

CONSOLIDATED FINANCIAL STATEMENTS

**GLOBALGIVING FOUNDATION, INC.
AND SUBSIDIARY**

**FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED CONSOLIDATED
FINANCIAL INFORMATION FOR 2018**

GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARY

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
GlobalGiving Foundation, Inc. and Subsidiary
Washington, D.C.

We have audited the accompanying consolidated financial statements of the GlobalGiving Foundation, Inc. and Subsidiary, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We did not audit the financial statements of GlobalGiving UK, a subsidiary, which statements reflect total assets of \$1,603,942 as of December 31, 2019 and total revenue of \$2,610,028 for the year ended December 31, 2019. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for GlobalGiving UK, is based solely on the report of the other auditors. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the GlobalGiving Foundation, Inc. and Subsidiary as of December 31, 2019, and the consolidated change in their net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the GlobalGiving Foundation, Inc. and Subsidiary's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 13, 2019. The financial activity of GlobalGiving UK included in those financial statements was audited by other auditors, whose report dated June 24, 2019 was furnished to us, and our opinion, insofar as it related to the amounts included for GlobalGiving UK, was based solely on the report of the other auditors. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



September 30, 2021

GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH SUMMARIZED CONSOLIDATED FINANCIAL INFORMATION FOR 2018

ASSETS

| | <u>2019</u> | <u>2018</u> |
|---|-----------------------------|-----------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 39,274,563 | \$ 41,946,290 |
| Investments | 2,563,413 | 1,000,919 |
| Receivables | 1,410,976 | 2,809,996 |
| Pledges and grants receivable | 15,000 | 300,000 |
| Prepaid expenses and other assets | <u>92,771</u> | <u>64,597</u> |
| Total current assets | <u>43,356,723</u> | <u>46,121,802</u> |
| FIXED ASSETS | | |
| Fixed assets, net of accumulated depreciation and amortization of \$1,066,697 and \$959,759 for 2019 and 2018, respectively | <u>420,483</u> | <u>397,659</u> |
| OTHER ASSETS | | |
| Other assets - Trademark | <u>311,487</u> | <u>311,487</u> |
| TOTAL ASSETS | <u>\$ 44,088,693</u> | <u>\$ 46,830,948</u> |

LIABILITIES AND NET ASSETS

| | | |
|---|-----------------------------|-----------------------------|
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 285,198 | \$ 269,169 |
| Accrued payroll liabilities | 80,391 | 73,004 |
| Project distributions payable | 723,175 | 552,781 |
| Deferred revenue | 307,418 | 427,732 |
| Deferred rent | 99,172 | 87,094 |
| Other current liabilities | <u>5,667</u> | <u>6,378</u> |
| Total current liabilities | <u>1,501,021</u> | <u>1,416,158</u> |
| NON-CURRENT LIABILITIES | | |
| Deferred rent, net of current portion | <u>431,023</u> | <u>529,815</u> |
| Total liabilities | <u>1,932,044</u> | <u>1,945,973</u> |
| NET ASSETS | | |
| Without donor restrictions | 6,793,404 | 6,155,113 |
| With donor restrictions | <u>35,363,245</u> | <u>38,729,862</u> |
| Total net assets | <u>42,156,649</u> | <u>44,884,975</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 44,088,693</u> | <u>\$ 46,830,948</u> |

GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED CONSOLIDATED FINANCIAL INFORMATION FOR 2018

| | 2019 | | | 2018 |
|--|---|------------------------------------|-----------------------------|-----------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| SUPPORT AND REVENUE | | | | |
| Grants | \$ 1,062,150 | \$ 30,000 | \$ 1,092,150 | \$ 2,492,727 |
| Project contributions | 3,757,297 | 57,847,482 | 61,604,779 | 58,615,065 |
| Professional services | 2,945,046 | - | 2,945,046 | 2,140,485 |
| Investment income, net of fees | 41,245 | - | 41,245 | 22,344 |
| Interest income | 154,510 | - | 154,510 | 85,631 |
| Other revenue | 79,370 | - | 79,370 | 135,204 |
| Rental income | 1,275 | - | 1,275 | 14,700 |
| Net assets released from donor restrictions | <u>61,263,068</u> | <u>(61,263,068)</u> | <u>-</u> | <u>-</u> |
| Total support and revenue | <u>69,303,961</u> | <u>(3,385,586)</u> | <u>65,918,375</u> | <u>63,506,156</u> |
| EXPENSES | | | | |
| Program Expenses | 67,523,217 | - | 67,523,217 | 55,710,989 |
| Management and General | 1,093,519 | - | 1,093,519 | 1,079,522 |
| Fundraising | <u>55,244</u> | <u>-</u> | <u>55,244</u> | <u>58,748</u> |
| Total expenses | <u>68,671,980</u> | <u>-</u> | <u>68,671,980</u> | <u>56,849,259</u> |
| Change in net assets before other item | 631,981 | (3,385,586) | (2,753,605) | 6,656,897 |
| OTHER ITEM | | | | |
| Currency exchange rate gain (loss) | <u>6,310</u> | <u>18,969</u> | <u>25,279</u> | <u>(37,954)</u> |
| Change in net assets | 638,291 | (3,366,617) | (2,728,326) | 6,618,943 |
| Net assets at beginning of year | <u>6,155,113</u> | <u>38,729,862</u> | <u>44,884,975</u> | <u>38,266,032</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 6,793,404</u> | <u>\$ 35,363,245</u> | <u>\$ 42,156,649</u> | <u>\$ 44,884,975</u> |

GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED CONSOLIDATED FINANCIAL INFORMATION FOR 2018

| | 2019 | | | | 2018 |
|--|----------------------|---------------------------|------------------|----------------------|----------------------|
| | Program Expenses | Management and General | Fundraising | Total Expenses | Total Expenses |
| Project distributions | \$ 60,711,180 | \$ - | \$ - | \$ 60,711,180 | \$ 49,984,276 |
| Salary and benefits | 4,481,937 | 744,658 | 36,235 | 5,262,830 | 4,655,292 |
| Professional fees | 679,062 | 59,209 | 5,039 | 743,310 | 734,312 |
| Systems, domains and connectivity | 580,358 | 57,679 | 4,909 | 642,946 | 414,754 |
| Legal and registration fees | - | 125,372 | - | 125,372 | 89,747 |
| Field services | 37,605 | 2,344 | 200 | 40,149 | 18,694 |
| Travel | 177,292 | 18,105 | 1,541 | 196,938 | 134,566 |
| Rent | 318,506 | 33,340 | 2,837 | 354,683 | 323,833 |
| Office supplies, printing and reproduction | 41,161 | 4,235 | 360 | 45,756 | 94,767 |
| Depreciation and amortization | 93,536 | 9,791 | 833 | 104,160 | 146,045 |
| Insurance | 29,701 | 3,109 | 265 | 33,075 | 31,611 |
| Subscriptions and publications | 23,111 | 2,419 | 206 | 25,736 | 18,043 |
| Meetings and conventions | 87,694 | 8,759 | 745 | 97,198 | 76,643 |
| Taxes | - | 130 | - | 130 | 2,372 |
| Other expenses | 262,074 | 24,369 | 2,074 | 288,517 | 124,304 |
| TOTAL | \$ 67,523,217 | \$ 1,093,519 | \$ 55,244 | \$ 68,671,980 | \$ 56,849,259 |

See accompanying notes to consolidated financial statements.

GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED CONSOLIDATED FINANCIAL INFORMATION FOR 2018

| | <u>2019</u> | <u>2018</u> |
|--|-----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (2,728,326) | \$ 6,618,943 |
| Adjustments to reconcile change in net assets to net cash (used) provided by operating activities: | | |
| Depreciation and amortization | 104,161 | 146,045 |
| Donated securities | (98,485) | (201,731) |
| Unrealized loss (gain) on investments | 13,424 | (9,752) |
| Realized gain on investments | (18,083) | (10,016) |
| Decrease (increase) in: | | |
| Receivables | 1,399,020 | 1,720,790 |
| Pledges and grants receivable | 285,000 | (300,000) |
| Prepaid expenses and other assets | (28,174) | 45,608 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 16,029 | 58,204 |
| Accrued payroll liabilities | 7,387 | 22,268 |
| Project distributions payable | 170,394 | 296,689 |
| Deferred revenue | (120,314) | 137,744 |
| Deferred rent | (86,714) | (75,761) |
| Other current liabilities | <u>(711)</u> | <u>2,372</u> |
| Net cash (used) provided by operating activities | <u>(1,085,392)</u> | <u>8,451,403</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (126,985) | (28,377) |
| Purchase of investments | (4,093,599) | (1,976,148) |
| Sales of investments | <u>2,634,249</u> | <u>1,196,728</u> |
| Net cash used by investing activities | <u>(1,586,335)</u> | <u>(807,797)</u> |
| Net (decrease) increase in cash and cash equivalents | (2,671,727) | 7,643,606 |
| Cash and cash equivalents at beginning of year | <u>41,946,290</u> | <u>34,302,684</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 39,274,563</u> | <u>\$ 41,946,290</u> |
| SUPPLEMENTAL INFORMATION | | |
| Taxes Paid | <u>\$ 130</u> | <u>\$ 2,372</u> |

GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organizations -

The GlobalGiving Foundation, Inc. (the Foundation) helps U.S. and non-U.S. based entities access philanthropic capital by making the connections between donors and implementers of charitable programs more efficient, more transparent, and therefore more likely. By providing a secure and transparent environment for giving, the Foundation simultaneously fosters social innovation by enabling new and unproven ideas to have a chance at success, and enables individuals and corporations to maximize their global philanthropy. The Foundation functions as a charitable, not-for-profit, non-stock corporation and has one class of voting members, which comprise the Board of Directors, consisting of ten members. The affairs and management of the Foundation are under the control of the Board of Directors.

GlobalGiving UK (GG UK) is an England and Wales registered charity under the English law and is limited by guarantee. GG UK's charitable objectives are to advance any purpose which is deemed to be exclusively charitable under English law. GG UK's principal activity is working in partnership with GlobalGiving Foundation, Inc. in supporting the platform globalgiving.org which enables individuals, companies, and foundations to support a range of vetted charitable projects from all over the world. Donors to a specific project are automatically updated with the latest progress reports, therefore able to see the direct impact on the communities concerned.

Principles of consolidation -

The accompanying consolidated financial statements reflect the activities of GlobalGiving Foundation, Inc. and Subsidiary for the year ended December 31, 2019.

The financial statements of the Foundation and the GG UK are in accordance with FASB Accounting Standards Codification (ASC) 958-810, *Not-for-Profit Entities, Consolidation*. The Foundation is the sole company law member of GG UK, and as such, it has the right to change GG UK's constitution (known as its Memorandum and Articles of Association) and to appoint and remove trustees of GG UK. All intercompany transactions have been eliminated during consolidation.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor 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.
- **Net Assets with Donor Restrictions** - Contributions restricted by donors 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.

GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

Basis of presentation (continued) -

- **Net Assets with Donor Restrictions (continued)** - When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities and Change 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.

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the GlobalGiving Foundation, Inc. and Subsidiary's consolidated financial statements for the year ended December 31, 2018, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2019, the Foundation early adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way the Foundation recognized revenue; however, the presentation and disclosures of revenue have been enhanced. The Foundation has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also during 2019, the Foundation adopted ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. The Foundation adopted the ASU using a modified prospective basis.

Cash and cash equivalents -

The GlobalGiving Foundation, Inc. and Subsidiary consider all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. 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.

The Foundation receives website donations designated to over 7,500 pre-screened projects and makes remittances to those organizations as appropriate. These funds are segregated from the Foundation's other funds and as of December 31, 2019, totaled \$35,578,960.

The terms of a grant held by the Foundation require funds to be segregated from the Foundation's other funds. As of December 31, 2019, these funds totaled \$44,403.

GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Cash and cash equivalents (continued) -

At December 31, 2019, the Foundation had \$1,546,949 of cash and cash equivalents held at financial institutions in foreign countries. The majority of funds held in foreign countries is uninsured.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid by external investment advisors in the accompanying Consolidated Statement of Activities and Change in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. The Foundation's policy is to liquidate all gifts of investments as soon as possible after the gift.

Accounts, pledges, and grants receivable -

Receivables and pledges receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established. 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 gifts revenue.

Grants receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as deferred revenue.

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. Leasehold improvements are amortized over the life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2019 totaled \$104,161.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Consolidated Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

The Foundation -

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is only subject to tax on unrelated business income. The Foundation is not a private foundation.

GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Income taxes (continued) -

GlobalGiving UK -

GG UK is exempt from United Kingdom income tax and corporation tax, provided that the money is used solely for charitable purposes. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

Uncertain tax positions -

For the year ended December 31, 2019, the GlobalGiving Foundation, Inc. and Subsidiary have documented their 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 consolidated financial statements.

Project distributions payable -

Project distributions payable represent funds collected by GlobalGiving UK that are transferred to the Foundation to be disbursed to various charitable organizations. The revenue and expense are recorded within GlobalGiving UK's income statement and the Foundation serves as a pass-through organization.

Deferred revenue -

Deferred revenue consists of annual program management and setup fees received prior to being earned. The Foundation recognizes management fees on a pro-rata basis over the annual management period. The Foundation recognizes setup fees when the services are performed. Revenue recognized for these fees are included in professional services on the Consolidated Statement of Activities and Change in Net Assets.

Contributions and grants -

The majority of the Foundation's revenue is received through contributions and grants. Contributions and grants are recognized in the appropriate category of net assets in the period received. The Foundation performs an analysis of the individual contribution, grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants and contracts qualifying as contributions that are unconditional that have 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 consolidated financial statements.

Contributions and grants agreements qualifying as conditional contributions contain a right of return and a barrier. As such, the Foundation recognizes revenue for these conditional contributions when the related barrier has been overcome. Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. The Foundation did not have any conditional awards as of December 31, 2019.

GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Contributions and grants (continued) -

Contracts classified as exchange transactions for professional services follow ASU 2014-09, *Revenue from Contracts With Customers* and record revenue when the performance obligations are met. The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred in compliance with the criteria stipulated in the grant or contract agreements. Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant and contract agreements. Funding received in advance of incurring the related expenses is recorded as deferred revenue.

Foreign currency translation -

The U.S. Dollar (Dollars) is the functional currency for the Foundation's worldwide operations. Transactions in currencies other than U.S. dollars are translated into dollars. Current assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the date of the Consolidated Statement of Financial Position. Fluctuations in currency are reported on the Consolidated Statement of Activities and Change in Net Assets as income (loss) and included in contributions.

Use of estimates -

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair value measurements -

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.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Change 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 GlobalGiving Foundation, Inc. and Subsidiary depend primarily on donations and grants to carry on their charitable activities; consequently, any change in giving patterns would affect the GlobalGiving Foundation, Inc. and Subsidiary's ability to fund their operations.

GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

New accounting pronouncement not yet adopted -

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

The Foundation plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying consolidated financial statements.

2. INVESTMENTS

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 Consolidated Statement 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 were no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the year ended December 31, 2019. Transfers between levels are recorded at the end of the reporting period, if applicable.

Mutual funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by the Foundation are deemed to be actively traded.

GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. INVESTMENTS (Continued)

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy and those invested and measured at NAV as a practical expedient as of December 31, 2019.

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total December 31, 2019</u> |
|------------------------------------|---------------------|----------------|----------------|--|
| Asset Class: | | | | |
| Mutual funds - Fixed income | \$ 2,563,413 | \$ - | \$ - | \$ 2,563,413 |

Included in investment income are the following:

| | |
|--|------------------|
| Interest and dividends | \$ 40,258 |
| Unrealized loss | (13,424) |
| Realized gain | 18,083 |
| Investment expenses provided by external investment advisors | <u>(3,672)</u> |
| TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES | \$ 41,245 |

3. FIXED ASSETS

Fixed assets consisted of the following for the year ended December 31, 2019:

| | |
|---|--------------------|
| Furniture, fixtures and computers | \$ 728,660 |
| Software | 159,879 |
| Leasehold improvements | <u>598,641</u> |
| | 1,487,180 |
| Less: Accumulated depreciation and amortization | <u>(1,066,697)</u> |
| FIXED ASSETS, NET | \$ 420,483 |

4. LINE OF CREDIT

The Foundation has a \$750,000 bank line of credit. Amounts borrowed under this agreement bear interest based upon the index and the margin described in the financing agreement (5.00% at December 31, 2019). As of December 31, 2019, there was no outstanding balance on the line of credit. The line is secured by cash held in accounts at the same financial institution.

5. NET ASSETS WITH DONOR RESTRICTIONS

The GlobalGiving Foundation, Inc. and Subsidiary's net assets with donor restrictions are mostly comprised of donations received that will be used to provide benefits to specific charitable projects and have not yet been distributed to the sponsoring organizations.

Net assets with donor restrictions consist of the following at December 31, 2019:

| | |
|---|----------------------|
| Subject to expenditure for specified purpose: | |
| Foundation projects | \$ 34,576,471 |
| Guarantee reserve | 4,467 |
| GG UK projects | <u>782,307</u> |
| TOTAL NET ASSETS WITH DONOR RESTRICTIONS | \$ 35,363,245 |

GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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6. NET ASSETS RELEASED FROM RESTRICTIONS

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

| | |
|--|-----------------------------|
| Purpose restrictions accomplished: | |
| Foundation project distributions | \$ 58,981,488 |
| GG UK projects | <u>2,281,580</u> |
| TOTAL NET ASSETS RELEASED FROM RESTRICTIONS | <u>\$ 61,263,068</u> |

7. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Consolidated Statement of Financial Position date comprise the following:

| | |
|---|----------------------------|
| Cash and cash equivalents | \$ 39,274,563 |
| Investments | 2,563,413 |
| Receivables | 1,410,976 |
| Pledges and grants receivable | <u>15,000</u> |
| Subtotal financial assets available within one year | 43,263,952 |
| Less: Donor restricted funds | <u>(35,363,245)</u> |
| FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR | <u>\$ 7,900,707</u> |

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of December 31, 2019, the Foundation has financial assets equal to approximately one month of operating expenses. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. In the event of an unanticipated liquidity need, the Foundation also could draw upon \$750,000 of available line of credit (as further discussed in Note 11).

8. COMMITMENTS

Outsourced services - The Foundation contracts with Insperity as a full-service, outsourced human resources provider for the Foundation. The agreement will remain in effect until terminated. Either party may cancel this Agreement at any time by giving the other party thirty (30) days prior written notice.

9. RETIREMENT PLAN

The Foundation established the GlobalGiving Foundation, Inc. 401(k) Plan for the exclusive benefit of all eligible employees and their beneficiaries. To be eligible to make a salary deferral contribution and to receive a matching contribution, an employee must have completed a minimum of three months of service with 160 hours in each month.

GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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9. RETIREMENT PLAN (Continued)

Each year, at the Foundation's discretion, a match may be a discretionary percentage allocated proportionate to an employee salary deferrals, flat dollar amount, or tiered formula, as the Foundation elects each year. The safe harbor contribution will be a match of 100% of the first 3% of salary deferral plus 50% of the next 2% of salary deferral. The total safe harbor match for the year ended December 31, 2019 was \$128,161.

Additionally, the Foundation, at its discretion, may make a profit sharing contribution to the Plan. To be eligible to receive an allocation of the discretionary employer profit sharing contributions an employee must complete 1,000 hours of service during the Plan year and be employed the last day of the Plan year. The Foundation did not make a profit sharing contribution for the year ended December 31, 2019.

10. LEASE COMMITMENT

In 2014, the Foundation entered into a lease agreement for new office space. The lease commenced on August 1, 2014 and terminates on July 31, 2024. Base rent is \$26,971 per month, with annual set escalations, plus a proportionate share of expenses.

During 2016, GG UK signed a new lease with contractual terms commencing on April 24, 2016 and terminating on April 23, 2019. The lease has a base rent of £13,800 per annum, plus a proportionate share of service charges, taxes, and utilities. The base amount will be reviewed on an annual basis and adjusted based on the current RPI at the time of review. This lease was not renewed at the time of termination.

GG UK signed a twenty-four month lease agreement for new office space with a commencement date of July 12, 2019. Base rent on the lease is £2,100 per month plus a proportionate share of service charges, taxes, and utilities.

The Foundation initiated a program with OpenGovHub to sublease office space to third party companies. The licensees would rent desk space from the Foundation but would also have access to all of the amenities at OpenGovHub. Total rental income for the year was \$1,275.

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 Consolidated Statement of Financial Position.

The following is a schedule of the future minimum lease payments:

| <u>Year Ending December 31,</u> | <u>Rental Payments</u> |
|---------------------------------|----------------------------|
| 2020 | \$ 408,830 |
| 2021 | 401,405 |
| 2022 | 394,221 |
| 2023 | 404,089 |
| 2024 | <u>239,118</u> |
| | <u>\$ 1,847,663</u> |

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10. LEASE COMMITMENT (Continued)

Rent expense for the year ended December 31, 2019 totaled \$354,684. The deferred rent liability was \$530,195.

11. OTHER FINANCIAL COMMITMENTS

GG UK was obligated to make payments to Venturesome under a multi-year agreement which terminated during the year ended December 31, 2019. The payments were for a Revenue Participation Right that Venturesome had previously purchased. Payments to Venturesome during the year ended December 31, 2019 totaled £7,200 (approximately \$9,600) and were based on a percentage between 0.83% and 5% of income.

12. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the GlobalGiving Foundation, Inc. and Subsidiary have evaluated events and transactions for potential recognition or disclosure through September 30, 2021, the date the consolidated financial statements were issued.

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Foundation's operations. The overall potential impact is unknown at this time.