

The Donors Fund

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Donors Fund
Lakewood, New Jersey

We have audited the accompanying financial statements of The Donors Fund (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 audit. We conducted our audit 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.

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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 The Donors Fund as of December 31, 2018 and 2017, 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.

Respectfully submitted,

Roth & Company LLP

Roth & Company LLP
Brooklyn, New York
February 11, 2020

The Donors Fund
Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	2,443,045	1,084,077
Money market funds	1,107,258	29,892
Marketable securities	32,250	-
TOTAL CURRENT ASSETS	3,582,553	1,113,969
 TOTAL ASSETS	 \$ 3,582,553	 \$ 1,113,969
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 12,441	\$ 4,377
 NET ASSETS		
Net assets without donor restrictions	3,570,112	1,109,592
 TOTAL LIABILITIES AND NET ASSETS	 \$ 3,582,553	 \$ 1,113,969

The Donors Fund
Statements of Activities and Changes in Net Assets
For The Years Ended December 31, 2018 and 2017

	2018	2017
REVENUES		
Contribution income	\$ 15,094,742	\$ 5,970,716
Interest income	3,346	-
TOTAL REVENUES	15,098,088	5,970,716
 OPERATING EXPENSES		
Grants to charitable organizations	12,272,551	5,081,758
Program expenses	80,627	57,232
General and administrative expenses	284,390	283,555
TOTAL OPERATING EXPENSES	12,637,568	5,422,545
 CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	2,460,520	548,171
 NET ASSETS - BEGINNING	1,109,592	561,421
 NET ASSETS - ENDING	\$ 3,570,112	\$ 1,109,592

The Donors Fund
Statement of Functional Expenses
For The Year Ended December 31, 2018

EXPENSES	<u><i>Program</i></u>	<u><i>General and Administrative</i></u>	<u><i>Total Expenses</i></u>
Grants to charitable organizations	\$ 12,272,551	\$ -	\$ 12,272,551
Salaries	73,123	33,847	106,970
Payroll taxes	7,504	3,473	10,977
Advertising	-	72,415	72,415
Auto	-	63	63
Bank and credit card fees	-	5,916	5,916
Computer expenses	-	99,023	99,023
Insurance	-	589	589
Miscellaneous	-	2,775	2,775
Office expense	-	8,170	8,170
Postage and shipping	-	10,769	10,769
Printing	-	7,574	7,574
Professional fees	-	11,959	11,959
Rent	-	16,218	16,218
Repairs and maintenance	-	1,227	1,227
Telephone and internet	-	1,683	1,683
Travel	-	4,147	4,147
Utilities	-	4,542	4,542
TOTAL EXPENSES	<u>\$ 12,353,178</u>	<u>\$ 284,390</u>	<u>\$ 12,637,568</u>

The Donors Fund
Statement of Functional Expenses
For The Year Ended December 31, 2017

	<u><i>Program</i></u>	<u><i>General and Administrative</i></u>	<u><i>Total Expenses</i></u>
EXPENSES			
Grants to charitable organizations	\$ 5,081,758	\$ -	\$ 5,081,758
Salaries	51,710	31,244	82,954
Payroll taxes	5,522	3,336	8,858
Advertising	-	64,606	64,606
Bad debt expense	-	48,766	48,766
Bank and credit card fees	-	5,541	5,541
Computer expenses	-	71,878	71,878
Insurance	-	629	629
Miscellaneous	-	7,987	7,987
Office expense	-	9,202	9,202
Postage and shipping	-	4,718	4,718
Printing	-	1,821	1,821
Professional fees	-	5,784	5,784
Rent	-	15,541	15,541
Repairs and maintenance	-	2,126	2,126
Telephone and internet	-	1,918	1,918
Travel	-	5,312	5,312
Utilities	-	3,146	3,146
TOTAL EXPENSES	<u>\$ 5,138,990</u>	<u>\$ 283,555</u>	<u>\$ 5,422,545</u>

The Donors Fund
Statements of Cash Flows
For The Years Ended December 31, 2018 & 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 2,460,520	\$ 548,171
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debt expense	-	48,766
Changes in operating assets and liabilities		
Accounts receivable	-	126,950
Accounts payable	8,064	3,754
Total adjustments	8,064	179,470
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,468,584	727,641
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in money market funds	(1,077,366)	(29,892)
Investment in marketable securities	(32,250)	-
NET CASH USED IN INVESTING ACTIVITIES	(1,109,616)	(29,892)
NET INCREASE IN CASH	1,358,968	697,749
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,084,077	386,328
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,443,045	\$ 1,084,077

The Donors Fund
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Donors Fund (the organization), a public charity and donor advised fund (DAF) formed in New Jersey in 2015, accepts charitable contributions from donors and makes distributions to tax-exempt or other qualifying organizations under the Internal Revenue Code of 1986, as amended (the “Code”).

Administrative Fees

The organization charges an administrative fee to all donor-advised accounts. The fee is a charge between four and five percent of donations made in accordance with the organization’s policies. The funds retained are used to cover the cost of the operations of the organization as well as for charitable purposes.

Income Tax Status

The organization is exempt from income tax under section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) and accordingly reflect all significant receivables, payables and other assets and liabilities.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit, certificates of deposit, money market accounts, and investment grade commercial paper that are readily convertible into cash and purchased with original maturities of three months or less.

Marketable Securities

As part of its cash management program, the company from time to time maintains a portfolio of marketable securities. The securities generally have an investment grade and a term to earliest maturity of less than one year and include tax exempt securities and certificates of deposit.

Revenue Recognition

All contributions are recognized as support when received or when evidenced by a written promise to give. All contributions to the DAF are subject to approval by the organization as established in its policies. The organization has the ability to modify donor stipulations that are incapable of fulfillment or inconsistent with the charitable needs of the community. As a result, these contributions are classified as unrestricted.

The Donors Fund
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated based on the use of each individual expenditure.

Use of Estimates

The preparation of the organization's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classes of Net Assets

The organization reports information regarding its financial position and activities in two classes of net assets:

Net assets without donor restrictions – net assets that are not subject to any donor-imposed stipulations;

Net assets with donor restrictions – net assets subject to donor-imposed restrictions on their use. The restrictions may be met by actions of the organization or by the passage of time, or the donor-imposed or other legal restrictions may require that the principal be maintained permanently by the organization.

The organization does not recognize an implied restriction on donations of long-lived assets. Rather, such donations are recorded as without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions, reported in the Statement of Activities as net assets released from restrictions.

The Donors Fund
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncement

Accounting Standards Update (ASU) No. 2016-14 changes the presentation and disclosures of Not for Profit (NFP) Financial Statements. The major changes require an NFP to:

Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than the previously required three classes.

Present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than the previously required three classes.

Provide enhanced disclosures about governing board designations of net assets, the composition of net assets with donor restrictions and qualitative and quantitative information about how an NFP manages its liquid resources to meet cash needs for general expenditures within one year of the balance sheet date.

Report expenses by both their natural classification and their functional classification and disclose the method(s) used to allocate costs among program and support functions.

This change in presentation has no effect on the reported change in net assets.

NOTE 2 CONCENTRATIONS OF CREDIT RISK

At times, the organization maintains cash balances in excess of the Federal Deposit Insurance Corporation's insured limits. The organization has not experienced any losses in such accounts and does not believe it is exposed to any significant risk of loss on cash.

NOTE 3 LIQUIDITY AND AVAILABILITY

The organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments.

The Organization had \$3,582,553 and \$1,113,969 of cash and cash equivalents available at the 2018 and 2017 balance sheet dates, respectively, to meet needs for general expenditures. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date.

The Donors Fund
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 4 ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2018 and 2017 amounted to \$72,415 and \$64,606, respectively.

NOTE 5 FAIR VALUE MEASUREMENTS

Fair value accounting guidance establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. 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). An instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument's fair value measurement. The three levels within the fair value hierarchy are described as follows:

Level 1: Observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Includes unobservable inputs for the asset or liability for which there is little, if any, market activity at the measurement date. Unobservable inputs reflect the organization's own assumptions about what market participants would use to price the asset or liability. The inputs are developed based on the best information available in the circumstances, which might include the organization's own financial data such as internally developed pricing models, discounted cash flow methodologies, as well as instruments for which the fair value determination requires significant management judgment.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For assets that are measured using quoted prices in active markets (Level 1), the total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. Assets and liabilities that are measured using significant other observable inputs (Level 2) are primarily valued by reference to quoted prices of similar assets or liabilities in active markets, adjusted for any terms specific to that asset or liability. For all other assets and liabilities for which unobservable inputs are used (Level 3), fair value is derived through the use of fair value models, such as a discounted cash flow model or other standard pricing models that the organization deems reasonable.

The Donors Fund
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables summarize financial asset instruments subject to recurring fair value measurements for the years under audit:

December 31, 2018

	Fair Value Measurements Using	
	Quoted prices in active markets for identical assets	
	Fair Value	Level 1
Assets		
Money market funds	\$ 1,107,258	\$ 1,107,258
Marketable securities	<u>32,250</u>	<u>32,250</u>
Total assets at fair value	<u>\$ 1,139,508</u>	<u>\$ 1,139,508</u>

December 31, 2017

	Fair Value Measurements Using	
	Quoted prices in active markets for identical assets	
	Fair Value	Level 1
Assets		
Money market funds	<u>\$ 29,892</u>	<u>\$ 29,892</u>

Following is a description of the valuation methodologies used for assets measured at fair value.

Level 1 Fair Value Measurements:

Money Market Funds

Money market funds are valued at the daily closing price as reported by the fund. Money market funds held are open-end mutual funds that are registered with the Securities and Exchange Commission.

Marketable Securities

Marketable securities consist of investments in various marketable equities and corporate bonds. The fair value of these investments is based on the quoted price for identical investments traded on national securities exchanges.

The Donors Fund
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 6 SUBSEQUENT EVENTS

The organization has evaluated subsequent events through February 11, 2020, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.