

FINANCIAL STATEMENTS



WASHINGTON AREA
WOMEN'S
FOUNDATION

STAND TOGETHER. SO SHE CAN STAND ON HER OWN.

**FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018**

WASHINGTON AREA WOMEN'S FOUNDATION, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Washington Area Women's Foundation, Inc.
Washington, D.C.

We have audited the accompanying financial statements of the Washington Area Women's Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, 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 audits 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.

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

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 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.

Gelman Rosenberg & Friedman

October 3, 2019

WASHINGTON AREA WOMEN'S FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018

ASSETS

| | <u>2019</u> | <u>2018</u> |
|---|----------------------------|----------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 729,730 | \$ 829,164 |
| Pledges receivable, current, net of allowance of \$44,935 and \$36,794 in 2019 and 2018, respectively | 878,774 | 484,834 |
| Prepaid expenses | <u>24,378</u> | <u>26,804</u> |
| Total current assets | <u>1,632,882</u> | <u>1,340,802</u> |
| FIXED ASSETS | | |
| Furniture and equipment | 90,173 | 88,435 |
| Software | 79,507 | 79,507 |
| Leasehold improvements | <u>35,564</u> | <u>35,564</u> |
| | 205,244 | 203,506 |
| Less: Accumulated depreciation and amortization | <u>(191,189)</u> | <u>(185,126)</u> |
| Net fixed assets | <u>14,055</u> | <u>18,380</u> |
| OTHER ASSETS | | |
| Pledges receivable, noncurrent, net of allowance of and discount of \$6,992 and \$2,331 in 2019 and 2018, respectively | 125,508 | 1,669 |
| Investments | 714,654 | 967,518 |
| Donor advised funds investments | 139,911 | 259,736 |
| Deposits | <u>26,967</u> | <u>29,436</u> |
| Total other assets | <u>1,007,040</u> | <u>1,258,359</u> |
| TOTAL ASSETS | <u>\$ 2,653,977</u> | <u>\$ 2,617,541</u> |

LIABILITIES AND NET ASSETS

| | <u>2019</u> | <u>2018</u> |
|---|----------------------------|----------------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 1,173 | \$ 15,089 |
| Accrued expenses | 110,838 | 113,877 |
| Deferred rent, current portion | <u>24,826</u> | <u>17,900</u> |
| Total current liabilities | <u>136,837</u> | <u>146,866</u> |
| LONG-TERM LIABILITIES | | |
| Deferred rent, net of current portion | <u>53,227</u> | <u>78,053</u> |
| Total liabilities | <u>190,064</u> | <u>224,919</u> |
| NET ASSETS | | |
| Without donor restrictions: | | |
| Undesignated | (57,637) | (26,635) |
| Board designated | <u>750,000</u> | <u>750,000</u> |
| Total without donor restrictions | 692,363 | 723,365 |
| With donor restrictions | <u>1,771,550</u> | <u>1,669,257</u> |
| Total net assets | <u>2,463,913</u> | <u>2,392,622</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 2,653,977</u> | <u>\$ 2,617,541</u> |

WASHINGTON AREA WOMEN'S FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

| | 2019 | | |
|---|---|------------------------------------|----------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUE | | | |
| Contributions and grants: | | | |
| Individuals | \$ 436,920 | \$ 188,693 | \$ 625,613 |
| Foundation | 111,108 | 1,546,591 | 1,657,699 |
| Corporate | 316,405 | 305,800 | 622,205 |
| Contributed goods and services | <u>155,271</u> | <u>-</u> | <u>155,271</u> |
| Total contributions and grants | 1,019,704 | 2,041,084 | 3,060,788 |
| Investment income, net | 38,558 | 4,994 | 43,552 |
| Net assets released from donor restrictions | <u>1,943,785</u> | <u>(1,943,785)</u> | <u>-</u> |
| Total revenue | <u>3,002,047</u> | <u>102,293</u> | <u>3,104,340</u> |
| EXPENSES | | | |
| Program Services: | | | |
| Catalyze Investment | 1,578,936 | - | 1,578,936 |
| Education and Outreach | 704,839 | - | 704,839 |
| Advocate | <u>222,018</u> | <u>-</u> | <u>222,018</u> |
| Total program services | <u>2,505,793</u> | <u>-</u> | <u>2,505,793</u> |
| Supporting Services: | | | |
| General and Administrative | 194,932 | - | 194,932 |
| Development | <u>332,324</u> | <u>-</u> | <u>332,324</u> |
| Total supporting services | <u>527,256</u> | <u>-</u> | <u>527,256</u> |
| Total expenses | <u>3,033,049</u> | <u>-</u> | <u>3,033,049</u> |
| Changes in net assets | (31,002) | 102,293 | 71,291 |
| Net assets at beginning of year | <u>723,365</u> | <u>1,669,257</u> | <u>2,392,622</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 692,363</u> | <u>\$ 1,771,550</u> | <u>\$ 2,463,913</u> |

| 2018 | | |
|---|------------------------------------|---------------------|
| Without Donor Restrictions | With Donor Restrictions | Total |
| \$ 362,503 | \$ 262,596 | \$ 625,099 |
| 12,283 | 709,804 | 722,087 |
| 283,101 | 419,000 | 702,101 |
| <u>100,640</u> | <u>-</u> | <u>100,640</u> |
| 758,527 | 1,391,400 | 2,149,927 |
| 15,787 | 20,852 | 36,639 |
| <u>1,731,857</u> | <u>(1,731,857)</u> | <u>-</u> |
| <u>2,506,171</u> | <u>(319,605)</u> | <u>2,186,566</u> |
| 1,367,928 | - | 1,367,928 |
| 823,846 | - | 823,846 |
| <u>108,014</u> | <u>-</u> | <u>108,014</u> |
| <u>2,299,788</u> | <u>-</u> | <u>2,299,788</u> |
| 227,021 | - | 227,021 |
| <u>276,121</u> | <u>-</u> | <u>276,121</u> |
| <u>503,142</u> | <u>-</u> | <u>503,142</u> |
| <u>2,802,930</u> | <u>-</u> | <u>2,802,930</u> |
| (296,759) | (319,605) | (616,364) |
| <u>1,020,124</u> | <u>1,988,862</u> | <u>3,008,986</u> |
| <u>\$ 723,365</u> | <u>\$ 1,669,257</u> | <u>\$ 2,392,622</u> |

See accompanying notes to financial statements.

WASHINGTON AREA WOMEN'S FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

| | Program Services | | | Supporting Services | | | | Total Expenses |
|--|---------------------|------------------------|-------------------|------------------------|----------------------------|-------------------|---------------------------|---------------------|
| | Catalyze Investment | Education and Outreach | Advocate | Total Program Services | General and Administrative | Development | Total Supporting Services | |
| Grants and awards | \$ 801,998 | \$ - | \$ - | \$ 801,998 | \$ - | \$ - | \$ - | \$ 801,998 |
| Employee salaries and wages | 348,820 | 351,345 | 12,194 | 712,359 | 110,170 | 136,320 | 246,490 | 958,849 |
| Payroll taxes | 21,521 | 30,252 | 670 | 52,443 | 8,152 | 10,905 | 19,057 | 71,500 |
| Employee benefits | 33,624 | 38,719 | 833 | 73,176 | 9,987 | 19,329 | 29,316 | 102,492 |
| Professional and consulting services | 171,942 | 66,914 | 197,827 | 436,683 | 4,413 | 31,934 | 36,347 | 473,030 |
| Conference, meetings and conventions | 45,160 | 41,550 | 1 | 86,711 | 435 | 14,796 | 15,231 | 101,942 |
| Printing and copying | 5,605 | 4,360 | 49 | 10,014 | 262 | 1,611 | 1,873 | 11,887 |
| Occupancy | 51,547 | 71,954 | 1,748 | 125,249 | 22,619 | 24,415 | 47,034 | 172,283 |
| Contributed services | 51,802 | 52,041 | 315 | 104,158 | 23,531 | 27,582 | 51,113 | 155,271 |
| Office supplies, bank and credit card fees | 15,287 | 13,899 | 269 | 29,455 | 3,734 | 28,265 | 31,999 | 61,454 |
| Technology, website and telephone | 21,220 | 20,003 | 5,754 | 46,977 | 1,717 | 22,354 | 24,071 | 71,048 |
| Postage, shipping and delivery | 608 | 656 | 64 | 1,328 | 122 | 649 | 771 | 2,099 |
| Community outreach and volunteer support | 103 | 103 | - | 206 | 94 | 472 | 566 | 772 |
| Depreciation and amortization | 1,785 | 2,068 | 610 | 4,463 | 699 | 901 | 1,600 | 6,063 |
| Travel | 3,051 | 2,470 | 43 | 5,564 | 122 | 278 | 400 | 5,964 |
| Resources and membership | 4,424 | 7,675 | 1,641 | 13,740 | 54 | 1,056 | 1,110 | 14,850 |
| Legal services, licenses and permits | 439 | 830 | - | 1,269 | 215 | 1,452 | 1,667 | 2,936 |
| Bad debt expense | - | - | - | - | 8,606 | 10,005 | 18,611 | 18,611 |
| TOTAL | \$ 1,578,936 | \$ 704,839 | \$ 222,018 | \$ 2,505,793 | \$ 194,932 | \$ 332,324 | \$ 527,256 | \$ 3,033,049 |

See accompanying notes to financial statements.

WASHINGTON AREA WOMEN'S FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

| | Program Services | | | Supporting Services | | | | Total Expenses |
|--|---------------------|------------------------|-------------------|------------------------|----------------------------|-------------------|---------------------------|---------------------|
| | Catalyze Investment | Education and Outreach | Advocate | Total Program Services | General and Administrative | Development | Total Supporting Services | |
| Grants and awards | \$ 438,834 | \$ - | \$ - | \$ 438,834 | \$ - | \$ - | \$ - | \$ 438,834 |
| Employee salaries and wages | 408,482 | 363,675 | 7,418 | 779,575 | 145,488 | 135,627 | 281,115 | 1,060,690 |
| Payroll taxes | 30,386 | 28,566 | 507 | 59,459 | 10,692 | 8,271 | 18,963 | 78,422 |
| Employee benefits | 39,808 | 35,071 | 606 | 75,485 | 15,768 | 14,443 | 30,211 | 105,696 |
| Professional and consulting services | 220,193 | 177,674 | 80,331 | 478,198 | 5,349 | 26,323 | 31,672 | 509,870 |
| Conference, meetings and conventions | 58,719 | 38,515 | 305 | 97,539 | 1,642 | 13,628 | 15,270 | 112,809 |
| Printing and copying | 8,939 | 2,747 | 20 | 11,706 | 233 | 1,144 | 1,377 | 13,083 |
| Occupancy | 68,191 | 66,177 | 1,197 | 135,565 | 27,848 | 18,673 | 46,521 | 182,086 |
| Contributed services | 10,231 | 56,114 | 14,900 | 81,245 | 1,580 | 17,815 | 19,395 | 100,640 |
| Office supplies, bank and credit card fees | 29,747 | 22,749 | 1,421 | 53,917 | 5,511 | 10,611 | 16,122 | 70,039 |
| Technology, website and telephone | 25,598 | 25,660 | 569 | 51,827 | 2,536 | 21,835 | 24,371 | 76,198 |
| Postage, shipping and delivery | 933 | 306 | 2 | 1,241 | 51 | 305 | 356 | 1,597 |
| Community outreach and volunteer support | 593 | 272 | 1 | 866 | 523 | 166 | 689 | 1,555 |
| Depreciation and amortization | 2,344 | 2,306 | 42 | 4,692 | 861 | 664 | 1,525 | 6,217 |
| Travel | 8,148 | 510 | 14 | 8,672 | 260 | 1,055 | 1,315 | 9,987 |
| Resources and membership | 16,045 | 2,775 | 633 | 19,453 | 4 | 1,389 | 1,393 | 20,846 |
| Legal services, licenses and permits | 737 | 729 | 48 | 1,514 | 175 | 1,049 | 1,224 | 2,738 |
| Bad debt expense | - | - | - | - | 8,500 | 3,123 | 11,623 | 11,623 |
| TOTAL | \$ 1,367,928 | \$ 823,846 | \$ 108,014 | \$ 2,299,788 | \$ 227,021 | \$ 276,121 | \$ 503,142 | \$ 2,802,930 |

WASHINGTON AREA WOMEN'S FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|--|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in net assets | \$ 71,291 | \$ (616,364) |
| Adjustments to reconcile changes in net assets to net cash used by operating activities: | | |
| Depreciation and amortization | 6,063 | 6,217 |
| Realized gain on sale of investments | (12,398) | (14,679) |
| Unrealized loss on investments | 10,843 | 23,968 |
| Change in allowance for doubtful accounts | 8,141 | (8,877) |
| Change in present value discount | 4,661 | (4,661) |
| (Increase) decrease in: | | |
| Pledges receivable | (530,580) | 341,100 |
| Prepaid expenses | 2,426 | 35,694 |
| Deposits | 2,469 | (2,874) |
| (Decrease) increase in: | | |
| Accounts payable | (13,917) | 14,879 |
| Accrued expenses | (3,039) | (5,523) |
| Deferred rent | (17,900) | (11,238) |
| Net cash used by operating activities | <u>(471,940)</u> | <u>(242,358)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | 452,535 | 155,545 |
| Purchases of investments | (78,291) | (141,295) |
| Purchase of furniture and equipment | (1,738) | - |
| Net cash provided by investing activities | <u>372,506</u> | <u>14,250</u> |
| Net decrease in cash and cash equivalents | (99,434) | (228,108) |
| Cash and cash equivalents at beginning of year | <u>829,164</u> | <u>1,057,272</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 729,730</u> | <u>\$ 829,164</u> |
| SUPPLEMENTAL INFORMATION: | | |
| Donated Investments | <u>\$ 40,000</u> | <u>\$ 45,000</u> |

WASHINGTON AREA WOMEN'S FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Founded in 1998, the Washington Area Women's Foundation, Inc. (the Foundation) is a results-oriented, creative catalyst for social change. The mission is to mobilize the community to ensure that economically vulnerable women and girls in the Washington region have the resources they need to thrive. To do this, five core goals are pursued.

The Foundation acts as a catalyst by grant making to effective organizations dedicated to increasing economic security for women and girls in our region. They educate community stakeholders about the needs of women and girls in the region and successful strategies to address those needs. They advocate influencing public policy that enables and supports economic security. The Foundation generates resources - financial, human, social and political capital - necessary to sustain this work at its highest quality; and engages in trustworthy stewardship of those resources. The Foundation connects the Washington region with a global movement that recognizes that promoting women's and girls' prosperity is key to stronger, more resilient and healthier communities.

Basis of accounting -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted during the year ended June 30, 2019 and applied retrospectively.

Cash and cash equivalents -

Cash and cash equivalents include all liquid investments with a maturity of three months or less when purchased.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, the Foundation maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income net of investment expenses provided by external investment advisors in the Statements of Activities and Changes in Net Assets.

Donated stocks are recorded at their fair value on the date of donation. Realized gains on the sale of donated stock for the years ended June 30, 2019 and 2018, totaled \$4,918 and \$2,057, respectively.

Fixed assets -

Fixed assets are stated at cost. Fixed assets with a useful life of greater than one year and cost greater than \$1,000 are capitalized and depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses as incurred.

WASHINGTON AREA WOMEN'S FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Income taxes -

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation is not a private foundation.

Uncertain tax positions -

For the years ended June 30, 2019 and 2018, the Foundation has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification -

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

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Board Designated Net Assets** includes net assets that the Board of Directors has set aside to be used at its discretion control to carry-out future activities.

| | <u>2019</u> | <u>2018</u> |
|---------------------|--------------------------|--------------------------|
| Reserve Fund | <u>\$ 750,000</u> | <u>\$ 750,000</u> |

- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor.

WASHINGTON AREA WOMEN'S FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Contributions and grants (continued) -

Contributions and grants with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Grant funding received in advance of incurring the related expenses is recorded as "net assets with donor restrictions".

Pledges receivable -

Pledges receivable that are expected to be collected in future years are recorded at their fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Management maintains an allowance for doubtful accounts based upon estimates of the net realizable value of the accounts.

Management considers both the age of the pledge as well as the Foundation's history of collection. The allowance for doubtful accounts was calculated as 3% of outstanding pledges greater or equal to \$200,000 and 7% of remaining pledges less than \$200,000 for the years ended June 30, 2019 and 2018, respectively.

Use of estimates -

The preparation of the 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 reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates have been made with respect to the recoverable amounts of receivables and the allocation of expenses to programs. Accordingly, 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 Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Foundation are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Risks and uncertainties -

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

WASHINGTON AREA WOMEN'S FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Fair value measurement (continued) -

The Foundation adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Foundation accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes.

Net assets previously classified as of June 30, 2018 as unrestricted net assets in the amount of \$723,365 are now classified as "net assets without donor restrictions". Net assets previously classified as temporarily restricted net assets in the amount of \$1,669,257 are now classified as "net assets with donor restrictions".

New accounting pronouncements not yet adopted -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. The Foundation has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The Foundation has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

WASHINGTON AREA WOMEN'S FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncements not yet adopted (continued) -

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. The Foundation plans to adopt the new ASU at the required implementation date.

2. PLEDGES RECEIVABLE

Pledges due in more than one year have been recorded at the present value of the estimated cash flows using a discount rate of approximately 5.5%.

Pledges are due as follows at June 30, 2019 and 2018:

| | 2019 | 2018 |
|--|-------------------|-----------------|
| Less than one year | \$ 923,709 | \$ 521,628 |
| One to five years, net of discount for present value | 132,500 | 4,000 |
| Less: Discount for present value | (6,992) | (2,331) |
| Less: Allowance for doubtful accounts | (44,935) | (36,794) |
| Total net pledges receivable | 1,004,282 | 486,503 |
| Less: Current maturities, net | (878,774) | (484,834) |
| LONG-TERM PLEDGES RECEIVABLE, NET | \$ 125,508 | \$ 1,669 |

3. INVESTMENTS

Investments consisted of the following at June 30, 2019 and 2018:

| | 2019 | 2018 |
|--------------------------|-------------------|---------------------|
| | Fair Value | Fair Value |
| Money market funds | \$ 133 | \$ 111 |
| Fixed annuity | 126,714 | 124,229 |
| Mutual funds | 727,718 | 1,102,914 |
| TOTAL INVESTMENTS | \$ 854,565 | \$ 1,227,254 |

Included in investment income are the following:

| | 2019 | 2018 |
|-------------------------------------|------------------|------------------|
| Interest and dividends, net of fees | \$ 41,997 | \$ 45,928 |
| Realized gain on investments | 12,398 | 14,679 |
| Unrealized loss on investments | (10,843) | (23,968) |
| TOTAL INVESTMENT INCOME | \$ 43,552 | \$ 36,639 |

WASHINGTON AREA WOMEN'S FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
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4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Early Care and Education Funders Collaborative | \$ 495,878 | \$ 345,064 |
| Leadership Luncheon | 299,300 | 315,000 |
| Washington Region Early Care and Education Workforce Network | 28,982 | 110,991 |
| Freshh, Inc. | 90,000 | - |
| Young Women's Initiative | 324,199 | 259,638 |
| Family Planning Initiative | 208,870 | 272,604 |
| Donor Advised Funds | 119,721 | 258,304 |
| Giving Circles | 1,300 | 32,490 |
| Time Restricted | 203,300 | 75,166 |
| TOTAL NET ASSETS WITH DONOR RESTRICTIONS | \$ 1,771,550 | \$ 1,669,257 |

5. NET ASSETS RELEASED FROM RESTRICTIONS

The following net assets with donor restrictions were released from donor restrictions by incurring expenses or by the passage of time, which satisfied the restricted purposes specified by the donors:

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Prosperity Together | \$ - | \$ 30,296 |
| Early Care and Education Funders Collaborative | 495,417 | 385,615 |
| Washington Region Early Care and Education Workforce Network | 82,010 | 91,862 |
| Leadership Luncheon | 315,000 | 409,005 |
| Freshh, Inc. | 180,000 | - |
| MeToo | 85,000 | - |
| Family Planning Initiative | 216,393 | 237,061 |
| Young Women's Initiative | 260,440 | 247,113 |
| Young Women's Initiative National | - | 18,336 |
| Donor Advised Funds | 143,576 | 106,039 |
| Giving Circles | 113,083 | 75,030 |
| Passage of Time | 52,866 | 131,500 |
| TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS | \$ 1,943,785 | \$ 1,731,857 |

6. LEASE COMMITMENT

In September 2011, the Foundation entered into a ten year, noncancellable lease agreement, commencing February 1, 2012. Under the terms of the lease, rent will increase by a factor of 4% per year.

WASHINGTON AREA WOMEN'S FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

6. LEASE COMMITMENT (Continued)

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statements of Financial Position. The deferred rent liability totaled \$78,053 and \$95,953 for the years ended June 30, 2019 and 2018, respectively.

Rent expense, including operating expenses, for the years ended June 30, 2019 and 2018, totaled \$157,916 and \$167,467, respectively. These amounts are included in occupancy on the Statements of Functional Expenses.

Future minimum lease payments required under the lease as of June 30, 2019 are as follows:

Year Ending June 30,

| | | |
|------|----|-----------------------|
| 2020 | \$ | 180,082 |
| 2021 | | 187,287 |
| 2022 | | <u>111,762</u> |
| | \$ | <u><u>479,131</u></u> |

7. JOINT COSTS

The Foundation achieves some of its programmatic goals in direct mail campaigns that include requests for contributions. The cost of conducting those campaigns included a total of \$1,017 and \$2,030 for the years ended June 30, 2019 and 2018, respectively, of joint costs that are not directly attributable to either the program or the fundraising component of the activities. Those joint costs were allocated as follows for the years ending June 30, 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|--------------------------|-------------------------------|-------------------------------|
| Catalyze Investment | \$ 432 | \$ 863 |
| Education and Outreach | 432 | 863 |
| Development | <u>153</u> | <u>304</u> |
| TOTAL JOINT COSTS | \$ <u><u>1,017</u></u> | \$ <u><u>2,030</u></u> |

8. TAX-DEFERRED ANNUITY PLAN

The Foundation maintains a tax-deferred annuity plan qualified under Section 401(k) of the Internal Revenue Code. The Plan covers full-time employees of the Foundation. The Foundation contributes 5% of gross salaries for qualified employees to the Plan. Employees must be employed for six months to become eligible for the employer contribution.

Included in the employee benefits shown in the Statements of Functional Expenses are plan contributions in the amounts of \$45,410 and \$46,526 for the years ended June 30, 2019 and 2018, respectively.

WASHINGTON AREA WOMEN'S FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
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9. CONTRIBUTED GOODS AND SERVICES

The Foundation recognized revenue for contributed goods and services for the years ended June 30, 2019 and 2018. Contributed services consist of consulting, website maintenance, photography, video services and legal services. Contribution revenue from services is measured based on the fair value of such services. Contributed goods and services during the years ended June 30, 2019 and 2018 totaled \$155,271 and \$100,640, respectively.

10. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

- *Money market funds* - The fair value is equal to the reported net asset value of the fund.
- *Fixed annuity* - Generally valued at original cost plus accrued interest, which approximates fair value.
- *Mutual funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, the Foundation's investments as of June 30, 2019:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total June 30, 2019</u> |
|---------------------|--------------------------|--------------------------|--------------------|--------------------------------|
| Asset Class: | | | | |
| Money market funds | \$ 133 | \$ - | \$ - | \$ 133 |
| Fixed annuity | - | 126,714 | - | 126,714 |
| Mutual funds | <u>727,718</u> | <u>-</u> | <u>-</u> | <u>727,718</u> |
| TOTAL | <u>\$ 727,851</u> | <u>\$ 126,714</u> | <u>\$ -</u> | <u>\$ 854,565</u> |

WASHINGTON AREA WOMEN'S FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
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10. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, the Foundation's investments as of June 30, 2018:

| Asset Class: | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total June 30, 2018</u> |
|---------------------|----------------------------|--------------------------|--------------------|--------------------------------|
| Money market funds | \$ 111 | \$ - | \$ - | \$ 111 |
| Fixed annuity | - | 124,229 | - | 124,229 |
| Mutual funds | <u>1,102,914</u> | <u>-</u> | <u>-</u> | <u>1,102,914</u> |
| TOTAL | <u>\$ 1,103,025</u> | <u>\$ 124,229</u> | <u>\$ -</u> | <u>\$ 1,227,254</u> |

11. DONOR ADVISED FUNDS INVESTMENTS

During the year ended June 30, 2018, the Foundation launched a new initiative to encourage additional giving and increase its grantmaking capacity through Donor Advised Funds (DAFs). These philanthropic investment vehicles allow the donor to make a charitable contribution of \$50,000, at a minimum, and immediately receive the maximum tax benefit. In accordance with each respective DAF agreement, the donor can recommend grants to organizations that invest in women and girls locally as well as other 501(c)(3) charitable organizations of their choice but final grant approval remains with the foundation. Additionally, the DAF agreements require a minimum of 5% to be invested in the general operations of the Foundation. The assets are invested in accordance with the donors' requests, and in most cases, within a predetermined investment portfolio. The amounts disbursed from the DAFs for the years ended June 30, 2019 and 2018 totaled \$143,576 and \$106,039, respectively. For the years ended June 30, 2019 and 2018, the DAF investments totaled \$139,911 and \$259,736, respectively.

12. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statements of Financial Position date comprise the following at June 30, 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------------|--------------------------|
| Cash and cash equivalents | \$ 729,730 | \$ 829,164 |
| Pledges receivable | 1,004,282 | 486,503 |
| Investments | <u>854,565</u> | <u>1,227,254</u> |
| Subtotal financial assets available within one year | 2,588,577 | 2,542,921 |
| Less: Donor restricted funds | (1,771,550) | (1,669,257) |
| Less: Board designated funds | <u>(750,000)</u> | <u>(750,000)</u> |
| FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR | <u>\$ 67,027</u> | <u>\$ 123,664</u> |

The Foundation has a policy to structure its financial assets to be available and liquid as its obligations become due. In addition, to the financial assets listed above, the Foundation has the ability to utilize the Board designated funds for operating activities as approved by the Board.

WASHINGTON AREA WOMEN'S FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
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13. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 3, 2019, the date the financial statements were available for issuance.