

Audited Financial Statements

The Resource Foundation, Inc.

December 31, 2018

THE RESOURCE FOUNDATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Resource Foundation, Inc.

We have audited the accompanying financial statements of The Resource Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 of material misstatement.

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

An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 The Resource Foundation, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Maier Kessler & Justice LLP

White Plains, New York
September 20, 2019

THE RESOURCE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Cash and cash equivalents	\$ 543,275
Restricted cash	2,688,806
Investments	49,396
Unconditional promises to give	
Restricted for programs serving low income persons in developing countries	210,000
Prepaid expenses	10,749
Other assets	12,605
Property and equipment, net of accumulated depreciation of \$318,766	9,887
Total assets	<u>\$ 3,524,718</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	<u>\$ 26,915</u>
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Net Assets

 Without donor restrictions

Undesignated	60,108
Donor advised funds	471,300
Board designated fund	67,589
	<u>598,997</u>

 With donor restrictions

Purpose restricted	2,898,806
Time restricted for future periods	-

Total net assets	<u>3,497,803</u>
Total liabilities and net assets	<u>\$ 3,524,718</u>

See notes to financial statements

THE RESOURCE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Dues	\$ 41,317	\$ -	\$ 41,317
Individual contributions	661,752	-	661,752
Grant support	6,791,799	1,807,607	8,599,406
Investment income (expense)	(2,596)	-	(2,596)
Net assets released from restrictions	5,929,024	(5,929,024)	-
Total revenue and support	<u>13,421,296</u>	<u>(4,121,417)</u>	<u>9,299,879</u>
EXPENSES			
Program	12,479,025	-	12,479,025
General and administrative	361,071	-	361,071
Fundraising	348,610	-	348,610
Total expenses	<u>13,188,706</u>	<u>-</u>	<u>13,188,706</u>
Change in net assets	<u>232,590</u>	<u>(4,121,417)</u>	<u>(3,888,827)</u>
NET ASSETS			
Beginning of year	<u>366,407</u>	<u>7,020,223</u>	<u>7,386,630</u>
End of year	<u>\$ 598,997</u>	<u>\$ 2,898,806</u>	<u>\$ 3,497,803</u>

See notes to financial statements.

THE RESOURCE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program	General and Administrative	Fundraising	Total
Grants and workshops	\$ 12,024,900	\$ -	\$ -	\$ 12,024,900
Salaries, payroll taxes and benefits	326,359	244,769	244,769	815,897
Insurance	-	16,094	-	16,094
Promotions and fundraising	-	-	8,017	8,017
Printing and copying	1,701	1,276	1,276	4,253
Office supplies	971	728	728	2,427
Professional fees	58,948	44,211	44,211	147,370
Telephone and utilities	7,281	5,461	5,461	18,203
Postage	431	323	323	1,077
Rent	30,491	22,868	22,868	76,227
Travel and conferences	4,080	3,060	3,060	10,200
Depreciation	18,370	13,778	13,778	45,926
Bank charges	-	4,383	-	4,383
Miscellaneous	5,493	4,120	4,119	13,732
	<u>\$ 12,479,025</u>	<u>\$ 361,071</u>	<u>\$ 348,610</u>	<u>\$ 13,188,706</u>

See notes to financial statements

THE RESOURCE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (3,888,827)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	45,926
Unrealized loss on investments	5,360
(Increase) decrease in:	
Unconditional promises to give:	
Restricted for programs	1,690,525
Prepaid expenses	8,323
Other assets	3,946
Increase (decrease) in:	
Accounts payable and accrued expenses	(2,849)
Other liabilities	(1,804)
	<hr/>
Net cash used by operating activities	<hr/> (2,139,400)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(2,719)
Purchase of property and equipment	(1,834)
	<hr/>
Net cash used by investing activities	<hr/> (4,553)
Net decrease in cash and cash equivalents	(2,143,953)
Cash and cash equivalents, beginning of year	<hr/> 5,376,034
Cash and cash equivalents, end of year	<hr/> <hr/> \$ 3,232,081

See notes to financial statements

THE RESOURCE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1 – Organization and Tax Status

Nature of Organization

The Resource Foundation, Inc. ("The Foundation") is a not-for-profit corporation organized in 1987 for the purpose of helping to increase the flow of resources going to low-income persons through the socio-economic development activities of private agencies in developing countries. The Foundation's primary sources of support are grants from corporations, foundations and individuals.

Tax status

The Foundation is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code. The Foundation does not pay Federal income taxes, and contributions to the Foundation are tax-deductible for Federal income tax purposes, subject to certain limitations. The Foundation is subject to income taxes only on unrelated business income. The Foundation did not have any unrelated business income for the year ended December 31, 2018.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Net Assets Presentation

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 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.

Net Assets With Donor Restrictions – The Foundation reports contributions restricted by the donors 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 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 on the statement of activities as net assets released from restriction.

THE RESOURCE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Foundation considers depository accounts and investments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Investment return, net is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment fees.

Grants Receivable

Grants receivable consist of unconditional promises to give, all of which are expected to be collected within one year.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at fair value on the date of donation. Maintenance and repairs are charged to expense as incurred, while major renewals and betterments are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 7 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities.

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There was no asset impairment loss incurred for the year ended December 31, 2018.

Revenue and Support

Dues are recognized as income on annual basis.

All contributions are considered available for the Foundation's general programs unless specifically restricted by the donor. Unconditional promises to give are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contributions revenue.

Functional Expense Allocation

The Foundation allocates its expenses on a functional basis between its program, fundraising, and supporting serves. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classifications. Other expenses that are common to several functions are allocated to each.

THE RESOURCE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Income Taxes

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition or disclosure. The Foundation is no longer subject to examinations by the applicable taxing jurisdictions for years prior to December 31, 2015.

Fair Value Measurements

The Foundation follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Concentration of Credit Risk

The Foundation maintains cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") limit. Accounts at each institution are insured by the FDIC up to \$250,000. As of December 31, 2018, the uninsured cash balance is \$2,954,076. The Foundation believes it is not exposed to any significant credit risk on its cash balances.

Recently enacted accounting standard

Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, "Not-for-Profit Entities" was adopted for the year ended December 31, 2018. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure of liquid resources and expense allocation. This change had no impact on the change in net assets for the year ended December 31, 2018. Net assets as of December 31, 2017 were reclassified to conform to the new presentation.

Note 3 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following

	<u>2018</u>
Cash and cash equivalents	<u>\$ 53,782</u>
Total	<u>\$ 53,782</u>

The Foundation's investments of \$49,396 are a board designated fund. This reserve, established by the Board of Directors, may be drawn upon, if necessary, to meet unexpected liquidity needs or in the event of financial distress.

THE RESOURCE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 4 – Investments

The following is a summary of investments at December 31, 2018:

Mutual Fund	\$ 49,396
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As of December 31, 2018 all investments were considered Level I in the fair value hierarchy.

The composition of investment return, net as reported in the statement of activities for the year ended December 31, 2018 is as follows:

Interest and dividends	\$ 2,839
Unrealized loss—net	(5,360)
Advisory fees	(75)
Net investment income (expense)	<u>\$ (2,596)</u>

Note 5 – Property and equipment- net

Property and equipment consists of the following at December 31, 2018:

Office equipment and fixtures	\$ 43,467
Computer equipment	<u>285,186</u>
	328,653
Less accumulated depreciation	<u>(318,766)</u>
	<u>\$ 9,887</u>

Depreciation and amortization expense was \$45,926 for the year ended December 31, 2018.

Note 6 – Board Designated Fund

The Foundation created a board-designated fund (the “Fund”) that is included in net assets without donor restrictions on the Statements of Financial Position to ensure the long-term stability of the Foundation against any unforeseen downturns in the economy and/or short-term cash flow difficulties.

Interpretation of relevant law

The Board of Directors of the Foundation has interpreted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) as requiring the preservation of the fair value of the original funds appropriated by the Board of Directors. As a result of this interpretation, the Foundation classifies as board designated unrestricted net assets (a) the original value of funds appropriated to the Fund, (b) the original value of subsequent funds appropriated to the Fund, and (c) accumulations to the Fund made in accordance with the direction of the Board of Directors. In accordance with NYPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate board designated funds:

THE RESOURCE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 6 – Board Designated Fund (continued)

1. the duration and preservation of the Fund;
2. the purposes of the Foundation and the Fund;
3. general economic conditions;
4. the possible effect of inflation and deflation;
5. the expected total return from income and the appreciation of investments;
6. other resources of the Foundation; and
7. the investment policies of the Foundation.

Return objectives and risk parameters

The funds are to be invested in a diverse and conservative manner in order to protect the integrity of the Fund and allow it to fulfill its stated purpose.

Strategies employed for achieving objectives

To satisfy its long-term objectives, the Foundation relies on a strategy designed to provide for the long-term preservation of the Fund.

Invested assets are managed in a socially responsible manner with the goal of protecting principal.

Spending policy

Funds may only be disbursed to the Foundation. Use of the Fund is restricted to confronting major crisis situations and short-term cash flow problems. Major crisis situations are those characterized by general economic downturns or other adverse conditions that have a significant impact on the projected and/or actual income from corporate donors, major individual contributors, and other sources representing the majority of the Foundation's annual support. Short-term cash flow problems are those characterized by temporary conditions that may occur during the year, and that have very reasonable expectations of being overcome during the same fiscal period as the result of the normal schedule of receipts.

In order to access the Fund in either of these situations, the President & CEO is required to present a written request to the Fund subcommittee. The Fund subcommittee will then review the case, and, if approved, make a recommendation to the Executive Committee and/or the full Board for final approval. There are no limitations regarding the use of the Fund in a major crises situation, while short-term cash flow problems are limited to 25% of the total Fund or \$75,000, whichever is less.

The following schedule summarizes the activity for the Board Designated Fund for the year ended December 31, 2018:

Board Designated Fund, beginning of year	\$ 70,191
Investment earnings/(expense)	(2,602)
Amounts appropriated for expenditure	-
Board Designated Fund, end of year	<u>\$ 67,589</u>

THE RESOURCE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 7 – Concentration of Revenue and Support

The Foundation receives a substantial portion of its revenue from grants and contributions. Approximately 95% of unconditional promises to give are from one donor and 34% of revenue and support is from one donor as of and for the year ended December 31, 2018.

Note 8 – Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2018 are due to purpose restrictions imposed by donors and are available for the following purposes:

Educational programs	\$ 282,742
Environmental programs	118,960
Nutrition programs	358,676
Cultural programs	196,034
Health programs	1,937,494
Training and disaster relief programs	4,900
	<u>\$2,898,806</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donor were as follows for the year ended December 31, 2018:

Educational programs	\$ 357,376
Environmental programs	100,000
Nutrition programs	1,355,126
Cultural programs	254,717
Health programs	3,852,905
Training and disaster relief programs	8,900
	<u>\$5,929,024</u>

Note 9 – Commitments

In March, 2018 the Foundation entered into a 3 year membership agreement for office space beginning on May 1, 2018 and ending on April 30, 2021.

The future minimum payments under the lease for the years ended December 31 is as follows:

2019	\$ 80,928
2020	80,928
2021	26,976
Total	<u>\$ 188,832</u>

Rent expense was \$76,119 for the year ended December 31, 2018.

THE RESOURCE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 10 – Retirement plan

During 2001, the Foundation adopted a 403(b) retirement plan. Employees are eligible to participate in the 403(b) plan when they begin work. Employer contributions under the plan are made at the Foundation's discretion. No contributions were made by the Foundation to the plan for the year ended December 31, 2018.

Note 11 – Subsequent events

The Foundation has evaluated its subsequent events through September 20, 2019 the date the financial statements were available to be issued. The Foundation had no material events requiring disclosure.