

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Consolidated Financial Report
December 31, 2020

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Independent Auditor's Report

RSM US LLP

Board of Directors
Association of Fundraising Professionals
and AFP Foundation for Philanthropy

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Association of Fundraising Professionals and AFP Foundation for Philanthropy (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 control relevant to the Organization'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 Organization'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 the Association of Fundraising Professionals and AFP Foundation for Philanthropy as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Washington, D.C.
June 24, 2021

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Association of Fundraising Professionals and AFP Foundation for Philanthropy

**Consolidated Statements of Financial Position
December 31, 2020 and 2019**

	2020	2019
Assets		
Cash and cash equivalents	\$ 2,891,487	\$ 4,441,786
Investments	2,035,658	2,042,999
Accounts receivable, net	304,140	287,872
Promises to give, net	186,459	185,943
Prepaid expenses and other	458,435	350,019
Inventory	63,051	66,272
Property and equipment, net	687,007	1,059,647
	<u>6,626,237</u>	<u>8,434,538</u>
Total assets	\$ 6,626,237	\$ 8,434,538
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 369,557	\$ 831,532
Paycheck Protection Program loan	50,000	-
Accrued loss on subleases	197,028	378,900
Deferred revenue	2,853,812	4,361,142
Deferred rent	322,688	586,459
	<u>3,793,085</u>	<u>6,158,033</u>
Total liabilities	3,793,085	6,158,033
Commitments and contingencies (Notes 10 and 13)		
Net assets:		
Without donor restrictions	1,337,351	873,982
With donor restrictions	1,495,801	1,402,523
	<u>2,833,152</u>	<u>2,276,505</u>
Total net assets	2,833,152	2,276,505
	<u>6,626,237</u>	<u>8,434,538</u>
Total liabilities and net assets	\$ 6,626,237	\$ 8,434,538

See notes to consolidated financial statements.

Association of Fundraising Professionals and AFP Foundation for Philanthropy

**Consolidated Statements of Activities
Years Ended December 31, 2020 and 2019**

	2020	2019
Activities without donor restrictions:		
Revenue and support:		
Membership dues	\$ 5,664,016	\$ 5,829,557
Registration fees	985,872	2,873,265
Advertising and sponsorships	757,606	1,002,348
Royalty income	644,524	1,106,772
Contributions and grants	464,432	499,483
Sublease rental income	354,884	351,045
Miscellaneous	138,171	42,363
Donated services	61,667	67,800
Sales of merchandise	27,962	51,895
Exhibitor fees	-	293,700
Investment (loss) return, net	(65,992)	32,540
Net assets released from donor restrictions	310,426	292,971
Total revenue and support	9,343,568	12,443,739
Expenses:		
Program services:		
Member and chapter services	2,076,429	1,967,743
Professional development	2,033,464	3,371,134
Marketing and communications	1,212,341	1,850,945
Relevant quality education	342,190	574,224
Public policy, advocacy and ethics	70,661	179,684
Inclusion and influence	32,661	146,103
Total program services	5,767,746	8,089,833
Supporting services:		
Management and general	2,847,248	3,480,004
Resource development	265,205	241,796
Total supporting services	3,112,453	3,721,800
Total expenses	8,880,199	11,811,633
Change in net assets without donor restrictions	463,369	632,106
Activities with donor restrictions:		
Contributions	307,056	363,743
Investment return, net	96,648	109,144
Net assets released from donor restrictions	(310,426)	(292,971)
Change in net assets with donor restrictions	93,278	179,916
Change in net assets	556,647	812,022
Net assets:		
Beginning	2,276,505	1,464,483
Ending	\$ 2,833,152	\$ 2,276,505

See notes to consolidated financial statements.

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Consolidated Statement of Functional Expenses Year Ended December 31, 2020

	Program Services						Supporting Services				
	Member and Chapter Services	Professional Development	Marketing and Communications	Relevant Quality Education	Public Policy, Advocacy and Ethics	Inclusion and Influence	Total	Management and General	Resource Development	Total	Total
Salaries	\$ 643,317	\$ 470,728	\$ 491,261	\$ 22,943	\$ -	\$ 11,471	\$ 1,639,720	\$ 1,116,843	\$ 109,256	\$ 1,226,099	\$ 2,865,819
Employee benefits	94,858	80,203	49,486	4,562	2,258	2,281	233,648	136,567	13,685	150,252	383,900
Payroll taxes	14,615	11,204	11,342	1,712	-	856	39,729	30,061	8,158	38,219	77,948
Total salaries and related benefits	752,790	562,135	552,089	29,217	2,258	14,608	1,913,097	1,283,471	131,099	1,414,570	3,327,667
Contract and consulting fees	466,846	629,148	368,649	41,164	338	1,250	1,507,395	698,493	104,099	802,592	2,309,987
Occupancy	291,359	253,272	145,538	6,276	-	3,138	699,583	285,452	18,827	304,279	1,003,862
Conference, meetings and travel	17,300	72,587	6,226	14,500	-	-	110,613	58,279	1,962	60,241	170,854
Scholarships, grants and sponsorships	164,730	15,945	-	238,352	-	13,365	432,392	-	-	-	432,392
Depreciation	111,087	97,201	55,544	600	-	300	264,732	146,132	1,800	147,932	412,664
Bank and credit card fees	131,285	52,676	18,743	1,318	2,276	-	206,298	27,790	81	27,871	234,169
Equipment and software	-	106,867	611	-	-	-	107,478	121,291	-	121,291	228,769
Printing and design	27,825	115,411	13,109	700	1,018	-	158,063	3,522	400	3,922	161,985
Promotion and marketing	53,769	44,036	39,618	3,888	-	-	141,311	672	-	672	141,983
Postage and shipping	38,818	71,587	2,995	-	771	-	114,171	3,397	1,625	5,022	119,193
Insurance	-	10,738	-	1,175	-	-	11,913	92,798	129	92,927	104,840
Other expenses	19,429	1,222	1,658	-	64,000	-	86,309	3,902	5,183	9,085	95,394
Dues and subscriptions	592	546	384	5,000	-	-	6,522	64,512	-	64,512	71,034
Office supplies	599	93	73	-	-	-	765	30,790	-	30,790	31,555
Property and other taxes	-	-	-	-	-	-	-	15,241	-	15,241	15,241
Bad debt	-	-	-	-	-	-	-	11,506	-	11,506	11,506
Cost of merchandise	-	-	7,104	-	-	-	7,104	-	-	-	7,104
	\$ 2,076,429	\$ 2,033,464	\$ 1,212,341	\$ 342,190	\$ 70,661	\$ 32,661	\$ 5,767,746	\$ 2,847,248	\$ 265,205	\$ 3,112,453	\$ 8,880,199

See notes to consolidated financial statements.

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Consolidated Statement of Functional Expenses Year Ended December 31, 2019

	Program Services						Supporting Services				
	Member and Chapter Services	Professional Development	Marketing and Communications	Relevant Quality Education	Public Policy, Advocacy and Ethics	Inclusion and Influence	Total	Management and General	Resource Development	Total	Total
Salaries	\$ 592,091	\$ 613,346	\$ 368,795	\$ 25,512	\$ -	\$ 12,756	\$ 1,612,500	\$ 1,660,234	\$ 76,535	\$ 1,736,769	\$ 3,349,269
Employee benefits	79,899	120,853	74,803	4,732	-	2,353	282,640	201,144	14,118	215,262	497,902
Payroll taxes	42,422	41,434	26,771	1,996	-	998	113,621	122,321	5,989	128,310	241,931
Total salaries and related benefits	714,412	775,633	470,369	32,240	-	16,107	2,008,761	1,983,699	96,642	2,080,341	4,089,102
Contract and consulting fees	470,346	468,693	982,299	59,642	6,608	1,818	1,989,406	344,825	91,722	436,547	2,425,953
Conference, meetings and travel	101,681	1,182,135	25,671	217,499	6,018	87,386	1,620,390	279,154	11,477	290,631	1,911,021
Occupancy	161,394	275,720	167,360	5,788	85,864	2,894	699,020	278,922	17,365	296,287	995,307
Scholarships, grants and sponsorships	234,973	28,681	-	210,557	25,000	35,553	534,764	6,000	-	6,000	540,764
Bank and credit card fees	64,728	81,886	33,391	5,333	3,258	807	189,403	18,618	-	18,618	208,021
Depreciation	65,763	85,826	68,735	600	35,668	300	256,892	149,671	1,800	151,471	408,363
Printing and design	19,703	195,416	21,461	11,966	850	1,238	250,634	11,942	1,967	13,909	264,543
Promotion and marketing	52,206	80,423	54,789	14,446	13,620	-	215,484	773	119	892	216,376
Postage and shipping	41,073	115,426	6,695	4,600	352	-	168,146	2,993	4,454	7,447	175,593
Insurance	5,180	9,122	-	763	-	-	15,065	102,688	130	102,818	117,883
Equipment and software	-	21,456	-	-	-	-	21,456	135,320	-	135,320	156,776
Other expenses	31,522	48,985	-	10,665	2,446	-	93,618	33,413	16,120	49,533	143,151
Office supplies	2,916	1,583	273	-	-	-	4,772	47,037	-	47,037	51,809
Dues and subscriptions	1,846	149	249	125	-	-	2,369	63,931	-	63,931	66,300
Cost of merchandise	-	-	19,653	-	-	-	19,653	-	-	-	19,653
Bad debt	-	-	-	-	-	-	-	8,173	-	8,173	8,173
Property and other taxes	-	-	-	-	-	-	-	12,845	-	12,845	12,845
	\$ 1,967,743	\$ 3,371,134	\$ 1,850,945	\$ 574,224	\$ 179,684	\$ 146,103	\$ 8,089,833	\$ 3,480,004	\$ 241,796	\$ 3,721,800	\$ 11,811,633

See notes to consolidated financial statements.

Association of Fundraising Professionals and AFP Foundation for Philanthropy

**Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 556,647	\$ 812,022
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	412,664	408,363
Bad debt expense	11,506	8,173
Net unrealized and realized gain on investments	(11,790)	(102,332)
Endowment contributions restricted in perpetuity	(1,900)	(18,500)
Deferred rent	(263,771)	(319,794)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(27,774)	(208,584)
Promises to give	(516)	(73,690)
Prepaid expenses and other	(108,416)	24,658
Inventory	3,221	10,740
Increase (decrease) in:		
Accounts payable and accrued expenses	(461,975)	7,187
Accrued loss on subleases	(181,872)	(181,872)
Deferred revenue	(1,507,330)	(39,304)
Net cash (used in) provided by operating activities	(1,581,306)	327,067
Cash flows from investing activities:		
Purchases of property and equipment	(40,024)	(61,123)
Purchases of investments	(1,586,262)	(2,035,801)
Proceeds from sale of investments	1,605,393	1,038,981
Net cash used in investing activities	(20,893)	(1,057,943)
Cash flows from financing activities:		
Endowment contributions restricted in perpetuity	1,900	18,500
Proceeds from Paycheck Protection Program loan	50,000	-
Net cash provided by financing activities	51,900	18,500
Net decrease in cash and cash equivalents	(1,550,299)	(712,376)
Cash and cash equivalents:		
Beginning	4,441,786	5,154,162
Ending	\$ 2,891,487	\$ 4,441,786
Supplemental disclosure of cash flow information:		
Donated securities	\$ -	\$ 5,311

See notes to consolidated financial statements.

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Association of Fundraising Professionals (the Association) was founded in 1960 to advance philanthropy by enabling people and organizations to practice effective and ethical fundraising. The core activities through which the Association fulfills this mission include education, training, mentoring, research, credentialing and advocacy.

The AFP Foundation for Philanthropy (the AFP U.S. Foundation) was founded in 1973. The AFP U.S. Foundation's mission is to strive to enhance philanthropy through programs of education, research and service that will benefit all those who lead, serve and support nonprofit organizations.

The Association of Fundraising Professionals Political Action Committee (the PAC) is a nonprofit organization founded for the purpose of creating opportunities for members to provide financial support to candidates for federal office.

AFP Canada was incorporated in 2017 to pursue the advancement of philanthropy in Canada; to promote public awareness of the fundraising profession and the value of fundraising professionals to the fundraising process; to foster the development and growth of professional fundraisers committed to the preservation and enhancement of the philanthropic and fundraising processes generally; and to require AFP members' adherence to a Code of Ethical Principles. The activities of AFP Canada are not required to be, and are not, included in these consolidated financial statements.

The AFP Foundation for Philanthropy – Canada / Fondation de Philanthropie AFP – Canada was established to educate the general public, to promote research and to provide scholarships and bursaries in the fields of fundraising and philanthropy, and was incorporated in 1998 as a not-for-profit organization under the Canada Corporations Act. The activities of the AFP Foundation for Philanthropy – Canada are not required to be, and are not, included in these consolidated financial statements.

The program services that the Organization provides are:

Member and chapter services: This program focuses on the member experience to ensure that each member receives the full benefit of the services offered through their membership to assist them in practicing effective and ethical fundraising. Member and chapter services also acts as a liaison to the Association Chapters to ensure that members experience the same benefits on a local level.

Professional development: This program is the home of the Association's non-dues revenue programs focused on professional development and information resources. Key programs and projects include the International Conference on Fundraising (ICON); various education and training programs, such as Fundamentals of Fundraising, CFRE Refresher, AFP's webinar series, e-courses, Fundraising Principles and Practice course and Faculty Training Academy; and information resources, including Advancing Philanthropy magazine, the Ready Reference books series and online "Hot Topic" annotated summaries of resources related to key fundraising topics. All these programs help fulfill the Association's strategic goal to provide relevant, quality education.

Marketing and communications: This program is responsible for informing the members and general public of the Association's mission and core activities through various media, such as social media, websites and the design of visual marketing and promotional materials.

Relevant quality education: This program of the AFP U.S. Foundation seeks to educate current professionals and develop future leaders of the profession. Conferences and academies are the main focus in delivering this education and development. In addition, this program provides scholarships to improve the fundraising profession.

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Public policy, advocacy and ethics: This program helps Association members understand how critical public policy and ethics are and how to act as advocates in their communities and organizations for ethical fundraising laws, regulations and standard practices. The objective and initiatives are to develop member education and tool kits for chapter use that make public policy and ethics easy to understand and advocate.

Inclusion and influence: This program focuses on increasing diversity and inclusion within the fundraising profession and philanthropy. The scholarship funds within the program further promote these focuses to young fundraising professionals. Grants are provided to diverse fundraising professionals to provide professional education, training and information to advance their skills, abilities and careers. In 2019, the AFP U.S. Foundation held the Women's Impact Summit.

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

Principles of consolidation: The consolidated financial statements include the accounts of the Association, AFP U.S. Foundation, and the PAC (collectively referred to as the Organization). All significant inter-entity accounts and transactions have been eliminated in consolidation.

Basis of presentation: The Organization follows the accounting requirements of the Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under the FASB ASC, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by Board designation (See Note 7).

With donor restrictions: Net assets with donor restrictions include those net assets whose use is subject to donor-imposed restrictions. Donor restrictions may be for a specified time or purpose limitation or the donor may specify that the corpus of their original and certain subsequent gifts be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both (See Note 8).

Adoption of recent accounting pronouncements: In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The Organization adopted the standard for contributions received effective for the year ended December 31, 2019. The Organization adopted the standard for contributions made effective for the year ended December 30, 2020, using the modified prospective method. Based on the Organization's review of the contributions it makes, the timing and amount of expense recognized previously is consistent with how expense is recognized under the new standard. The adoption had no impact on the consolidated statements of financial position and the consolidated statements of activities.

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The Organization adopted the provisions of ASU 2018-13 for the year ended December 31, 2020. The adoption of ASU 2018-13 had no impact on the consolidated financial statements.

Cash and cash equivalents: For purposes of reporting cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash or cash equivalents, excluding cash held by the investment custodian.

Financial risk: The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally-insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant financial risk on cash.

The Organization invests in a professionally managed portfolio that contains fixed income and equity mutual funds, and exchange traded funds. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near-term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Investments: Investments with readily determinable fair values are reflected at fair value. The change in fair value of these investments is recorded as a component of investment income in the consolidated statements of activities.

Accounts receivable: Accounts receivable consists primarily of amounts owed from customers as a result of the sale of advertising, sponsorships, conference registrations and publications. Accounts receivable are presented at the gross, or face, amount due to the Organization, less an allowance for uncollectible accounts. The Organization's management periodically reviews the status of all accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of the customer, the Organization's relationship with the customer and the age of the receivable balance. As a result of these reviews, customer balances deemed to be uncollectible are written off to bad debt expense to the extent not covered by the allowance. Management has recorded an allowance of \$17,573 and \$22,455, which is its estimated potentially uncollectible accounts receivable, at December 31, 2020 and 2019, respectively.

Inventory: Inventory consists of items available for resale or use in future periods and is stated at the lower of cost or net realizable value using the first-in, first-out method. Management periodically reviews its inventory and writes off slow-moving or obsolete items. All inventory is deemed fully salable at December 31, 2020 and 2019.

Property and equipment: Property and equipment are stated at cost. It is the policy of the Organization to capitalize all purchases of property and equipment greater than or equal to \$5,000 and depreciate/amortize them over the following estimated useful lives using the straight-line method with no salvage value:

Office equipment	3-5 years
Computer equipment and software	3-10 years
Furniture	5 years
Leasehold improvements	Remaining term of the lease

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Valuation of long-lived assets: Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Revenue: Revenue from contracts with customers is derived primarily from membership dues, registration fees, royalty income, advertising and sponsorship, exhibitor fees and sales of merchandise.

Membership: Membership dues are recognized in the period to which they apply. The membership period is 12 months beginning the month paid or the member's renewal date, whichever is later. Member benefits include access to workshops, free webinars, an online career builder, discounted e-courses, access to industry information and a member rate at the annual conference. All member benefits are considered one performance obligation and revenue is recognized ratably over the 12-month membership period as the delivery of the member benefit is provided. The monthly derived value provided to the member is the specific output used by the Organization to determine that the performance obligation has been satisfied.

Registration and exhibitor fees: Conference registration and exhibitor fees are recognized over the time that the related conference takes place. Registration and exhibitor fees are generally collected in advance of the conference and recorded as deferred revenue until the conference occurs.

Royalty income: The Organization has an agreement with a third-party vendor to run a job board. The Organization recognizes revenue at the point in time the job board operates.

Advertising and sponsorship: Advertising in conference programs and sponsorship of events are recognized as revenue at the point in time that the related conference or event takes place. In addition, the Organization has strategic partners that are provided advertisements throughout the year. For the portion of the agreement not allocated to a specific event, the amount is recognized ratably as the performance obligation is satisfied over the period of the agreement. The monthly derived value provided to the strategic partner is the specific output used by the Organization to determine that the performance obligation has been satisfied.

Economic factors driven by consumer confidence, employment, inflation and other world events impact the timing and level of cash received and revenue recognized by the Organization. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of the Organization.

Deferred revenue: The Organization records deferred revenue in situations when amounts are paid in advance of the Organization satisfying the applicable revenue recognition criteria. Such revenue is recognized when all criteria are subsequently satisfied. See Note 5 for specific amounts in deferred revenue. There were no changes in membership fees, registration fees, royalty income, advertising and sponsorship and exhibitor fees that would affect the economic seasonality of the consolidated statements of financial position.

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Contributions and grants: Contributions and grants include contributions from individuals, chapters of the Association and various organizations. All contributions and grants are unconditional as the benefit received by the donor is none or of de minimis value. Revenue is recognized when the donation is received or when an unconditional promise to give. See Note 3 for details about promises to give.

Functional allocation of expense: The costs of providing various program and supporting services have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expense present the natural classification detail of expenses by function. Accordingly, occupancy costs and depreciation have been allocated among the program and supporting services benefited based on employee count.

Upcoming accounting pronouncement: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the consolidated statements of activities. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the consolidated statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Organization's fiscal year ending December 31, 2022. ASU 2020-07 is not expected to have a significant impact on the Organization's consolidated financial statements.

Income tax status: The Association is exempt from the payment of federal and state income taxes on income other than net unrelated business income under Section 501(c)(6) of the Internal Revenue Code (IRC). The Association incurs unrelated business income tax mainly on its advertising income. There was no income tax expense for the years ended December 31, 2020 and 2019.

The AFP U.S. Foundation is exempt from the payment of federal and state income taxes on income other than net unrelated business income under Section 501(c)(3) of the IRC. The AFP U.S. Foundation is a publicly supported organization, as defined in Section 509(a)(1) of the IRC.

Use of estimates: The preparation of consolidated financial statements in conformity generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent events: Subsequent events have been evaluated through June 24, 2021, which was the date the consolidated financial statements were available to be issued.

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Notes to Consolidated Financial Statements

Note 2. Investments

The Organization follows the accounting standards topic regarding fair value measurements, which establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosures about fair value measurements. This standard uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2: Includes inputs other than Level 1 that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Level 3: Unobservable inputs, which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments recorded at fair value, which are classified within Level 1 include money market funds, exchange traded funds and mutual funds, the fair values for which were based on quoted prices for identical assets in active markets. Management believes the estimated fair value of investments to be a reasonable approximation of the exit price for the assets.

Investments recorded at cost include cash held within the investment portfolio. Investments at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

Interest and dividend income, realized and unrealized gains and losses and investment fees are reflected within investment return, net in the consolidated statements of activities.

Investments consisted of the following at December 31, 2020 and 2019:

	2020	2019
Investments, at fair value:		
Money market funds	\$ 966,543	\$ -
Exchange traded funds	360,671	100,009
Mutual funds – equity	289,744	1,132,128
Mutual funds – fixed income	397,955	765,855
	<u>2,014,913</u>	<u>1,997,992</u>
Investments, at cost:		
Cash funds	20,745	45,007
	<u>\$ 2,035,658</u>	<u>\$ 2,042,999</u>

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Notes to Consolidated Financial Statements

Note 3. Promises to Give

Promises to give consist primarily of the AFP U.S. Foundation's annual fund and major gifts and have been discounted to net present value using a discount rate of 3.75%. Promises to give, recorded in the consolidated statements of financial position, consisted of the following at December 31, 2020 and 2019:

	2020	2019
Receivable in less than one year	\$ 110,907	\$ 149,986
Receivable in one to five years	99,557	49,609
Less allowance for doubtful accounts and discount to present value	(24,005)	(13,652)
	<u>\$ 186,459</u>	<u>\$ 185,943</u>

Note 4. Property and Equipment

Property and equipment consisted of the following at December 31, 2020 and 2019:

	2020	2019
Office equipment	\$ 44,901	\$ 36,101
Computer equipment and software	720,946	728,267
Website	277,262	277,262
Education course development	94,975	63,750
Leasehold improvements	2,398,122	2,398,122
	<u>3,536,206</u>	<u>3,503,502</u>
Less accumulated depreciation/amortization	(2,849,199)	(2,443,855)
	<u>\$ 687,007</u>	<u>\$ 1,059,647</u>

Note 5. Deferred Revenue

Deferred revenue consisted of the following at December 31, 2020 and 2019:

	2020	2019
Membership dues	\$ 2,392,062	\$ 3,250,927
International conference	461,750	1,110,215
	<u>\$ 2,853,812</u>	<u>\$ 4,361,142</u>

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Notes to Consolidated Financial Statements

Note 6. Liquidity

The following reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use within one year of the consolidated statements of financial position date because of contractual or donor-imposed restrictions. Amounts not available include amounts set aside as Board designated net assets (see Note 7) that could be drawn upon if the governing board approves that action.

	2020	2019
Cash and cash equivalents	\$ 2,891,487	\$ 4,441,786
Investments	2,035,658	2,042,999
Account receivable, net	304,140	287,872
Promises to give, net	186,459	185,943
Financial assets available	<u>5,417,744</u>	<u>6,958,600</u>
Less those unavailable for general expenditures within one year due to:		
Donor restricted net assets held in perpetuity	(902,077)	(884,140)
Donor restricted net assets held for specified purpose	(593,724)	(518,383)
Board designated net assets	<u>(90,000)</u>	<u>(90,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,831,943</u>	<u>\$ 5,466,077</u>

The Organization has a goal to maintain a liquid reserve in an amount equal to six months of average monthly operating costs, which exclude depreciation, in-kind and other noncash expenses. Such average monthly costs were approximately \$700,000 and \$945,000 for the years ended December 31, 2020 and 2019, respectively. The Organization had approximately six months of financial assets available to meet its average monthly operating costs for the years ended December 31, 2020 and 2019. In October 2018, the Foundation updated its investment policy for the Endowment Fund. In September 2019, the Association approved an investment policy. Additionally, during 2019 the Organization entered into a line of credit agreement with a financial institution. The line of credit was not drawn during the years ended December 31, 2020 and 2019, and has a maximum of \$500,000. It matures August 31, 2021.

Note 7. Board Designated Net Assets

Board designated net assets represent an operating reserve, which is designed to provide an internal source of funds for situations, such as an unexpected or sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding or uninsured losses. The fund is without donor restrictions and is available for the use of the Association at the direction of its Board. The operating reserve was \$90,000 at December 31, 2020 and 2019.

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Notes to Consolidated Financial Statements

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2020 and 2019:

	2020	2019
Endowments given in perpetuity:		
International conference speakers	\$ 96,267	\$ 96,267
Skystone Ryan Research prize	71,765	71,765
Campbell scholarship	68,780	68,780
Other	67,836	67,836
Looney Ethics Education	61,413	60,463
Levy Professional Education Endowment	50,000	50,000
Strategic planning	42,241	42,241
International conference scholars	34,445	34,445
Excellence in leadership	59,420	59,420
Staff development	26,578	25,628
Robert & Marion W. Pierpont Endowment	13,500	13,500
Executive Management Institute scholarships	9,444	9,444
Endowment earnings	300,388	284,351
	<u>902,077</u>	<u>884,140</u>
Subject to expenditure for specified purpose:		
Annual fund and major gifts	257,673	170,442
Levy Professional Education Fund	170,199	138,579
Growth in giving	46,873	48,107
PAC contributions	118,979	161,255
	<u>593,724</u>	<u>518,383</u>
	<u>\$ 1,495,801</u>	<u>\$ 1,402,523</u>

Net assets released from restriction due to program satisfaction and other events are as follows for the years ended December 31, 2020 and 2019:

	2020	2019
Program satisfaction:		
Annual fund and major gifts	\$ 154,568	\$ 228,771
PAC contributions	66,232	3,205
Endowment interest	41,595	30,995
Levy Professional Education	7,396	30,000
Growth in giving	40,635	-
	<u>\$ 310,426</u>	<u>\$ 292,971</u>

The Organization's net assets with donor restrictions held in perpetuity contain approximately 20 individual funds held to provide earnings to pay for scholarships, staff development and education.

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Notes to Consolidated Financial Statements

Note 8. Net Assets With Donor Restrictions (Continued)

The Organization's Board of Directors has interpreted the law that underlies the Organization's net asset classification of donor-restricted endowment funds as requiring the preservation of the fair value of the original gift. As a result of this interpretation, the Organization classifies as net assets with donor restrictions held in perpetuity: (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Changes in endowment net assets for the years ended December 31, 2020 and 2019:

	2020	2019
Beginning, net assets	\$ 884,140	\$ 806,091
Investment return, net	57,632	65,544
Contributions	1,900	43,500
Appropriation of endowment assets for expenditure	(41,595)	(30,995)
Ending, net assets	<u>\$ 902,077</u>	<u>\$ 884,140</u>

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a balanced portfolio comprised of cash, fixed income securities and equities. To satisfy its long-term objectives, the Organization 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).

Note 9. Donated Services

The AFP U.S. Foundation received professional services to conduct a mail and telephone outreach program for the AFP U.S. Foundation's Annual Fund Campaign. The value of the donated services is included in donated services revenue and resource development expense in the consolidated statements of activities and amounted to \$60,000 for the years ended December 31, 2020 and 2019. In addition, other donated services to the AFP U.S. Foundation totaled \$1,667 and \$7,800 for the years ended December 31, 2020 and 2019, respectively.

The Association received professional services related to the annual meeting and international conference. The value of the donated services is included in advertising and sponsorships revenue and professional development expense in the consolidated statements of activities and amounted to \$92,352 and \$96,709 for the years ended December 31, 2020 and 2019, respectively.

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Notes to Consolidated Financial Statements

Note 10. Commitments and Contingencies

Office lease: During 2006, the Association entered into an office lease agreement that began February 1, 2007, and expires January 31, 2022. The base rent increases annually based on a schedule provided in the lease. Under the terms of the lease, the lessor provided lease incentives totaling approximately \$1.3 million to build out the office space. Under U.S. GAAP, all rental payments, including fixed rent increases, are recognized on a straight-line basis as an offset to rent expense. The difference between the straight-line rent expense and the required lease payments, as well as any unamortized lease incentives, is reflected as deferred rent in the accompanying consolidated statements of financial position.

During the year ended December 31, 2018, the Association sublet portions of office space to three unrelated tenants. All the agreements expire on January 31, 2022. Sublease income approximated \$355,000 and \$351,000 for the years ended December 31, 2020 and 2019, respectively. Under U.S. GAAP, a loss is recorded when anticipated sublease payments are less than the pro rata share of the lease payments relating to the portions of the office covered by the subleases. The amounts to be received under the subleases are approximately \$569,000 less than the anticipated cash outflows related to the office lease. Related to recording the loss on sublease, the Association has accrued a liability of \$197,028 and \$378,900 as of December 31, 2020 and 2019, respectively. Over the life of the subleases, the liability will be reduced as sublease income is recognized.

Rent expense was \$945,813 and \$861,984 for the years ended December 31, 2020 and 2019, respectively.

Future minimum lease payments offset by future anticipated sublease payments for office space are as follows:

	Organization Lease	Sublease Payment	Net Lease Payment
Years ending December 31:			
2021	\$ 1,163,045	\$ (203,618)	\$ 959,427
2022	97,156	(17,405)	79,751
	<u>\$ 1,260,201</u>	<u>\$ (221,023)</u>	<u>\$ 1,039,178</u>

Hotel contracts: The Association has entered into several agreements with hotels providing room accommodations and service for its meetings and conferences. Many of the agreements contain a clause whereby the Association is liable for liquidated damages in the event of cancellation as calculated in accordance with the terms of the agreements. The Association purchases event cancellation insurance for its major event, the ICON, to mitigate any risk of cancellation.

Employment agreement: The Association has an employment agreement with its President and Chief Executive Officer. The employment agreement obligates the Association to pay severance in the event of termination without cause.

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Notes to Consolidated Financial Statements

Note 11. Retirement Plan

The Association sponsors a 401(k) plan for all employees who are age 21 and over. Employees are eligible to participate in the plan upon hire and may contribute a percentage of their salaries. After three months of service, employees are eligible to receive a safe harbor match of 100%, up to 5% of employee contributions. In both 2020 and 2019, the Association contributed approximately 5% of the participating employees' base compensation, with the exception of a temporary pause from June 1, 2020 through December 31, 2020. Additionally, in 2019 there was an employer corrective contribution of \$44,459 related to correcting compensation that had not been factored in the contribution calculations. Pension expense was \$51,201 and \$158,268 for the years ended December 31, 2020 and 2019, respectively.

Note 12. The Association of Fundraising Professionals Political Action Committee

The Association organized a political action committee (PAC) on July 25, 2002. The PAC, known as the Association of Fundraising Professionals Political Action Committee, is a separately segregated fund within the Association. The PAC collects voluntary donations only from the Association's members and their families who are U.S. citizens. The PAC supports political candidates who believe in the principles to which philanthropy and the fundraising profession are dedicated. The PAC has received contributions totaling \$23,956 and \$42,815 during the years ended December 31, 2020 and 2019, respectively. These contributions are included in net assets with donor restrictions. The PAC is generally exempt from income taxes on revenue, other than net investment income, under Section 527 of the IRC. The PAC had no net investment income during the years ended December 31, 2020 and 2019.

Note 13. COVID-19 Pandemic

On January 30, 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate the spread of it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Organization operates and holds meetings and other activities. During the year ended December 31, 2020, the Association has canceled the in-person experience for ICON and held the conference virtually. It is unknown how long the adverse conditions associated with COVID-19 will last and what the complete financial effect will be to the Organization. Quarantines, labor shortages or other disruptions to the Organization's operations, or those of its members, may adversely impact the Organization's revenues, ability to provide its services and operating results. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses effected by the coronavirus pandemic.

Additionally, the AFP U.S. Foundation applied for a federal paycheck protection program (PPP) loan. The AFP U.S. Foundation's application was approved and a loan of \$50,000 was received in May 2020. The AFP U.S. Foundation has elected to account for the loan as a financial liability until the time at which forgiveness is received. Under the terms of the agreement, a deferment period of six months begins on the funding date, and monthly payments will commence if communication of loan forgiveness from the Small Business Administration (SBA) is not received. The loan bears interest at a fixed rate of 1% and is not secured by any property of AFP U.S. Foundation. In March 2021, the SBA approved forgiveness of the loan.

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Notes to Consolidated Financial Statements

Note 13. COVID-19 Pandemic (Continued)

During January 2021, the Association applied for a federal PPP loan under the second draw of funding. The application was approved and a loan of \$577,593 was subsequently received. The Association has elected to account for the loan as a financial liability until the time at which forgiveness is received. Under the terms of the agreement, monthly payments will begin 16 months from the first disbursement of the loan, and will continue unless the lending institute receives communication of loan forgiveness from the SBA. The loan bears interest at a fixed rate of 1% and is not secured by any property of the Association. The Association believes that most, if not all, of the loan will be eligible for forgiveness.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Directors
Association of Fundraising Professionals
and AFP Foundation for Philanthropy

We have audited the consolidated financial statements of the Association of Fundraising Professionals and AFP Foundation for Philanthropy (collectively, the Organization) as of and for the years ended December 31, 2020 and 2019, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, or changes in net assets and cash flows of the individual entities and is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Washington, D.C.
June 24, 2021

Association of Fundraising Professionals and AFP Foundation for Philanthropy

**Consolidating Statement of Financial Position
December 31, 2020
(With Summarized Comparative Totals for 2019)**

	Association	Foundation	Eliminations	Consolidated Totals	
				2020	2019
Assets					
Cash and cash equivalents	\$ 2,529,277	\$ 362,210	\$ -	\$ 2,891,487	\$ 4,441,786
Investments	966,549	1,069,109	-	2,035,658	2,042,999
Accounts receivable, net	303,356	784	-	304,140	287,872
Due from affiliate	-	12,060	(12,060)	-	-
Promises to give, net	-	186,459	-	186,459	185,943
Prepaid expenses and other	434,463	23,972	-	458,435	350,019
Inventory	63,051	-	-	63,051	66,272
Property and equipment, net	681,007	6,000	-	687,007	1,059,647
Total assets	\$ 4,977,703	\$ 1,660,594	\$ (12,060)	\$ 6,626,237	\$ 8,434,538
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	\$ 357,894	\$ 11,663	\$ -	\$ 369,557	\$ 831,532
Paycheck Protection Program loan	-	50,000	-	50,000	-
Accrued loss on subleases	197,028	-	-	197,028	378,900
Due to affiliate	12,060	-	(12,060)	-	-
Deferred revenue	2,853,812	-	-	2,853,812	4,361,142
Deferred rent	309,076	13,612	-	322,688	586,459
Total liabilities	3,729,870	75,275	(12,060)	3,793,085	6,158,033
Net assets:					
Without donor restrictions	1,128,854	208,497	-	1,337,351	873,982
With donor restrictions	118,979	1,376,822	-	1,495,801	1,402,523
Total net assets	1,247,833	1,585,319	-	2,833,152	2,276,505
Total liabilities and net assets	\$ 4,977,703	\$ 1,660,594	\$ (12,060)	\$ 6,626,237	\$ 8,434,538

Association of Fundraising Professionals and AFP Foundation for Philanthropy

Consolidating Statement of Activities Year Ended December 31, 2020 (With Summarized Comparative Totals for 2019)

	Association	Foundation	Eliminations	Consolidated Totals	
				2020	2019
Activities without donor restrictions:					
Revenue and support:					
Membership dues	\$ 5,664,016	\$ -	\$ -	\$ 5,664,016	\$ 5,829,557
Registration fees	890,496	95,376	-	985,872	2,873,265
Advertising and sponsorships	746,606	11,000	-	757,606	1,002,348
Royalty income	601,774	42,750	-	644,524	1,106,772
Contributions and grants	57,500	406,932	-	464,432	499,483
Sublease rental income	354,884	-	-	354,884	351,045
Miscellaneous	100,010	38,161	-	138,171	42,363
Donated services	-	219,824	(158,157)	61,667	67,800
Sales of merchandise	27,962	-	-	27,962	51,895
Exhibitor fees	-	-	-	-	293,700
Investment (loss) return, net	(65,992)	-	-	(65,992)	32,540
Net assets released from donor restrictions	66,232	244,194	-	310,426	292,971
Total revenue and support	8,443,488	1,058,237	(158,157)	9,343,568	12,443,739
Expenses:					
Program services:					
Member and chapter services	2,076,429	-	-	2,076,429	1,967,743
Professional development	2,033,464	-	-	2,033,464	3,371,134
Marketing and communications	1,212,341	-	-	1,212,341	1,850,945
Relevant quality education	-	350,680	(8,490)	342,190	574,224
Public policy, advocacy and ethics	70,661	-	-	70,661	179,684
Inclusion and influence	-	36,906	(4,245)	32,661	146,103
Total program services	5,392,895	387,586	(12,735)	5,767,746	8,089,833
Supporting services:					
Management and general	2,647,560	319,637	(119,949)	2,847,248	3,480,004
Resource development	-	290,678	(25,473)	265,205	241,796
Total supporting services	2,647,560	610,315	(145,422)	3,112,453	3,721,800
Total expenses	8,040,455	997,901	(158,157)	8,880,199	11,811,633
Change in net assets without donor restrictions	403,033	60,336	-	463,369	632,106
Activities with donor restrictions:					
Contributions	23,956	283,100	-	307,056	363,743
Investment return, net	-	96,648	-	96,648	109,144
Net assets released from donor restrictions	(66,232)	(244,194)	-	(310,426)	(292,971)
Change in net assets with donor restrictions	(42,276)	135,554	-	93,278	179,916
Change in net assets	360,757	195,890	-	556,647	812,022
Net assets:					
Beginning	887,076	1,389,429	-	2,276,505	1,464,483
Ending	\$ 1,247,833	\$ 1,585,319	\$ -	\$ 2,833,152	\$ 2,276,505