

PHILANTHROPY WEST VIRGINIA

**Financial Report
December 31, 2017**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Philanthropy West Virginia
Morgantown, West Virginia

Report on the Financial Statement

We have audited the accompanying financial statements of Philanthropy West Virginia, (Organization) which comprise the statements of financial position as of December 31, 2017 and 2016, and 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 of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Philanthropy West Virginia as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Bridgeport, West Virginia
June 23, 2018

PHILANTHROPY WEST VIRGINIA

STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents in bank, unrestricted	\$ 178,227	\$ 317,121
Cash and cash equivalents in bank, restricted	150,000	195,000
Certificates of deposit	120,000	-
Accounts receivable	26,049	14,286
Prepaid expenses	2,878	11,621
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Total assets	\$ 477,154	\$ 538,028
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 6,507	\$ 12,848
Accrued expenses	8,381	-
Deferred revenue	12,783	51,938
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Total current liabilities	27,671	64,786
NET ASSETS		
Unrestricted	299,483	278,242
Temporarily restricted	150,000	195,000
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Total net assets	449,483	473,242
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Total liabilities and net assets	\$ 477,154	\$ 538,028

See Notes to Financial Statements

PHILANTHROPY WEST VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT:				
Private foundation grants	\$ 161,949	\$ 150,000	\$ -	\$ 311,949
Workshops sponsors and registration fees	48,953	-	-	48,953
Annual membership dues	37,113	-	-	37,113
WV Nonprofit Association dues and program income	101,945	-	-	101,945
Interest income	1,072	-	-	1,072
Contract services income	36,465	-	-	36,465
Net assets released from restrictions	195,000	(195,000)	-	-
Total revenue and other support	582,497	(45,000)	-	537,497
PROGRAM EXPENSES:				
Philanthropy WV	298,872	-	-	298,872
WV Nonprofit Association	221,672	-	-	221,672
Total program expenses	520,544	-	-	520,544
Management and general	35,026	-	-	35,026
Fundraising	5,686	-	-	5,686
Total expenses	561,256	-	-	561,256
Change in net assets	21,241	(45,000)	-	(23,759)
NET ASSETS				
Beginning of year	278,242	195,000	-	473,242
End of year	\$ 299,483	\$ 150,000	\$ -	\$ 449,483

See Notes to Financial Statements

PHILANTHROPY WEST VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT:				
Private foundation grants	\$ 74,775	\$ 195,000	\$ -	\$ 269,775
Workshops sponsors and registration fees	52,004	-	-	52,004
Annual membership dues	46,628	-	-	46,628
WV Nonprofit Association dues and program income	84,191	-	-	84,191
Interest income	1,022	-	-	1,022
Contract services income	7,314	-	-	7,314
Net assets released from restrictions	103,500	(103,500)	-	-
Total revenue and other support	369,434	91,500	-	460,934
PROGRAM EXPENSES:				
Philanthropy WV	264,538	-	-	264,538
WV Nonprofit Association	165,567	-	-	165,567
Total program expenses	430,105	-	-	430,105
Management and general	22,040	-	-	22,040
Total expenses	452,145	-	-	452,145
Change in net assets	(82,711)	91,500	-	8,789
NET ASSETS				
Beginning of year	360,953	103,500	-	464,453
End of year	\$ 278,242	\$ 195,000	\$ -	\$ 473,242

See Notes to Financial Statements

PHILANTHROPY WEST VIRGINIA

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

	Philanthropy WV Program Expenses	WV Nonprofit Association	Total Program	Management and General	Fundraising Expense	Total Expenses
EXPENSES						
Contracted services	\$ 190,340	\$ 119,106	\$ 309,446	\$ 14,901	\$ 5,454	\$ 329,801
Conference and meeting	31,568	23,487	55,055	-	-	55,055
Professional fees	-	11,769	11,769	15,525	-	27,294
Outreach and marketing	17,920	8,094	26,014	-	-	26,014
Planning and program development	12,057	8,551	20,608	1,799	-	22,407
Travel	15,208	6,998	22,206	-	-	22,206
Research	-	16,251	16,251	-	-	16,251
Fiscal agent fees	-	15,000	15,000	-	-	15,000
Grantmaker programs	14,773	-	14,773	-	-	14,773
Office expense	728	7,928	8,656	563	-	9,219
Membership and registrations	3,660	4,488	8,148	-	-	8,148
Occupancy	5,662	-	5,662	179	119	5,960
Insurance	2,982	-	2,982	94	63	3,139
Telephone	2,365	-	2,365	75	50	2,490
Information Technology	-	-	-	1,813	-	1,813
Other	1,609	-	1,609	77	-	1,686
Total expenses	\$ 298,872	\$ 221,672	\$ 520,544	\$ 35,026	\$ 5,686	\$ 561,256

See Notes to Financial Statements

PHILANTHROPY WEST VIRGINIA

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016

	Philanthropy WV Program Expenses	WV Nonprofit Association	Total Program	Management and General	Fundraising Expense	Total Expenses
EXPENSES						
Contracted services	\$ 181,222	\$ 93,428	\$ 274,650	\$ -	\$ -	\$ 274,650
Conference and meeting	34,874	14,204	49,078	-	-	49,078
Other	3,032	19,960	22,992	370	-	23,362
Travel	8,132	8,852	16,984	-	-	16,984
Professional fees	-	-	-	15,845	-	15,845
Fiscal agent fees	-	15,000	15,000	-	-	15,000
Grantmaker programs	11,933	-	11,933	-	-	11,933
Membership and registrations	3,169	6,081	9,250	-	-	9,250
Outreach and marketing	2,413	4,853	7,266	-	-	7,266
Bad debt	6,395	-	6,395	-	-	6,395
Research	6,000	-	6,000	-	-	6,000
Occupancy	5,550	-	5,550	-	-	5,550
Office expense	670	3,189	3,859	-	-	3,859
Information Technology	-	-	-	2,534	-	2,534
Insurance	-	-	-	2,278	-	2,278
Telephone	1,148	-	1,148	287	-	1,435
Supplies	-	-	-	726	-	726
Total expenses	\$ 264,538	\$ 165,567	\$ 430,105	\$ 22,040	\$ -	\$ 452,145

See Notes to Financial Statements

PHILANTHROPY WEST VIRGINIA

STATEMENTS OF CASH FLOWS Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (23,759)	\$ 8,789
Adjustments to reconcile total change in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in assets:		
Accounts receivable	(11,763)	(3,753)
Prepaid expenses	8,743	(8,556)
Increase (decrease) in liabilities:		
Accounts payable	(6,341)	6,540
Accrued expenses	8,381	-
Deferred revenue	(39,155)	49,086
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Net cash provided by (used in) operating activities	(63,894)	52,106
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in certificates of deposit	(120,000)	-
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Net increase (decrease) in cash and cash equivalents	(183,894)	52,106
Cash and cash equivalents:		
Beginning	512,121	460,015
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Ending	\$ 328,227	\$ 512,121
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See Notes to Financial Statements

PHILANTHROPY WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Philanthropy West Virginia (Organization) is a nonprofit organization under Internal Revenue Code Section 501(c)(3) and was originally known as West Virginia Grantmakers' Association, Inc. The purposes of the Association are the cultural, charitable and educational ones of promoting and disseminating research into and study of the problems of charitable organizations, foundations and charitable trusts; of promoting the growth and effective operation of charitable organizations, foundations and charitable trusts; of stimulating planning for efficient operation, financial management and grantmaking by private foundations, other charities, and other charitable grantmaking organizations; and of providing for the dissemination of knowledge and exchange of information, ideas and procedures among charitable organizations, foundations, charitable trusts and charitable grantmaking organizations, all to the end of benefiting and promoting charity.

A summary of the Organization's significant accounting policies follows:

Basis of accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables and payables. Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

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 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 revenue and expenses during the reporting period. Actual results may differ from those estimates.

Cash and cash equivalents and deposit risk: Philanthropy West Virginia maintains cash in demand deposit accounts with federally insured banks. The balances in these accounts occasionally exceed federally insured limits. In management's opinion, the amounts in excess of FDIC limits do not pose significant risk to the Organization. Cash and cash equivalents include all short-term deposits with an initial maturity of 90 days or less.

Accounts receivable: Accounts receivable are carried at cost less an allowance for doubtful accounts, if an allowance is deemed necessary. The Organization does not accrue finance or interest charges. On a periodic basis, the Organization evaluates its accounts receivables and determines the necessity of an allowance for losses, based on history of collections and current conditions. Accounts receivable are written off when it is determined that all collection efforts have been exhausted.

Net assets: Unrestricted net assets are neither permanently nor temporarily restricted by donor- or grantor-imposed stipulations.

Temporarily restricted net assets result from contributions, grants, or other inflows of assets whose use by the Organization is limited by donor- or grantor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, from other asset enhancements and diminishments subject to the same kinds of stipulations, or from reclassifications to or from other classes of net assets as a consequence of donor- or grantor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets result from contributions, grants, or other inflows of assets whose use by the Organization is limited by donor- or grantor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, from other asset enhancements and diminishments subject to the same kinds of stipulations, or from reclassifications from or to other classes of net assets as a consequence of donor- or grantor-imposed stipulations.

The Organization does not have any permanently restricted net assets.

PHILANTHROPY WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Economic dependency: Philanthropy West Virginia generates a substantial portion of its revenue from the Claude Worthington Benedum Foundation and various other grants. Changes in the amounts of grant funding could, therefore, significantly influence Philanthropy West Virginia's ability to provide services. Without this funding, Philanthropy West Virginia could not achieve its objectives. The Organization received income from one major donor in 2017 and 2016, totaling 20% and 28% of income, respectively.

Income taxes: The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (Code) and has been recognized as tax exempt under Section 509(a)(1) of the Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an entity that is not a private foundation under 509(a)(1). Accordingly, no provision for income taxes has been provided.

The Organization follows the guidance for accounting for uncertainty in income taxes recognized in an entity's financial statements that prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authorities. Generally, the tax returns for the years ended December 31, 2014 and thereafter remain subject to examination by the federal and state tax authorities.

Fair value of financial instruments: The fair value of cash and cash equivalents approximates their carrying values due to the short-term maturities of these financial instruments.

Advertising: Advertising costs are expensed as incurred; such costs aggregated \$26,014 during 2017, and \$7,266 during 2016.

Subsequent events: In preparing these financial statements, the Organization evaluated events that occurred through June 23, 2018, the date the financial statements were available to be issued, for potential recognition or disclosure.

Note 2. Recent Accounting Pronouncements

Revenue Recognition: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP. This ASU attempts to remove inconsistencies and weaknesses in the current revenue recognition requirements, provides a more robust framework for addressing issues, improves comparability across entities and industries, provides more useful information to the users of the financial statements, and simplifies the preparation of financial statements by consolidating the number of requirements required to be referenced. Early adoption is not permitted. The guidance permits the use of either a retrospective or modified retrospective (cumulative effect) transition method. The Organization is currently evaluating the impact, if any, that adoption will have on its December 31, 2019 financial statements. Management has not yet selected a transition method nor has the effect of this guidance on the Organization's ongoing financial reporting been determined.

Leases: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which supersedes FASB ASC Topic 840, *Leases*, and makes other conforming amendments to U.S. GAAP. This ASU requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the balance sheet via a right-of-use asset and lease liability, and additional qualitative and quantitative disclosures. In addition, the updated guidance requires that lessors separate lease and non-lease components in a contract in accordance with the new guidance. Transition guidance is provided within the ASU and generally requires a retrospective approach. This guidance is effective for the Organization's fiscal year ending December 31, 2020. The Organization is currently evaluating the impact, if any, that adoption will have on its December 31, 2020 financial statements.

PHILANTHROPY WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Not-for-Profit Entities: In August 2016, the FASB issued ASU 2016-14, (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments of this ASU change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. The amendments include qualitative and quantitative requirements in the financial statement presentation and disclosures regarding net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The Organization will implement the provisions of ASU 2016-14 as of January 1, 2018. The Organization is currently evaluating the impact, if any, that adoption will have on its financial statements.

Note 3. Risk Management

The Organization is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions; and natural disasters. The Organization manages these risks of loss through the purchase of various insurance policies.

Note 4. Operating Lease

The Organization has an operating lease of \$500 per month. \$5,960 of rent expense was incurred in 2017, and \$5,550 of rent expense was incurred in 2016. The lease ends March 1, 2018, at which point, rent will increase to \$578 per month.

Note 5. Temporarily Restricted Net Assets

Releases of temporarily restricted net assets consisted of the following:

2016 Nonprofit Association Programming	\$ 100,000
2016 Grantmakers Programming	95,000
Total released from restrictions in 2017	\$ 195,000

Temporarily restricted net income during 2017 consisted of the following:

Nonprofit Association Programming for FY 2018	\$ 115,000
Grantmakers Programming for FY 2018	35,000
	\$ 150,000

PHILANTHROPY WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. WVNPA Program Revenue and Expense

The West Virginia Nonprofit Association (WVNPA) is a program of Philanthropy West Virginia. The program operating income and expenses for the WVNPA program for the fiscal year ended December 31, 2017, was as follows:

WVNPA revenue	\$ 101,945
WVNPA expense	(205,421)
2017 revenue released from restrictions	<u>100,000</u>
Program operating (loss), including release from restrictions from prior year	<u>\$ (3,476)</u>

Subsequent to December 31, 2017, the WVNPA has spun off as an independent 501(c)(3) entity as of April 1, 2018, and the net assets related thereto will also be transferred to the WVNPA operations, as of April 1, 2018.