(3,429)</u>	<u>(9,285)</u>
Net cash used in investing activities	<u>(103,891)</u>	<u>(129,977)</u>
Net Decrease in Cash and Cash Equivalents	(205,001)	(427,307)
Cash and Cash Equivalents, beginning of year	<u>708,986</u>	<u>1,136,293</u>
Cash and Cash Equivalents, end of year	<u>\$ 503,985</u>	<u>\$ 708,986</u>

See accompanying notes.

PEAK Grantmaking, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

1. Nature of Operations

PEAK Grantmaking, Inc. (“PEAK Grantmaking”) advances grantmaking so that grantmakers and grantseekers can best achieve their missions. PEAK Grantmaking 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, PEAK Grantmaking connects its more than 4,400 members to effective practices, innovative learning experiences, and each other, building the collective knowledge of the field.

PEAK Grantmaking was incorporated as an independent organization on September 2, 2005. PEAK Grantmaking became a registered 501(c)(3) tax-exempt organization in December 2006. PEAK Grantmaking is governed by a Board of Directors, all of whom are elected by the membership for three-year terms. To accomplish its mission, PEAK Grantmaking 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 PEAK Grantmaking staff and all expenses are approved and paid for by PEAK Grantmaking. 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:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for an operating reserve.

PEAK Grantmaking, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation (continued)

- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

PEAK Grantmaking 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.

Grants and Contributions Receivable

Grants and contributions receivable represent unconditional amounts committed to PEAK Grantmaking. All grants and 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 receivables during the years ended December 31, 2019 and 2018, 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, 2019 and 2018.

Investments

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

PEAK Grantmaking, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

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 for software and equipment. 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.

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 in 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 restricted support. When a donor 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 reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions are reported as net assets without donor restrictions if the restrictions are met in the same period as received.

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.

Advertising Costs

PEAK Grantmaking expenses advertising costs as incurred. Advertising expenses totaled \$23,246 and \$6,948 during the years ended December 31, 2019 and 2018, respectively.

PEAK Grantmaking, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Adopted Accounting Pronouncements

The Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, supersedes or replaces nearly all revenue recognition guidance under accounting principles generally accepted in the United States of America. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. PEAK Grantmaking has implemented Topic 606 and has adjusted, if applicable, the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. PEAK Grantmaking has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued 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 beginning in 2020.

PEAK Grantmaking, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation. These reclassifications have no effect on the change in net assets previously reported.

Subsequent Events

In preparing these financial statements, PEAK Grantmaking has evaluated events and transactions for potential recognition or disclosure through April 29, 2020, the date the financial statements were available to be issued.

The COVID-19 outbreak in the United States and around the world has caused business disruption due to mandatory lockdowns implemented in most states in order to slow down the spread of the virus. PEAK Grantmaking's management has been monitoring the situation and implementing certain changes in its operations and upcoming events in order to mitigate the impact of this pandemic, including cancelling the annual conference held in March 2020. As a result of the cancellation, PEAK Grantmaking notified attendees of the cancellation and offered registered attendees options to donate the registration fee, apply the registration fee toward a membership, or request a refund without penalty. PEAK Grantmaking's management is following the ongoing impact of travel restrictions, stay-at-home orders, the economic shutdown, and the uncertainty of this pandemic generally, and will continue to make changes to operations as needed in 2020. The accompanying financial statements do not include any adjustments that may be necessary if PEAK Grantmaking is unable to continue as a going concern.

3. Liquidity and Availability

PEAK Grantmaking strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Management periodically reviews PEAK Grantmaking's liquid asset needs and adjusts the cash and cash equivalents balances as necessary. Amounts in excess of operation liquidity needs are invested in various short-term and highly liquid securities.

Additionally, PEAK Grantmaking considers net assets with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The governing Board's designated operating reserves are also available for general expenditures.

PEAK Grantmaking, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

3. Liquidity and Availability (continued)

Financial assets that are available for general expenditures within one year of the statements of financial position date comprise the following at December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 503,985	\$ 708,986
Grants and contributions receivable, current portion	186,000	128,407
Investments appropriated for current use	<u>1,052,104</u>	<u>814,599</u>
Total available for general expenditures	<u>\$ 1,742,089</u>	<u>\$ 1,651,992</u>

4. Concentration of Credit Risk

Financial instruments that potentially subject PEAK Grantmaking to significant concentrations of credit risk consist of cash and cash equivalents, and investments. PEAK Grantmaking maintains various cash deposit and transaction accounts with financial institutions that at times exceed Federal Deposit Insurance Corporation (FDIC) limits. PEAK Grantmaking also maintains investments with a financial institution that at times may exceed insurable limits under the Securities Investor Protection Corporation (SIPC). PEAK Grantmaking 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.

5. Grants and Contributions Receivable

Grants and contributions receivable consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Receivable due in less than one year	\$ 186,000	\$ 128,407
Receivable due in one to three years	<u>25,000</u>	<u>100,000</u>
Total grants and contributions receivable	<u>\$ 211,000</u>	<u>\$ 228,407</u>

PEAK Grantmaking, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

6. Investments and Fair Value Measurements

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

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 26,153	\$ 22,323
Unrealized gain (loss)	<u>137,043</u>	<u>(55,966)</u>
Total investment income (loss)	<u>\$ 163,196</u>	<u>\$ (33,643)</u>

There were no investment management fees for the years ended December 31, 2019 and 2018.

PEAK Grantmaking follows FASB Accounting Standards Codification 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. PEAK Grantmaking recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

PEAK Grantmaking uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

PEAK Grantmaking, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

6. Investments and Fair Value Measurements (continued)

The following table presents PEAK Grantmaking's fair value hierarchy for those investments measured at December 31:

	Total fair value	Level 1	Level 2	Level 3
<u>2019:</u>				
Money market funds	\$ 114	\$ 114	\$ -	\$ -
Bond funds:				
Intermediate term bond	477,947	477,947	-	-
High yield bond	20,228	20,228	-	-
Equity funds:				
Mid-cap blend	40,889	40,889	-	-
Large blend	389,615	389,615	-	-
Diversified emerging markets	20,237	20,237	-	-
Small blend	22,485	22,485	-	-
Foreign large blend	80,589	80,589	-	-
Total investments	\$ 1,052,104	\$ 1,052,104	\$ -	\$ -
<u>2018:</u>				
Money market funds	\$ 112	\$ 112	\$ -	\$ -
Bond funds:				
Intermediate term bond	401,856	401,856	-	-
High yield bond	16,108	16,108	-	-
Equity funds:				
Mid-cap blend	29,408	29,408	-	-
Large blend	274,733	274,733	-	-
Diversified emerging markets	15,315	15,315	-	-
Small blend	16,389	16,389	-	-
Foreign large blend	60,678	60,678	-	-
Total investments	\$ 814,599	\$ 814,599	\$ -	\$ -

PEAK Grantmaking, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

7. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Software	\$ 134,876	\$ 131,447
Equipment	<u>28,312</u>	<u>28,312</u>
Total property and equipment	163,188	159,759
Less: accumulated depreciation and amortization	<u>(155,606)</u>	<u>(141,549)</u>
Property and equipment, net	<u><u>\$ 7,582</u></u>	<u><u>\$ 18,210</u></u>

8. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Purpose restricted:		
Racial equity program activities	\$ 248,916	\$ 250,599
Conference sponsorships	27,000	134,000
Time restricted	<u>290,972</u>	<u>23,266</u>
Total net assets with donor restrictions	<u><u>\$ 566,888</u></u>	<u><u>\$ 407,865</u></u>

9. Revenue from Contracts with Customers

PEAK Grantmaking's membership dues include monthly journal and other membership benefits, such as access to the members-only section of the website, webinars, and discounts on certain services and events. The promises to deliver all of the performance obligations included in the membership dues, other than the journal subscription, are distinct; however, PEAK Grantmaking has determined that each individual benefit is not material in the context of the membership agreement and should be accounted for as a single performance obligation. All the membership benefits are received simultaneously and the membership performance obligation is satisfied over time. Accordingly, membership benefits are recognized ratably over the membership period.

PEAK Grantmaking, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

9. Revenue from Contracts with Customers (continued)

The performance obligation for each monthly journal is satisfied at a point in time, and revenue is recognized when control of the journal has been transferred to the customer. PEAK Grantmaking determined that control of the journal transfers to the customer upon shipment or upon becoming available online.

The following table provides information about changes in deferred revenue for the years ended December 31:

	2019	2018
Deferred revenue, beginning	\$ 530,319	\$ 341,238
Change in deferred revenue	99,768	189,081
Deferred revenue, ending	<u>\$ 630,087</u>	<u>\$ 530,319</u>

10. Commitments and Contingencies

Operating Lease

PEAK Grantmaking leased office space under an operating lease, which commenced on April 1, 2017 and expired on May 31, 2018. Upon expiration of the lease, PEAK Grantmaking renewed the lease for an additional year through May 31, 2019. On August 1, 2019, PEAK Grantmaking renewed the lease through August 31, 2021. The renewed lease requires monthly rent payments with an annual 4% rent increase. The difference between actual rent payments and the computed rent amounts is not recorded in the accompanying statements of financial position due to immateriality.

Rent expense for the years ended December 31, 2019 and 2018 totaled \$87,731 and \$93,426, respectively.

Future minimum lease payments for the operating lease are as follows for the years ending December 31:

2020	\$ 74,273
2021	<u>50,819</u>
Total future minimum lease payments	<u>\$ 125,092</u>

PEAK Grantmaking, Inc.

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

Hotel Commitments

PEAK Grantmaking holds its annual conference at various hotels throughout the United States. These events are contracted with hotels for its future meetings through 2021. In the event that PEAK Grantmaking 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. As discussed in Note 2, subsequent to year-end the annual conference scheduled to be held in March 2020 was cancelled. No penalty fees were paid yet through April 29, 2020, the date the financial statements were available to be issued.

Grants Contingency

Certain grants received by PEAK Grantmaking 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, PEAK Grantmaking 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 PEAK Grantmaking's employees. This co-employment relationship allows PEAK Grantmaking 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.

11. Retirement Plan

PEAK Grantmaking maintains a 401(k) profit sharing plan that is administered by Insperity as part of its co-employment agreement. All employees are eligible to participate in the plan after they meet certain eligibility requirements. PEAK Grantmaking matches employees' contributions by contributing 100% of the first 3% of the employees' compensation and 50% up to the first 5% of the employees' compensation. Additionally, PEAK Grantmaking may make discretionary contributions to the plan. Contribution expense totaled \$31,217 and \$29,805 for the years ended December 31, 2019 and 2018, respectively.

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12. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Where feasible, PEAK Grantmaking allocates its expenses directly to specific programs or functions. Additionally, PEAK Grantmaking utilizes an indirect cost allocation methodology to allocate its expenses. The expenses that are allocated include salaries, benefits, and payroll taxes, which are allocated on the basis of monthly percentages of the total administrative allowable costs against the total program expenses. These monthly percentages are based on estimates of time and effort. Additionally, other expenses are allocated across specific programs or functions based on an estimated percentage of time and effort spent by staff on the natural type of expense.

13. Income Taxes

PEAK Grantmaking 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, 2019 and 2018, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded.

Management has evaluated PEAK Grantmaking's tax positions and has concluded that PEAK Grantmaking has taken no uncertain tax positions that qualify for either recognition or disclosure in the financial statements for the years ended December 31, 2019 and 2018.

14. Results of Operations

PEAK Grantmaking has experienced three consecutive years of net deficits, resulting in an undesignated net deficit of \$498,244 at December 31, 2019. While total net assets remained positive at December 31, 2019, continued losses could potentially have a significant effect on PEAK Grantmaking's programs and operations. Management is implementing strategies to stabilize reserves, reduce expenditures, expand funding streams, and seek broader contribution sources. PEAK Grantmaking expects to build its reserves in future years. The financial statements do not include any adjustments that may be necessary if PEAK Grantmaking is unable to continue as a going concern.