

MARYLAND PHILANTHROPY NETWORK, INC.

**Financial Statements Together with Supplementary Information and
Report of Independent Public Accountants**

For the Years Ended December 31, 2019 and 2018



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

DECEMBER 31, 2019 AND 2018

CONTENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7
SUPPLEMENTARY INFORMATION	
Schedules of Revenue and Expenses by Program	19



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Directors of the
Maryland Philanthropy Network, Inc.

Report on the Financial Statements

We have audited the accompanying statements of financial position of the Maryland Philanthropy Network Inc. (MPN), as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls 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 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 controls 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 controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MPN as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedules of revenue and expenses by program are presented for purposes of additional analysis, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenue and expenses by program are fairly stated in all material respects in relation to the basic financial statements as a whole.

Owings Mills, Maryland
November 12, 2020

SB & Company, LLC

MARYLAND PHILANTHROPY NETWORK, INC.

**Statements of Financial Position
As of December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 567,991	\$ 767,248
Investments	1,573,489	1,248,704
Grants and other receivables	44,230	71,367
Other assets	21,537	15,254
Total Assets	<u>\$ 2,207,247</u>	<u>\$ 2,102,573</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 107,214	\$ 54,502
Deferred revenue	128,140	87,220
Total Liabilities	<u>235,354</u>	<u>141,722</u>
Net Assets		
Without donor restrictions:		
Opportunity reserve	10,000	10,000
Betsy Nelson Legacy Fund	394,306	370,531
Board designated endowment	929,658	873,603
Undesignated	43,340	133,074
Total net assets without donor restrictions	<u>1,377,304</u>	<u>1,387,208</u>
With donor restrictions	594,589	573,643
Total Net Assets	<u>1,971,893</u>	<u>1,960,851</u>
Total Liabilities and Net Assets	<u>\$ 2,207,247</u>	<u>\$ 2,102,573</u>

The accompanying notes are an integral part of these financial statements.

MARYLAND PHILANTHROPY NETWORK, INC.

Statements of Activities and Changes in Net Assets For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support						
Membership dues	\$ 478,869	\$ -	\$ 478,869	\$ 497,947	\$ -	\$ 497,947
Grants and contributions	145,362	-	145,362	195,596	-	195,596
Sponsorships	5,475	-	5,475	10,000	-	10,000
In-kind Contribution	-	6,240	6,240	-	-	-
Other income	15,740	-	15,740	26,643	-	26,643
Programs:						
Aging Affinity Group	-	53,844	53,844	-	20,000	20,000
Baltimore Intersection	-	192,453	192,453	-	-	-
Education Affinity Group	-	15,350	15,350	-	15,960	15,960
CommonWealth Builders	-	25,100	25,100	-	-	-
Maryland Community Foundation Association	-	11,050	11,050	-	18,800	18,800
Community Investment Affinity Group	-	25,000	25,000	-	20,000	20,000
Dance & More	-	10,200	10,200	-	-	-
Green Affinity Group	-	3,000	3,000	-	9,000	9,000
Maryland Environmental Health Network	-	747	747	-	247,733	247,733
Baltimore Integration Partnership	-	50,000	50,000	-	60,000	60,000
Workforce Collaborative and Affinity Group	-	604,500	604,500	-	412,500	412,500
Impact Investing	-	12,500	12,500	-	12,500	12,500
Investment income / (loss), net	252,917	827	253,744	(75,338)	1,126	(74,212)
Intercompany eliminations	(76,822)	-	(76,822)	(96,856)	-	(96,856)
Total Revenue and Other Support	821,541	1,010,811	1,832,352	557,992	817,619	1,375,611
Net Assets Released from Restriction	989,865	(989,865)	-	1,050,655	(1,050,655)	-
Total Revenue	1,811,406	20,946	1,832,352	1,608,647	(233,036)	1,375,611
Expenses						
General operating	909,094	-	909,094	824,976	-	824,976
Programs:						
Aging Affinity Group	35,225	-	35,225	13,928	-	13,928
Baltimore Intersection	178,839	-	178,839	-	-	-
Education Affinity Group	14,775	-	14,775	24,622	-	24,622
CommonWealth Builders	17,787	-	17,787	-	-	-
Maryland Community Foundation Association	16,526	-	16,526	17,446	-	17,446
Community Investment Affinity Group	62,611	-	62,611	47,787	-	47,787
Dance & More	9,900	-	9,900	-	-	-
Green Affinity Group	800	-	800	8,713	-	8,713
Maryland Environmental Health Network	90,904	-	90,904	216,472	-	216,472
Baltimore Integration Partnership	111,152	-	111,152	282,689	-	282,689
Workforce Collaborative and Affinity Group	437,119	-	437,119	426,293	-	426,293
Impact Investing	13,400	-	13,400	11,579	-	11,579
Intercompany eliminations	(76,822)	-	(76,822)	(96,856)	-	(96,856)
Total Expenses	1,821,310	20,946	1,821,310	1,777,649	(233,036)	1,777,649
Changes in net assets	(9,904)	11,042	1,138	(169,002)	806,679	(402,038)
Net assets, beginning of year	1,387,208	573,643	1,960,851	1,556,210	806,679	2,362,889
Net Assets, End of Year	\$ 1,377,304	\$ 594,589	\$ 1,971,893	\$ 1,387,208	\$ 573,643	\$ 1,960,851

The accompanying notes are an integral part of these financial statements.

MARYLAND PHILANTHROPY NETWORK, INC.

**Statements of Functional Expenses
For the Years Ended December 31, 2019 and 2018**

	2019			
	Program Services	Management and General	Fundraising	Total
Payroll and payroll related	\$ 672,312	\$ 111,279	\$ 41,242	\$ 824,833
Grants	329,761	-	-	329,761
Professional fees	377,862	48,262	-	426,124
Office	59,671	9,235	3,169	72,075
Occupancy	71,247	758	3,790	75,795
Workshops, meetings and travel	62,266	594	3,292	66,152
Professional development	24,977	265	1,328	26,570
Total	\$ 1,598,096	\$ 170,393	\$ 52,821	\$ 1,821,310

	2018			
	Program Services	Management and General	Fundraising	Total
Payroll and payroll related	\$ 713,604	\$ 120,260	\$ 43,888	\$ 877,752
Grants	291,705	-	-	291,705
Professional fees	319,765	47,782	-	367,547
Office	78,649	9,670	4,179	92,498
Occupancy	70,833	754	3,768	75,355
Workshops, meetings and travel	49,496	525	2,633	52,654
Professional development	18,930	201	1,007	20,138
Total	\$ 1,542,982	\$ 179,192	\$ 55,475	\$ 1,777,649

The accompanying notes are an integral part of these financial statements.

MARYLAND PHILANTHROPY NETWORK, INC.**Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 11,042	\$ (402,038)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Realized and unrealized (gain) / loss on investments	(219,476)	102,885
Effect from changes in non-cash operating assets and liabilities:		
Grants and other receivables	27,137	1,423
Other assets	(6,283)	5,581
Accounts payable and accrued expenses	52,712	27,056
Deferred revenue	40,920	6,404
Net Cash Flows from Operating Activities	<u>(93,948)</u>	<u>(258,689)</u>
Cash Flows from Investing Activities		
Purchases of investments	(555,309)	(54,682)
Proceeds from sale of investments	450,000	50,557
Net Cash Flows from Investing Activities	<u>(105,309)</u>	<u>(4,125)</u>
Net change in cash and cash equivalents	(199,257)	(262,814)
Cash and cash equivalents, beginning of year	767,248	1,030,062
Cash and Cash Equivalents, End of Year	<u>\$ 567,991</u>	<u>\$ 767,248</u>

The accompanying notes are an integral part of these financial statements.

MARYLAND PHILANTHROPY NETWORK, INC.

Notes to the Financial Statements December 31, 2019 and 2018

1. BACKGROUND OF THE ORGANIZATION

The Maryland Philanthropy Network Inc. (MPN) is a not-for-profit organization dedicated to maximize the impact of giving on community life through a growing network of diverse, informed and effective philanthropists.

MPN is supported by membership dues, grants, and earned income. MPN acts as an organizing backbone and neutral convener bringing funders and partners together to promote alignment and action around issues affecting communities across Maryland. The Maryland Philanthropy Network was founded by Baltimore area grantmakers in 1983 to provide a forum in which philanthropic peers could come together to learn and collaborate.

MPN's formal name was The Association of Baltimore Area Grantmakers (ABAG). On May 20, 2019, ABAG announced that it would change its name to Maryland Philanthropy Network, Inc. as part of a rebrand to more accurately reflect the expansion of its membership and growth of its mission over the last several decades.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of MPN are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments, which have an original maturity of three months or less. Cash equivalents as of December 31, 2019 and 2018, consisted of money market funds.

MARYLAND PHILANTHROPY NETWORK, INC.

Notes to the Financial Statements December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement

Accounting principles generally accepted in the United States of America establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that MPN has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement 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.

Grants and Other Receivables

Grants receivable represents grant expenditures incurred but not collected by MPN from foundations and the Federal government. Other receivables represent uncollected membership dues. Management believes all receivables are fully collectible; thus, no allowance for doubtful accounts is recorded as of December 31, 2019 and 2018.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation for items with an expected useful life of more than one year. Depreciation is recorded using the straight-line method over the estimated useful lives of three to five years for equipment and furniture and the term of the lease for leasehold improvements.

MARYLAND PHILANTHROPY NETWORK, INC.

Notes to the Financial Statements December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets without donor restrictions are assets and contributions that are not restricted by donors or for which restrictions have expired.

Net assets with donor restrictions are those whose use by MPN has been limited by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Net assets with donor restrictions also consist of contributions received from donors, which are subject to restrictions in perpetuity. As of December 31, 2019 and 2018, there were no net assets with donor restrictions in perpetuity.

Support and Revenue

Contributions received are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions.

Gifts of cash and other assets are reported as with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends, or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Membership dues are recognized as revenue in the membership period to which the dues relate. Accordingly, dues paid by members in advance of the membership period are reported as deferred revenue in the accompanying statements of financial position. Grants paid in advance of the conditions being met were recorded as deferred revenue as of December 31, 2019 and 2018.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and statements of functional expenses. Salary costs and grants to others are readily identifiable with a cost objective and thus are charged directly to the function. Management and general expenses include those expenses that are not directly identified with any other specific function but provide for the overall support and direction of MPN. Direct salaries and wages are considered a representative measure of the organizational effort applied to joint objectives and serve as the basis for allocation of shared expenses.

MARYLAND PHILANTHROPY NETWORK, INC.

Notes to the Financial Statements December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

MPN is a not-for-profit organization exempt from Federal income tax, other than net unrelated business income tax, under Section 501(c)(3) of the Internal Revenue Code and is recognized as such by the Internal Revenue Service.

MPN accounts for uncertainty in income taxes recognized in its financial statements using a threshold of “more likely than not” for recognition of tax positions taken or expected to be taken in a tax return. MPN performed an evaluation of uncertain tax positions for the years ended December 31, 2019 and 2018, and determined that there were no matters that would require recognition in the accompanying financial statements or which may have any effect on its tax-exempt status. As of December 31, 2019, the statute of limitations for fiscal years 2016 through 2019 remains open with the U.S. Federal jurisdiction. It is MPN’s policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

Liquidity and Availability of Resources

The following reflects MPN’s financial assets as of December 31, 2019, reduced by amounts not available for general use within one year because of donor-imposed restrictions.

Cash and cash equivalents	\$	567,991
Grants and other receivables		44,230
Investments		<u>1,573,489</u>
Financial assets, at year-end		2,185,710
Less those unavailable for general expenditures within one year, due to:		
Board-designated		1,368,472
With donor restrictions		594,589
Financial assets available to meet cash needs for general expenses within one year	\$	<u><u>222,649</u></u>

MPN manages its liquidity following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. The board designates funds which can be made available to cover general operating needs upon request from management and approval by the board.

MARYLAND PHILANTHROPY NETWORK, INC.

Notes to the Financial Statements December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Implemented Accounting Pronouncements

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. This standard is effective for periods beginning after December 15, 2018. MPN implemented this standard for the year ended December 31, 2019, and it did not have a material impact on the financial statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides cash flow statement classification guidance. This standard is effective for periods beginning after December 15, 2018. MPN implemented this standard for the year ended December 31, 2019, and it did not have a material impact on the financial statements.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, that creates a singular reporting model for leases. This standard will require the entities to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. This standard will be effective for periods beginning after December 15, 2021.

In September 2017, the FASB issued ASU No. 2017-13, *Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606)*. The recognition of revenue when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard is effective for periods beginning after December 15, 2021.

Management is evaluating the effects of these pronouncements on the financial statements and does not believe the adoption of these pronouncements will have a material effect on the financial statements.

Reclassification

Certain amounts have been reclassified from their prior period presentation to confirm with the current year presentation. These reclassifications had no effect on the changes in net assets.

MARYLAND PHILANTHROPY NETWORK, INC.

Notes to the Financial Statements December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

MPN evaluated the accompanying financial statements for subsequent events and transactions through November 12, 2020, the date these financial statements were available for issuance and have determined that other than the paragraph herein regarding the COVID-19 pandemic, that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

In February 2020, an outbreak of a new coronavirus, COVID-19, emerged in the United States. In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. As a result, widespread shutdowns of states, cities, schools, and businesses began to take place, impacting the United States as the number of people infected grows at an unprecedented rate.

As a result of the pandemic, MPN has experienced increased demand for its services. In addition, MPN received loans totaling approximately \$157,000 from the Payroll Protection Plan, with \$134,000 received directly by MPN and the remaining amounts received by Programs reported within MPN's financial statements. Management and the board of directors have been monitoring its expenses and revenue and does not expect a negative financial impact over the next 12 months.

3. INVESTMENTS

The following is a description of the valuation methodologies used for investments measured at fair value.

Mutual funds, exchange-traded funds, and municipal bonds: Valued at the closing price reported on the active markets on which the funds are traded.

US Treasury Bills: Issued by the U.S. Treasury Department and represent direct obligations of the U.S. government, which are valued at the closing market price.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while MPN believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date.

MARYLAND PHILANTHROPY NETWORK, INC.

Notes to the Financial Statements December 31, 2019 and 2018

3. INVESTMENTS (continued)

The following tables set forth by level, the fair value hierarchy of MPN's investments at fair value as of December 31, 2019 and 2018:

	2019			Total
	Level 1	Level 2	Level 3	
Cash (Money Fund)	\$ 478,204	\$ -	\$ -	\$ 478,204
Mutual funds:				
Intermediate-term bonds	42,361	-	-	42,361
Large blend equity funds	281,127	-	-	281,127
Exchange traded funds	571,894	-	-	571,894
US treasury bonds	39,833	-	-	39,833
Municipal bonds	160,070	-	-	160,070
Total	\$ 1,573,489	\$ -	\$ -	\$ 1,573,489

	2018			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Intermediate-term bonds	\$ 409,136	\$ -	\$ -	\$ 409,136
Exchange traded funds	839,568	-	-	839,568
Total	\$ 1,248,704	\$ -	\$ -	\$ 1,248,704

There were no changes in the methods used to level the investments from the prior year.

As of December 31, 2019 and 2018, investments consisted of the following:

	2019			Market Value
	Cost	Unrealized Gain	Unrealized Loss	
Cash (Money Fund)	\$ 478,204	\$ -	\$ -	\$ 478,204
US Treasury Bonds	39,683	150	-	39,833
Mutual funds:				
Intermediate-term bonds	44,046	-	(1,685)	42,361
Large blend equity funds	275,149	5,978	-	281,127
Exchange traded funds	382,065	189,829	-	571,894
International Exchange Traded Funds	125,917	34,153	-	160,070
Total	\$ 1,345,064	\$ 230,110	\$ (1,685)	\$ 1,573,489

	2018			Market Value
	Cost	Unrealized Gain	Unrealized Loss	
Mutual funds:				
Intermediate-term bonds	\$ 421,450	\$ -	\$ (12,314)	\$ 409,136
Exchange traded funds	761,763	78,273	(468)	839,568
Total	\$ 1,183,213	\$ 78,273	\$ (12,782)	\$ 1,248,704

MARYLAND PHILANTHROPY NETWORK, INC.

Notes to the Financial Statements December 31, 2019 and 2018

3. INVESTMENTS (continued)

For the years ended December 31, 2019 and 2018, investment income consisted of the following:

	December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	\$ 35,857	\$ 1,107	\$ 36,964
Investment fees	(2,418)	(280)	(2,698)
Realized and unrealized gain, net	219,478	-	219,478
Total investment income	\$ 252,917	\$ 827	\$ 253,744

	December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	\$ 29,760	\$ 1,126	\$ 30,886
Realized and unrealized loss, net	(105,098)	-	(105,098)
Total investment income	\$ (75,338)	\$ 1,126	\$ (74,212)

4. ENDOWMENTS

MPN's quasi-endowments consist of two board-designated funds. The initial fund was established by its board of directors to ensure future stability and capacity to provide services to its members and the nonprofit community. The Betsy Nelson Legacy Fund was established to engage the broader community about philanthropy.

As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the board of directors to function as quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The board reserves the right to amend the policy related to the non-donor-imposed restrictions of the funds according to the needs of MPN.

The board of directors of MPN has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, MPN classifies net assets with donor restriction in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the

MARYLAND PHILANTHROPY NETWORK, INC.

Notes to the Financial Statements December 31, 2019 and 2018

4. ENDOWMENTS (continued)

applicable donor gift instrument at the time the accumulation is added to the fund. As of December 31, 2019 and 2018, MPN has not received any funds that are with donor restrictions to be held in perpetuity.

In accordance with UPMIFA, MPN considers the following factors in making a determination to appropriate or accumulate donor-restricted or board restricted endowment funds:

- the duration and preservation of the fund;
- the purposes of MPN;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation of investments;
- other resources of MPN; and
- the investment policies of MPN.

Return Objectives and Risk Parameters

MPN has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the real value (constant dollar value as measured by the US Consumer Price Index) of the endowment assets. Actual returns in any given year may vary from this amount.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The income from the endowments that may be spent annually will not exceed 5% of the assets of the fund, as measured by the average of the value of the preceding 24 months. In establishing this policy, MPN considered the long-term expected return on its endowments. Accordingly, over the long term, MPN expects the current spending policy to allow its endowments to grow at the rate of inflation annually. This is consistent with MPN's objective to maintain the purchasing power of the endowment's assets.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, MPN relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). MPN targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

MARYLAND PHILANTHROPY NETWORK, INC.

Notes to the Financial Statements December 31, 2019 and 2018

4. ENDOWMENTS (continued)

Composition of the Board Designated Endowments

As of December 31, 2019 and 2018, the composition of the endowment was as follows:

	<u>2019</u>	<u>2018</u>
Board-designated endowment funds	\$ 953,889	\$ 873,603
Betsy Nelson Legacy fund	404,583	370,531
Total	<u>\$ 1,358,472</u>	<u>\$ 1,244,134</u>

Change in Endowment Net Assets

For the years ended December 31, 2019 and 2018, the change in endowment net assets was as follows:

	<u>2019</u>	<u>2018</u>
Endowment net assets, beginning of year	\$ 1,244,134	\$ 1,256,376
Investment return:		
Investment income	32,711	27,332
Net appreciation (depreciation) (realized and unrealized)	47,119	(39,574)
Net investment return	<u>79,830</u>	<u>(12,242)</u>
Endowment Net Assets, End of Year	<u>\$ 1,323,964</u>	<u>\$ 1,244,134</u>

MARYLAND PHILANTHROPY NETWORK, INC.

Notes to the Financial Statements December 31, 2019 and 2018

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of December 31:

	<u>2019</u>	<u>2018</u>
Aging Affinity Group	\$ 33,506	\$ 14,887
Baltimore Integration Partnership	52,200	113,352
Community Investment Affinity Group	16,654	54,265
Education Affinity Group	11,498	10,923
Green Affinity Group	6,841	4,641
Maryland Community Foundation Association	16,995	22,471
Maryland Environmental Health Network	69,930	160,087
Workforce Collaborative and Affinity Group	359,477	192,096
Impact Investing	21	921
Baltimore Intersection	19,854	-
CommonWealth Builders	7,313	-
Dance & More	300	-
Total	<u>\$ 594,589</u>	<u>\$ 573,643</u>

6. COMMITMENTS

MPN leases its office under the terms of an operating lease. The lease expired on February 28, 2020. Rent expense was \$67,436 and \$64,093, for the years ended December 31, 2019 and 2018, respectively. The future minimum rental payments as of December 31, 2019 was \$10,010.

On January 15, 2020, MPN entered into a new 10-year lease agreement for office space, which expires on December 31, 2030.

7. RETIREMENT PLAN

MPN has a retirement plan covering all employees under the provisions of Section 403(b) of the Internal Revenue Code. MPN contributes 3% of each full-time employee's salary, contingent upon the employee contributing 1% of his/her salary. Retirement plan expense was \$15,686 and \$18,868, for the years ended December 31, 2019 and 2018, respectively.

SUPPLEMENTARY INFORMATION

MARYLAND PHILANTHROPY NETWORK, INC.

Schedule of Revenue and Expenses by Program For the Year Ended December 31, 2019, with Comparative 2018 Totals

	MPN SUMMARY	AGING AFFINITY GROUP	BALTIMORE INTERSECTION	BALTIMORE INTEGRATION PARTNERSHIP	COMMONWE ALTH BUILDERS	DANCE & MORE	COMMUNITY INVESTMENT AFFINITY GROUP	EDUCATION AFFINITY GROUP	GREEN AFFINITY GROUP	MARYLAND COMMUNITY FOUNDATION ASSOCIATION	MARYLAND ENVIRONMENT HEALTH NETWORK	WORKFORCE COLLABORATIVE AND AFFINITY GROUP	IMPACT INVESTING	INTER- COMPANY ELIMINATIONS	TOTAL	2018 TOTAL
Income																
Grants and contributions	\$ 145,362	\$ 53,844	\$ 192,453	\$ 50,000	\$ 25,100	\$ 10,200	\$ 25,000	\$ 15,350	\$ 3,000	\$ 11,050	\$ 747	\$ 604,500	\$ 12,500	\$ (76,822)	\$ 1,072,284	\$ 915,233
Investment (loss)/income	253,744	-	-	-	-	-	-	-	-	-	-	-	-	-	253,744	(74,212)
Membership dues	478,869	-	-	-	-	-	-	-	-	-	-	-	-	-	478,869	497,947
In-kind Contribution	-	-	6,240	-	-	-	-	-	-	-	-	-	-	-	6,240	-
Other	21,215	-	-	-	-	-	-	-	-	-	-	-	-	-	21,215	36,643
Total Income	899,190	53,844	198,693	50,000	25,100	10,200	25,000	15,350	3,000	11,050	747	604,500	12,500	(76,822)	1,832,352	1,375,611
Expense																
Payroll & payroll related	537,619	-	126,694	14,933	-	2,610	-	-	-	-	32,549	116,428	-	(6,000)	824,833	877,752
Grants	-	-	9,597	23,500	1,255	510	-	-	-	-	28,510	277,751	-	-	341,123	291,705
Professional fees	201,436	34,725	16,954	57,282	15,200	5,439	55,077	11,430	800	1,200	11,394	2,987	12,200	-	426,124	367,547
Office	52,539	-	10,678	1,494	164	1,242	-	-	-	541	2,550	2,867	-	-	72,075	92,498
Occupancy	69,185	-	6,540	-	-	-	-	-	-	-	70	-	-	-	75,795	75,355
Workshops, meetings & travel	36,210	-	8,044	3,445	-	99	34	1,245	-	285	3,531	13,259	-	-	66,152	52,654
Professional development	12,105	-	332	498	1,168	-	-	-	-	-	1,380	11,087	-	-	26,570	20,138
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overhead	-	500	-	10,000	-	-	7,500	2,100	-	14,500	10,920	12,740	1,200	(70,822)	(11,362)	-
Total Expenses	909,094	35,225	178,839	111,152	17,787	9,900	62,611	14,775	800	16,526	90,904	437,119	13,400	(76,822)	1,821,310	1,777,649
Changes in net assets	(9,904)	18,619	19,854	(61,152)	7,313	300	(37,611)	575	2,200	(5,476)	(90,157)	167,381	(900)	-	11,042	(402,038)
Net assets, beginning of year	1,387,208	14,887	-	113,352	-	-	54,265	10,923	4,641	22,471	160,087	192,096	921	-	1,960,851	2,362,889
Net Assets, End of Year	\$ 1,377,304	\$ 33,506	\$ 19,854	\$ 52,200	\$ 7,313	\$ 300	\$ 16,654	\$ 11,498	\$ 6,841	\$ 16,995	\$ 69,930	\$ 359,477	\$ 21	\$ -	\$ 1,971,893	\$ 1,960,851

MARYLAND PHILANTHROPY NETWORK, INC.

**Schedule of Revenue and Expenses by Program
For the Year Ended December 31, 2018**

	ABAG SUMMARY	AGING AFFINITY GROUP	BALTIMORE INTEGRATION PARTNERSHIP	COMMUNITY INVESTMENT AFFINITY GROUP	EDUCATION AFFINITY GROUP	GREEN AFFINITY GROUP	MARYLAND COMMUNITY FOUNDATION ASSOCIATION	MARYLAND ENVIRONMENT HEALTH NETWORK	WORKFORCE COLLABORATIVE AND AFFINITY GROUP	IMPACT INVESTING	INTER-COMPANY ELIMINATIONS	TOTAL
Income												
Grants and contributions	\$ 195,596	\$ 20,000	\$ 60,000	\$ 20,000	\$ 15,960	\$ 9,000	\$ 18,800	\$ 247,733	\$ 412,500	\$ 12,500	\$ (96,856)	\$ 915,233
Investment income	(74,212)	-	-	-	-	-	-	-	-	-	-	(74,212)
Membership dues	497,947	-	-	-	-	-	-	-	-	-	-	497,947
Other	36,643	-	-	-	-	-	-	-	-	-	-	36,643
Total Income	655,974	20,000	60,000	20,000	15,960	9,000	18,800	247,733	412,500	12,500	(96,856)	1,375,611
Expense												
Payroll & payroll related	493,017	-	132,281	-	-	7,753	-	164,772	94,929	-	(15,000)	877,752
Grants	-	-	37,080	-	-	-	-	-	254,625	-	-	291,705
Professional fees	149,165	11,928	77,924	35,821	22,035	-	2,700	8,172	48,277	11,525	-	367,547
Office	70,996	-	14,244	91	-	-	-	6,082	1,085	-	-	92,498
Occupancy	75,045	-	-	-	-	-	-	11,110	-	-	(10,800)	75,355
Workshops, meetings & travel	30,181	-	9,608	6,375	-	-	105	2,930	3,401	54	-	52,654
Professional development	6,572	-	1,552	-	-	-	141	6,137	5,736	-	-	20,138
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Overhead	-	2,000	10,000	5,500	2,587	960	14,500	17,269	18,240	-	(71,056)	-
Total Expenses	824,976	13,928	282,689	47,787	24,622	8,713	17,446	216,472	426,293	11,579	(96,856)	1,777,649
Changes in net assets	(169,002)	6,072	(222,689)	(27,787)	(8,662)	287	1,354	31,261	(13,793)	921	-	(402,038)
Net assets, beginning of year	1,556,210	8,815	336,041	82,052	19,585	4,354	21,117	128,826	205,889	-	-	2,362,889
Net Assets, End of Year	\$ 1,387,208	\$ 14,887	\$ 113,352	\$ 54,265	\$ 10,923	\$ 4,641	\$ 22,471	\$ 160,087	\$ 192,096	\$ 921	\$ -	\$ 1,960,851