

**WBENC**

**WOMEN'S BUSINESS ENTERPRISE  
NATIONAL COUNCIL, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

**WOMEN’S BUSINESS ENTERPRISE NATIONAL COUNCIL, INC.**

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DECEMBER 31, 2018**

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## **Independent Auditors' Report**

Board of Directors  
Women's Business Enterprise National Council, Inc.  
Washington, D.C.

We have audited the accompanying financial statements of the Women's Business Enterprise National Council, Inc. (WBENC), 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WBENC 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.

Board of Directors  
Women's Business Enterprise National Council, Inc.

***Emphasis of Matter***

As discussed in Note 2 of the financial statements, WBENC adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

***Report on Summarized Comparative Information***

We have previously audited WBENC's 2017 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated October 2, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Councilor, Buchanan + Mitchell, P.C.*

Washington, D.C.  
September 20, 2019

Certified Public Accountants

**WOMEN'S BUSINESS ENTERPRISE NATIONAL COUNCIL, INC.**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2018**

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)

<b>Assets</b>	<b>2018</b>	<b>2017</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 4,024,081	\$ 3,612,258
Investments	505,309	501,582
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$120,000 in 2018 and \$49,500 in 2017	1,282,161	1,154,477
Prepaid Expenses	311,049	563,483
Other Current Assets	27,935	1,526
Total Current Assets	6,150,535	5,833,326
Investments, Less Current Portion	513,779	502,057
Fixed Assets, Net	159,983	138,394
Restricted Cash	951,534	1,031,645
Security Deposits	34,774	34,774
Assets under Deferred Compensation Plan	40,000	290,362
<b>Total Assets</b>	<b>\$ 7,850,605</b>	<b>\$ 7,830,558</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 965,758	\$ 849,920
Deferred Rent	-	64,111
Deferred Revenue	2,872,172	2,790,150
Total Current Liabilities	3,837,930	3,704,181
Deferred Compensation Payable	40,000	290,362
Deferred Rent, Less Current Portion	-	4,117
Deferred Revenue, Less Current Portion	33,500	50,000
Total Liabilities	3,911,430	4,048,660
<b>Net Assets</b>		
Without Donor Restrictions	2,902,440	2,733,653
With Donor Restrictions	1,036,735	1,048,245
Total Net Assets	3,939,175	3,781,898
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,850,605</b>	<b>\$ 7,830,558</b>

*See accompanying Notes to Financial Statements.*

**WOMEN'S BUSINESS ENTERPRISE NATIONAL COUNCIL, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
<b>Revenue</b>				
Membership Dues	\$ 4,343,375	\$ -	\$ 4,343,375	\$ 4,387,375
Contributions	106,269	144,500	250,769	174,626
Exhibitor Fees	805,600	-	805,600	703,000
Conference Fees	2,096,549	-	2,096,549	1,928,806
Sponsorships	4,962,572	-	4,962,572	4,928,530
Investment Income	30,325	140	30,465	3,740
Certification Fees	91,100	-	91,100	57,050
Other Income	83,782	-	83,782	156,427
Net Assets Released from Restrictions	156,150	(156,150)	-	-
 Total Revenue	 12,675,722	 (11,510)	 12,664,212	 12,339,554
<b>Expenses</b>				
Program Services				
Membership	850,164	-	850,164	826,808
Salute	1,782,216	-	1,782,216	1,663,763
National Conference and Business Fair	4,609,646	-	4,609,646	4,848,678
Certification	2,812,763	-	2,812,763	2,736,034
Other Programs	1,223,795	-	1,223,795	1,117,464
 Total Program Services	 11,278,584	 -	 11,278,584	 11,192,747
Supporting Services				
Management and General	1,038,370	-	1,038,370	1,050,918
Fundraising	189,981	-	189,981	199,000
 Total Expenses	 12,506,935	 -	 12,506,935	 12,442,665
 Change in Net Assets	 168,787	 (11,510)	 157,277	 (103,111)
 Net Assets, Beginning of Year	 2,733,653	 1,048,245	 3,781,898	 3,885,009
 <b>Net Assets, End of Year</b>	 <b>\$ 2,902,440</b>	 <b>\$ 1,036,735</b>	 <b>\$ 3,939,175</b>	 <b>\$ 3,781,898</b>

*See accompanying Notes to Financial Statements.*

**WOMEN'S BUSINESS ENTERPRISE NATIONAL COUNCIL, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services					Supporting Services			Total
	Membership	Salute	National Conference and Business Fair	Certification	Other Programs	Total Program Services	Management and General	Fundraising	
Salaries and Benefits	\$ 690,252	\$ 460,168	\$ 997,031	\$ 843,641	\$ 306,779	\$ 3,297,871	\$ 383,473	\$ 153,389	\$ 3,834,733
Conferences and Meetings	571	1,239,271	3,032,418	93,806	640,068	5,006,134	173,471	-	5,179,605
Professional Fees and Outside Services	-	-	1,037	152,643	42,251	195,931	235,720	17,985	449,636
Travel	14,366	-	-	17,701	34,991	67,058	92,728	-	159,786
Awards and Scholarships	-	374	-	-	162,879	163,253	227	-	163,480
Occupancy	55,364	36,910	79,971	67,668	24,606	264,519	30,758	12,303	307,580
Postage and Shipping	46	-	-	307	-	353	2,356	-	2,709
Printing and Publications	-	-	-	-	2,761	2,761	-	115	2,876
Supplies	307	-	-	1,884	596	2,787	13,140	663	16,590
Telecommunications	18	-	-	1,872	-	1,890	46,199	2,004	50,093
Equipment Maintenance and Repair	-	-	-	-	-	-	10,382	-	10,382
Dues and Subscriptions	-	-	-	350	-	350	1,541	-	1,891
Bank Fees and Interest	27,641	34,552	69,104	691	1,382	133,370	4,844	-	138,214
Depreciation and Amortization	15,851	10,567	22,896	19,373	7,045	75,732	8,806	3,522	88,060
Insurance	-	-	-	-	-	-	11,707	-	11,707
Payments to Affiliated Organizations	-	-	407,189	1,602,092	-	2,009,281	-	-	2,009,281
Miscellaneous	45,748	374	-	10,735	437	57,294	23,018	-	80,312
<b>Total Expenses</b>	<b>\$ 850,164</b>	<b>\$ 1,782,216</b>	<b>\$ 4,609,646</b>	<b>\$ 2,812,763</b>	<b>\$ 1,223,795</b>	<b>\$ 11,278,584</b>	<b>\$ 1,038,370</b>	<b>\$ 189,981</b>	<b>\$ 12,506,935</b>

See accompanying Notes to Financial Statements.

**WOMEN'S BUSINESS ENTERPRISE NATIONAL COUNCIL, INC.**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)

	2018	2017
<b>Cash Flows from Operating Activities</b>		
<b>Change in Net Assets</b>	<b>\$ 157,277</b>	<b>\$ (103,111)</b>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	88,060	72,079
Net Gain on Investments	(15,449)	(3,639)
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(127,684)	566,826
Prepaid Expenses	252,434	(245,329)
Other Current Assets	(26,409)	76,956
Asset under Deferred Compensation Plan	250,362	(45,899)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	115,838	320,677
Deferred Rent	(68,228)	(45,013)
Deferred Compensation Payable	(250,362)	45,899
Deferred Revenue	65,522	(627,742)
Net Cash Provided by Operating Activities	441,361	11,704
<b>Cash Flows from Investing Activities</b>		
Purchases of Investments	(515,000)	(1,000,000)
Redemptions of Certificates of Deposit	515,000	-
Decrease in Restricted Cash	80,111	189,133
Purchases of Fixed Assets	(109,649)	(89,524)
Net Cash Used in Investing Activities	(29,538)	(900,391)
Net Increase (Decrease) in Cash and Cash Equivalents	411,823	(888,687)
Cash and Cash Equivalents, Beginning of Year	3,612,258	4,500,945
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 4,024,081</b>	<b>\$ 3,612,258</b>

*See accompanying Notes to Financial Statements.*



WOMEN'S BUSINESS ENTERPRISE NATIONAL COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Organization*

Women's Business Enterprise National Council, Inc. (WBENC), is a not-for-profit organization incorporated under the laws of the District of Columbia.

WBENC is a third-party certifier of businesses owned, operated, and controlled by women in the United States. WBENC partners with fourteen Regional Partner Organizations (RPOs) to provide its certification to women-owned businesses throughout the country. WBENC provides funding through allocations to the fourteen RPOs to assist them with their WBENC certification operations. WBENC strives to be the nation's leading advocate for women-owned businesses as suppliers to America's corporations. Throughout the year, WBENC provides business development and educational opportunities for member corporations, government agencies, and thousands of certified women-owned businesses at events and other forums.

WBENC's principal sources of revenues are membership dues, sponsorships, and conference registration fees.

*Basis of Accounting*

The accompanying financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

*Cash and Cash Equivalents*

WBENC considers cash and cash equivalents to be all highly liquid investments, which can be converted into known amounts of cash, including certificates of deposit with original maturity dates of three months or less when purchased.

*Investments*

Investments in marketable securities are stated at fair market value based on quoted market prices for similar assets. Investment income is reported as an increase or decrease in net assets without donor restrictions, unless restricted by donor or law.

*Fixed Assets*

WBENC records property and equipment at cost. All acquisitions of property and equipment in excess of \$1,000 and with a useful life of more than one year are capitalized. Donated property and equipment is recorded at fair market value at the date of donation. Depreciation of property and equipment is being provided for by the straight-line method over the estimated useful lives of the related assets.

*Advertising Costs*

Advertising costs are charged to expense when incurred and are included in conferences and meetings expenses. Advertising expense for the year ended December 31, 2018, was approximately \$302,000.

WOMEN'S BUSINESS ENTERPRISE NATIONAL COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Accounts Receivable*

Accounts receivable consists of amounts due for sponsorships, exhibitor fees, and membership dues. WBENC records accounts receivable at estimated net realizable value. Allowances for doubtful accounts are estimated based on the length of time outstanding, past history with and economic circumstances of individual customers. Accounts receivable are written off against the allowance when deemed uncollectible.

*Revenue Recognition and Net Assets*

WBENC reports contributions and grants as without donor restriction and available for general operations unless specifically restricted by the donor. Net assets without donor-imposed restrictions may include amounts restricted for specific purposes by WBENC's Board of Directors. Contributions and grants that are received with donor stipulations that limit the use of the donated funds for a particular purpose or for a specific period of time or are subject to donor-imposed stipulations that they be maintained permanently by WBENC, are reported as net assets with donor restrictions. When the stipulated time restrictions end or the purpose of the restrictions are met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

*Donated Goods and Services*

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by WBENC. Volunteers also provided various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

*Lease Commitment*

Rent expense is recognized on a straight-line basis over the term of the lease.

*Income Taxes*

WBENC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. WBENC is exempt from the payment of taxes on income other than net unrelated business income.

*Accounting for Uncertain Tax Positions*

WBENC requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. WBENC does not believe its financial statements include, or reflect, any uncertain tax positions. WBENC's Forms 990, 990-T, and D-20 are generally subject to examination by the taxing authorities for three years after filing.

WOMEN'S BUSINESS ENTERPRISE NATIONAL COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Functional Allocation of Expenses*

The allocation of expenses among program services, management and general, and fundraising activities, where applicable, is based on direct expenses incurred. Any expenditures not charged directly have been allocated based on estimates made by management. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, occupancy, depreciation and amortization. These expenses are allocated on the basis of management's estimates of time and effort by employees. Expenses directly identifiable to specific programs and supporting activities are presented accordingly.

*Prior Year Information*

The financial statements include certain prior year summarized comparative totals as of and for the year ended December 31, 2017. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2017, from which the summarized information was derived.

*Reclassifications*

Certain 2017 amounts have been reclassified for comparative purposes.

**2. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14**

For the year ended December 31, 2018, WBENC adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification and provides information about liquidity and availability of resources. The changes required by the update have been applied retrospectively to all periods presented. A key change under ASU 2016-14 is the terminology of net asset classes used in these financial statements. Amounts previously reported as temporarily restricted and permanently restricted net assets are now reported as net assets with donor restrictions. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. Additionally, ASU 2016-14 requires a presentation of expenses on a functional basis.

WOMEN'S BUSINESS ENTERPRISE NATIONAL COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

WBENC's cash flows have seasonal variations due to the timing of conferences, membership dues, and vendor payments. WBENC manages its liquidity to meet general expenditures, liabilities, and other obligations as they become due. Excess cash flows not needed for day-to-day operations are invested in an interest-bearing cash account and in certificates of deposit with varying maturity dates.

As of December 31, 2018, the following financial assets and liquidity sources were available for general operating expenditures in the year ending December 31, 2019:

*Financial Assets*

Cash and Cash Equivalents	\$ 4,024,081
Restricted Cash	951,534
Short-Term Investments	505,309
Accounts Receivable Available for General Operations	<u>1,282,161</u>
	6,763,085
Less Amounts Restricted by Donors	(1,036,735)
Less Amounts Restricted by Board for Cheryl W. Snead Scholarship Fund	(20,000)
Less Amounts Restricted by Board for Reserve	<u>(2,882,440)</u>
Total Financial Assets and Liquidity Available within One Year	<u>\$ 2,823,910</u>

In 2018, WBENC's Board of Directors designated \$20,000 for scholarships in honor of Cheryl W. Snead. In 2015, WBENC's Board of Directors adopted an Unrestricted Net Asset Policy (UNA) under which WBENC would accumulate, over-time, unrestricted net assets approximating 6 to 12 months of operating expenses, to serve as a reserve. The reserve may be used for operating purposes that meet certain criteria and with appropriate approval and reserve replenishment plan.

4. FIXED ASSETS

Fixed assets consisted of the following as of December 31, 2018:

Description	Amount
Equipment	\$ 364,022
Software Development Costs	527,560
Leasehold Improvements	35,580
Furniture and Fixtures	<u>125,515</u>
	1,052,677
Less Accumulated Depreciation and Amortization	<u>(892,694)</u>
Fixed Assets, Net	<u>\$ 159,983</u>

WOMEN'S BUSINESS ENTERPRISE NATIONAL COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**5. OPERATING LEASES**

WBENC leases office space in Washington, D.C., under two leases, which expired on December 31, 2018. The main lease included annual rent escalations, the payments of real estate taxes, a two-month free abatement, and a construction allowance provided by the landlord. The other lease includes annual rent escalations and for the payment of real estate taxes. Rent expense was net of sublease income of approximately \$110,000 for the year ended December 31, 2018.

In August 2018, WBENC entered into a lease amendment with its current landlord for a portion of its current office space to extend the office lease through March 31, 2024. The lease amendment contains a rent abatement period and annual rent escalations.

Effective January 1, 2019, future minimum lease payments under the amended operating lease are as follows:

<u>For the Years Ending December 31,</u>	<u>Amount</u>
2019	\$ 262,089
2020	363,432
2021	377,964
2022	393,084
2023	408,804
Thereafter	<u>106,290</u>
Total Future Minimum Lease Payments	<u>\$ 1,911,663</u>

These minimum future rental payments have not been reduced by approximately \$97,000 of sublease rentals to be received in the future under non-cancelable subleases.

**6. RESTRICTED CASH**

Restricted cash is maintained in two separate bank accounts for the Dorothy Brothers Scholarship Fund. One of the accounts holds the \$73,100 of endowment net assets with donor restrictions in perpetuity and the other account holds the temporarily donor-restricted net assets for the Dorothy Brothers Scholarship Fund.

**7. CONCENTRATIONS**

WBENC maintains cash balances at financial institutions in Washington, D.C., which are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times during the year, WBENC's cash balance exceeded the FDIC insurance amounts. Management believes the risk in this situation to be minimal.

**8. FAIR VALUE MEASUREMENTS**

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

*Level 1* - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

WOMEN'S BUSINESS ENTERPRISE NATIONAL COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

8. FAIR VALUE MEASUREMENTS (CONTINUED)

*Level 2* - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

*Level 3* - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities and split interest agreements).

The following presents WBENC's assets measured at fair value as of December 31, 2018:

Description	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 1,019,088	\$ -	\$ 1,019,088
Total Investments	\$ -	\$ 1,019,088	\$ -	\$ 1,019,088

9. DEFINED CONTRIBUTION PLAN

WBENC maintains a 401(k) plan (the Plan) for all eligible employees. Participants may elect to make voluntary contributions to the Plan. WBENC matches participant contributions up to 3% of compensation at the rate of 100% and matches participant contributions of the next 2% of compensation at a rate of 50%. Employer safe harbor contributions for 2018 were approximately \$74,000. WBENC may also make additional discretionary contributions to the Plan. Discretionary contributions for 2018 were approximately \$120,000.

10. COMMITMENTS

WBENC has entered into contracts with facilities in connection with future meetings and conferences. In the event of cancellation of these agreements by WBENC or if attendance is less than agreed-upon minimum levels, WBENC would be responsible for certain fees. Management of WBENC does not anticipate cancellation of these events or attendance below minimum levels.

In addition, WBENC has contracts for professional services through 2021 that contain cancellation penalties.

11. NET ASSETS WITH DONOR RESTRICTIONS/ENDOWMENT

At December 31, 2018, WBENC's net assets with donor restrictions consisted of the following:

Description	Total
Cheryl W. Snead Scholarship Fund	\$ 50,000
Dorothy Brothers Scholarship Fund	913,635
Dorothy Brothers Scholarship Fund Endowment	73,100
	<u>\$ 1,036,735</u>

WOMEN'S BUSINESS ENTERPRISE NATIONAL COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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11. NET ASSETS WITH DONOR RESTRICTIONS/ENDOWMENT (CONTINUED)

*Cheryl W. Snead Scholarship Fund*

Donor-restricted net assets of \$50,000 as of December 31, 2018, are available for the Cheryl W. Snead Scholarship Fund. There were no net assets released from donor restrictions for the year ended December 31, 2018.

*Dorothy Brothers Scholarship Fund*

Donor-restricted net assets of \$913,635 as of December 31, 2018, are available for the Dorothy Brothers Scholarship Fund. Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors for the Dorothy Brothers Scholarship Fund, totaling \$156,150 for the year ended December 31, 2018.

*Dorothy Brothers Scholarship Fund Endowment*

Endowment net assets represent funds that are to be invested in perpetuity for the Dorothy Brothers Scholarship Fund with the investment income, as available, used for scholarships. Endowment net assets as of December 31, 2018, were \$73,100. There was no activity in this endowment for the year ended December 31, 2018.

*Interpretation of Relevant Law*

WBENC follows the Uniform Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the purchasing power (real value) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

WBENC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment funds, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. If the endowment assets earn investment returns beyond the amount necessary to maintain the endowment assets' real value, which excess is available for appropriation and, therefore, is classified as temporarily restricted net assets until appropriated by WBENC for expenditure.

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

- (1) The duration and preservation of the fund
- (2) The purposes of WBENC and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income
- (6) Other resources of WBENC

WOMEN'S BUSINESS ENTERPRISE NATIONAL COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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**11. NET ASSETS WITH DONOR RESTRICTIONS/ENDOWMENT (CONTINUED)**

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires WBENC to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2018.

*Return Objectives and Risk Parameters*

WBENC has adopted policies for endowment assets that attempt to provide a predictable, secure stream of funding to programs supported by its endowment assets. Endowment assets include those assets of donor-restricted funds that the WBENC must hold in perpetuity or for donor-specified periods.

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

WBENC has a goal of protecting the principal investment of the funds supporting its endowments. Therefore, annual expenses charged to the fund are not to exceed the annual net earnings of the fund plus current year temporarily restricted contributions.

**12. ALLOCATION PAYMENTS**

WBENC provides direct funding to affiliated regional partner organizations (RPOs) to offset the cost of their certification operations. The allocations provided are required to be used for WBENC certification. Each calendar year, WBENC's management budgets a sum that is available for allocation to RPOs. This amount is approved by the Board of Directors.

The total amount of the annual allocation pool is approximately 17% of cash-basis unrestricted revenue, payable in five installments. The pool is allocated among individual RPOs in three ways: fixed equal portions of \$20,000 each; a payment of 20% of the profit from the annual National Conference and Business Fair (the Conference) to the RPO that hosts the Conference; and, a performance-based allocation. The performance-based allocation consists of an amount, weighted at 70%, based on the number of certifications handled by each RPO, and another amount, weighted at 30%, based on the number of attendees and exhibitors at the Conference from each RPO's territory.

**13. RELATED PARTY TRANSACTIONS**

WBENC receives support from organizations that employ members of its Board of Directors. Support from these organizations totaled approximately \$3,460,000 for the year ended December 31, 2018. Accounts receivable as of December 31, 2018, includes approximately \$542,000 due from these organizations.

WBENC makes various payments to its affiliated Regional Partner Organizations (RPOs). The allocation payments to offset the cost of their certification operations totaled approximately \$2,009,000 for the year ended December 31, 2018. Included in accrued expenses as of December 31, 2018, is approximately \$344,000 payable to various RPOs.



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**13. RELATED PARTY TRANSACTIONS (CONTINUED)**

WBENC purchases services from companies who employ members of its Board of Directors in the normal course of doing business.

WBENC has a retainer agreement with the law firm that employs one of its directors. During the year ended December 31, 2018, WBENC paid approximately \$72,000 to the law firm. In addition, WBENC subleased office space to two affiliates. Sublease income of \$110,000 was received by WBENC for the year ended December 31, 2018.

**14. DEFERRED COMPENSATION PLAN**

WBENC maintains a deferred compensation plan to provide benefits to certain key members of management. The related deferred compensation expense for the year ended December 31, 2018, was \$40,000. WBENC maintains assets to provide these benefits for WBENC's presidents under the deferred compensation plan, with the respective value of the assets recorded as an asset with an offsetting deferred compensation liability.

**15. DONATED FACILITIES AND SERVICES**

The value of donated facilities and services included as revenue and expenses in the financial statements are as follows:

Description	Membership	Salute	National Conference and Business Fair	Certification	Other Programs	Management and General	Total
Conferences and Meetings	\$ -	\$ 81,388	\$ 173,538	\$ 743	\$ 148,119	\$ 2,971	\$ 406,759
Travel	1,486	-	-	2,406	7,717	22,754	34,363
Legal	-	-	-	4,532	3,007	1,498	9,037
Awards and Scholarships	-	-	-	-	162,550	-	162,550
Miscellaneous	10,000	-	-	10,000	-	-	20,000
Total	<u>\$ 11,486</u>	<u>\$ 81,388</u>	<u>\$ 173,538</u>	<u>\$ 17,681</u>	<u>\$ 321,393</u>	<u>\$ 27,223</u>	<u>\$ 632,709</u>

**16. SUBSEQUENT EVENTS**

Subsequent events were evaluated through September 20, 2019, which is the date the financial statements were available to be issued.