SIKICH®

# *Center for Disaster Philanthropy, Inc. & Subsidiary*

Consolidated Financial Statements
and
Independent Auditor's Report

December 31, 2019 and 2018

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To the Board of Directors
Center for Disaster Philanthropy, Inc. & Subsidiary
Washington, D.C.

We have audited the accompanying consolidated financial statements of Center for Disaster Philanthropy, Inc. & Subsidiary (collectively referred to as CDP), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

*Management's Responsibility for the Consolidated Financial Statements*

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

*Auditor's Responsibility*

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

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

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

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CDP as of December 31, 2019, 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.

*Other Matter*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities (pages 21 - 22) are presented for purposes of additional analysis and are 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 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.

*Emphasis-of-Matter Regarding Revenue Recognition*

As discussed in Note 2 to the consolidated financial statements, CDP adopted the provisions of Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, as amended by ASU 2015-14, which supersedes or replaces nearly all accounting principles generally accepted in the United States of America revenue recognition guidance. CDP also adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The adoption of these ASUs did not result in a change to the accounting for any of CDP's revenue streams; as such, no cumulative effect adjustment was recorded. Our opinion is not modified with respect to this matter.

*Prior Period Financial Statements*

The consolidated financial statements of CDP as of December 31, 2018, were audited by Halt, Buzas & Powell, Ltd., who merged with Sikich LLP as of January 1, 2020, and whose report dated March 29, 2019, expressed an unmodified opinion on those statements.

Sikich LLP

Alexandria, Virginia

April 20, 2020

## Center for Disaster Philanthropy, Inc. & Subsidiary

## Consolidated Statements of Financial Position

## December 31, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 11,408,827 | $ 12,759,784 |
| Certificates of deposit | - | 1,001,444 |
| Accounts receivable | 1,332 | 23,547 |
| Contributions and grants receivable, net | 4,916,489 | 1,511,999 |
| Property and equipment, net | 9,518 | 11,656 |
| Other assets | 17,067 | - |
| Total assets | $ 16,353,233 | $ 15,308,430 |
| **Liabilities and Net Assets** | | |
| Accounts payable and accrued expenses | $ 175,345 | $ 191,581 |
| Grants payable | 1,468,140 | 996,190 |
| Contract liabilities | 76,669 | 71,098 |
| Total liabilities | 1,720,154 | 1,258,869 |
| Net assets: | | |
| Without donor restrictions | 2,713,508 | 3,210,887 |
| With donor restrictions | 11,919,571 | 10,838,674 |
| Total net assets | 14,633,079 | 14,049,561 |
| Total liabilities and net assets | $ 16,353,233 | $ 15,308,430 |

See accompanying notes to the consolidated financial statements.

## Center for Disaster Philanthropy, Inc. & Subsidiary

## Consolidated Statement of Activities

## For the Year Ended December 31, 2019

| | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|
| Revenues: | | | |
| Contributions and grants | $ 622,232 | $ 12,844,785 | $ 13,467,017 |
| Consulting fees | 353,880 | - | 353,880 |
| Interest income, net | 52,109 | 8,145 | 60,254 |
| Net assets released from restrictions: | | | |
| Satisfaction of donor restrictions | 11,772,033 | (11,772,033) | - |
| Total revenues | 12,800,254 | 1,080,897 | 13,881,151 |
| Expenses: | | | |
| Program services: | | | |
| Disaster programs | 10,949,903 | - | 10,949,903 |
| Consulting services | 1,636,460 | - | 1,636,460 |
| Total program services | 12,586,363 | - | 12,586,363 |
| Support services: | | | |
| Management and general | 357,003 | - | 357,003 |
| Fundraising | 354,267 | - | 354,267 |
| Total support services | 711,270 | - | 711,270 |
| Total expenses | 13,297,633 | - | 13,297,633 |
| Change in net assets | (497,379) | 1,080,897 | 583,518 |
| Net assets, beginning of year | 3,210,887 | 10,838,674 | 14,049,561 |
| Net assets, end of year | $ 2,713,508 | $ 11,919,571 | $ 14,633,079 |

See accompanying notes to the consolidated financial statements.

Center for Disaster Philanthropy, Inc. & Subsidiary

Consolidated Statement of Activities

For the Year Ended December 31, 2018

| | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|
| Revenues: | | | |
| Contributions and grants | $ 1,564,072 | $ 5,494,080 | $ 7,058,152 |
| Consulting fees | 567,355 | - | 567,355 |
| Interest income, net | 101,260 | 4,975 | 106,235 |
| Net assets released from restrictions: | | | |
| Satisfaction of donor restrictions | 15,988,145 | (15,988,145) | - |
| Total revenues | 18,220,832 | (10,489,090) | 7,731,742 |
| Expenses: | | | |
| Program services: | | | |
| Disaster programs | 16,424,135 | - | 16,424,135 |
| Consulting services | 485,248 | - | 485,248 |
| Total program services | 16,909,383 | - | 16,909,383 |
| Support services: | | | |
| Management and general | 244,781 | - | 244,781 |
| Fundraising | 271,419 | - | 271,419 |
| Total support services | 516,200 | - | 516,200 |
| Total expenses | 17,425,583 | - | 17,425,583 |
| Change in net assets | 795,249 | (10,489,090) | (9,693,841) |
| Net assets, beginning of year | 2,415,638 | 21,327,764 | 23,743,402 |
| Net assets, end of year | $ 3,210,887 | $ 10,838,674 | $ 14,049,561 |

See accompanying notes to the consolidated financial statements.

## Center for Disaster Philanthropy, Inc. & Subsidiary

## Consolidated Statement of Functional Expenses

## For the Year Ended December 31, 2019

| | Disaster programs | Consulting services | Total program services | Management and general | Fundraising | Total support services | Total expenses |
|---|---|---|---|---|---|---|---|
| Grants | $ 9,309,753 | $ 1,330,944 | $ 10,640,697 | $ - | $ - | $ - | $ 10,640,697 |
| Payroll and benefits | 1,059,552 | 115,244 | 1,174,796 | 259,044 | 292,850 | 551,894 | 1,726,690 |
| Professional services fees | 239,846 | 69,110 | 308,956 | 59,368 | 37,275 | 96,643 | 405,599 |
| Consultants | 170,292 | 106,567 | 276,859 | 18,050 | - | 18,050 | 294,909 |
| Travel | 86,876 | 655 | 87,531 | 3,257 | 6,520 | 9,777 | 97,308 |
| Office and other expenses | 48,128 | 8,924 | 57,052 | 11,185 | 11,293 | 22,478 | 79,530 |
| Occupancy | 16,091 | 3,074 | 19,165 | 3,672 | 3,764 | 7,436 | 26,601 |
| Meetings and convenings | 13,724 | 925 | 14,649 | 1,156 | 1,222 | 2,378 | 17,027 |
| Depreciation and amortization | 5,641 | 1,017 | 6,658 | 1,271 | 1,343 | 2,614 | 9,272 |
| Total expenses | $ 10,949,903 | $ 1,636,460 | $ 12,586,363 | $ 357,003 | $ 354,267 | $ 711,270 | $ 13,297,633 |

## Center for Disaster Philanthropy, Inc. & Subsidiary

## Consolidated Statement of Functional Expenses

## For the Year Ended December 31, 2018

| | Disaster programs | Consulting services | Total program services | Management and general | Fundraising | Total support services | Total expenses |
|---|---|---|---|---|---|---|---|
| Grants | $ 15,221,259 | $ 133,677 | $ 15,354,936 | $ - | $ - | $ - | $ 15,354,936 |
| Payroll and benefits | 953,271 | 87,913 | 1,041,184 | 220,186 | 241,072 | 461,258 | 1,502,442 |
| Professional services fees | 30,849 | 122,807 | 153,656 | 9,406 | 4,427 | 13,833 | 167,489 |
| Consultants | 114,660 | 128,229 | 242,889 | - | - | - | 242,889 |
| Travel | 43,675 | 2,172 | 45,847 | 3,120 | 12,243 | 15,363 | 61,210 |
| Office and other expenses | 24,490 | 4,992 | 29,482 | 5,157 | 5,427 | 10,584 | 40,066 |
| Occupancy | 9,505 | 2,216 | 11,721 | 2,106 | 4,634 | 6,740 | 18,461 |
| Meetings and convenings | 13,382 | 602 | 13,984 | 2,116 | 671 | 2,787 | 16,771 |
| Depreciation and amortization | 5,447 | 1,103 | 6,550 | 1,124 | 1,230 | 2,354 | 8,904 |
| Marketing and communications | 7,597 | 1,537 | 9,134 | 1,566 | 1,715 | 3,281 | 12,415 |
| Total expenses | $ 16,424,135 | $ 485,248 | $ 16,909,383 | $ 244,781 | $ 271,419 | $ 516,200 | $ 17,425,583 |

## Center for Disaster Philanthropy, Inc. & Subsidiary

## Consolidated Statements of Cash Flows

## For the Years Ended December 31, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ 583,518 | $ (9,693,841) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 9,272 | 8,904 |
| Donated stock | (169,104) | - |
| Realized loss on donated stock | 690 | - |
| Change in discount on contributions and grants receivables | (34,208) | 2,767 |
| Decrease (increase) in assets: | | |
| Accounts receivable | 22,215 | 1,389 |
| Contributions and grants receivable | (3,370,282) | 946,883 |
| Other assets | (17,067) | - |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | (16,236) | (3,836) |
| Grants payable | 471,950 | 948,530 |
| Contract liabilities | 5,571 | 46,098 |
| Total adjustments | (3,097,199) | 1,950,735 |
| Net cash used in operating activities | (2,513,681) | (7,743,106) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (7,134) | (6,615) |
| Purchases of certificates of deposit | (5,750,000) | (7,500,000) |
| Reinvestment of interest from certificates of deposit | - | (1,444) |
| Proceeds from redemption of certificates of deposit | 6,751,444 | 18,501,072 |
| Proceeds from sales of stock | 168,414 | - |
| Net cash provided by investing activities | 1,162,724 | 10,993,013 |
| Net (decrease) increase in cash and cash equivalents | (1,350,957) | 3,249,907 |
| Cash and cash equivalents, beginning of year | 12,759,784 | 9,509,877 |
| Cash and cash equivalents, end of year | $ 11,408,827 | $ 12,759,784 |

See accompanying notes to the consolidated financial statements.

## 1. Organization

The accompanying consolidated financial statements include the accounts of the Center for Disaster Philanthropy, Inc. and the Louisiana Disaster Recovery Alliance LLC (collectively referred to as CDP). The Center for Disaster Philanthropy is the sole member of the Louisiana Disaster Recovery Alliance LLC.

The Center for Disaster Philanthropy, Inc. (the Center) was incorporated and effectively received its 501(c)(3) determination on March 7, 2012. The Center's mission is to leverage the power of philanthropy to mobilize a full range of resources that strengthen the ability of communities to withstand disasters and recover equitably when they occur. This includes increasing the effectiveness of contributions given to disasters, bringing greater attention to the life cycle of disasters, providing timely and relevant advice from experts with deep knowledge of disaster philanthropy, conducting due diligence so donors can give with confidence, and creating plans for informed giving for individuals, corporations and foundations.

On September 20, 2016, the Louisiana Disaster Recovery Alliance LLC (LDRA) was formed in Louisiana. LDRA is an alliance of organizations based in, or with a substantial presence in, the State of Louisiana that have a shared vision of promoting a more resilient Louisiana. LDRA was established to share knowledge and resources within Louisiana, to promote best practices with respect to disaster recovery efforts and to provide a model for regional, philanthropic response efforts around the country. The Center provides management and administrative support to the LDRA.

## 2. Summary of Significant Accounting Policies

### a. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Center and LDRA. All significant intercompany accounts and transactions have been eliminated in consolidation.

### b. Basis of presentation

CDP's consolidated financial statements are presented in accordance with generally accepted accounting principles for nonprofit organizations. Under those principles, CDP is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* represent resources that are not subject to donor imposed restrictions and are available for operations at management's discretion.

- *Net Assets With Donor Restrictions* represent resources restricted by donors. Some donor restrictions are temporary in nature and those restrictions will be met by actions of CDP or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, donor restricted net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the accompanying consolidated statements of activities.

c. Basis of accounting

CDP's consolidated financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when obligations are incurred.

d. Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates.

e. Income taxes

The Center is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. The Center is not classified as a private foundation. LDRA is wholly owned by the Center and its operating results flow through to the Center for tax reporting purposes.

f. Cash and cash equivalents

For consolidated financial statement purposes, CDP classifies demand deposits and short-term investments with an original maturity of three months or less as cash equivalents.

g. Certificates of deposit

Certificates of deposit consist of investments with a maturity of greater than three months and are recorded at amortized cost.

h. Accounts receivable

Accounts receivable are due in less than one year and stated at their net realizable value. Reserves are established for accounts receivable that are delinquent and considered uncollectible based on periodic reviews by management. At December 31, 2019 and 2018, all receivables are fully collectible, therefore, no allowance for doubtful accounts has been recognized.

i. Contributions and grants receivable, net

Contributions and certain grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions and grants receivable that are expected to be collected in less than one year are reported at their net realizable value. Amounts that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The cash flows are discounted at a discount rate commensurate with the risk involved. Amortization of the resulting discount is recognized as additional contribution revenue.

Reserves are established for contributions and grants receivable that are delinquent and considered uncollectible based on periodic reviews by management. At December 31, 2019 and 2018, all contributions and grants receivable are fully collectible, therefore, no allowance for doubtful accounts has been recognized.

j. Property and equipment, net

Property and equipment acquisitions are recorded in the consolidated financial statements at cost, net of accumulated depreciation and amortization. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Website | 3 years |
| Computer equipment | 3 years |

CDP's policy is to capitalize major additions and improvements over $1,000. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

k. Revenue recognition

CDP recognizes unconditional contributions and certain grants when received or promised and are recorded net of any current year allowance or discount activity. CDP reports gifts of cash and other assets as net assets with donor restrictions if they are received or promised with donor stipulations that limit the use of the donated assets to CDP's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities as net assets released from restrictions. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Consequently, at December 31, 2019, contributions of $500,000 have not been recognized in the accompanying consolidated statement of activities because the condition(s) on which they depend has not yet been met. Of the total conditional contributions, $500,000 depend on raising additional contributions that will be matched dollar-for-dollar.

Consulting fees are recognized as revenue in the period in which services are provided. The performance obligations consist of acting as a trusted advisor and providing information and recommendations on philanthropic endeavors associated with the life cycle of disasters. Fees received relating to future periods are recorded as contract liabilities in the accompanying consolidated statements of financial position.

Analysis of various provisions of this standard resulted in no significant changes in the way CDP recognizes revenue, and therefore no changes to the previously issued audited consolidated financial statements were required on a retrospective basis.

l. Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs, such as payroll and benefits, occupancy, and depreciation and amortization have been allocated among programs and support services based on level of effort. Other expenses, such as professional service fees, office expenses, and travel have been directly charged among the programs and support services benefited, with the remaining portion allocated among programs and support services based on level of effort. Such allocations are determined by management on an equitable basis.

m. Adoption of new accounting standards

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs - Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, CDP refers to the new Topic 606 and Subtopic 340-40 as the “new guidance.”

CDP adopted the requirements of the new guidance as of January 1, 2019, utilizing the modified retrospective method of transition. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606 while prior period amounts continue to be reported in accordance with ASC 605. The adoption of ASC 606 did not result in a change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustment was recorded. CDP applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in no changes to our accounting policies for revenue recognition, receivables, and contract liabilities.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to address questions stemming from ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), regarding its implications on grants and contracts of not-for-profit organizations. CDP adopted the requirements of the new guidance as of January 1, 2019.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosure about leasing arrangements. ASU No. 2016-02, as amended by 2019-10, is effective for nonpublic entities for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 31, 2021. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new lease standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. CDP is currently assessing the impacts of this new standard, including the two optional transition methods. CDP does not anticipate the adoption of the standard to have a material impact on the consolidated financial statements.

## 3. Liquidity and Availability

The following represents CDP's financial assets available to meet general expenditures within one year at December 31, 2019 and 2018:

| Financial assets at year end: | 2019 | 2018 |
|---|---|---|
| Cash and cash equivalents | $ 11,408,827 | $ 12,759,784 |
| Certificates of deposit | - | 1,001,444 |
| Accounts receivable | 1,332 | 23,547 |
| Contributions and grants receivable, net | 4,916,489 | 1,511,999 |
| Total financial assets | 16,326,648 | 15,296,774 |
| Less amounts not available within one year: | | |
| Long-term contributions and grants receivable, net | 49,219 | 385,555 |
| Grants committed | 1,468,140 | 996,190 |
| Donor restricted net assets | 11,919,571 | 10,838,674 |
| Total | 13,436,930 | 12,220,419 |
| Financial assets available to meet general expenditures within one year | $ 2,889,718 | $ 3,076,355 |

CDP is focused on sustaining its financial liquidity throughout the year. CDP's goal is generally to maintain financial assets to meet six months of operating expenses (approximately $1,000,000). CDP monitors its cash flows and reserves monthly to ensure that it maintains sufficient liquidity to meet its operating needs and other contractual obligations as they become due. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. CDP has a $500,000 line of credit available to meet cash flow needs if required.

## 4. Concentrations of Credit Risk

CDP maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. During 2016, CDP transitioned its banking relationship to a new financial institution and opened an operating account and an insured cash sweep account. Funds automatically transfer between the operating and insured cash sweep accounts to ensure that minimal balances, if any, are maintained above the FDIC limits in either account. At December 31, 2019 and 2018, CDP had bank deposits in excess of FDIC limits of $106 and $189, respectively.

## 5. Certificates of Deposit

Certificates of deposits are placed with multiple financial institutions through the Certificate of Deposit Account Registry Service (CDARS) Deposit Placement Program to ensure that all amounts are fully insured by the FDIC. Certificates of deposit were earning interest at fixed rates ranging from 0.45% to 0.90% per annum depending on the term of the certificate of deposit. The certificates of deposit all matured in 2019.

Interest income from certificates of deposit amounted to $14,154 and $69,292 for the years ended December 31, 2019 and 2018.

## 6. Contributions and Grants Receivable, Net

Contributions and grants receivable consist of unconditional promises to give and are summarized as follows:

| | 2019 | 2018 |
|---|---|---|
| Unconditional promises to give expected to be collected in: | | |
| Less than one year | $ 3,115,142 | $ 1,126,444 |
| One to three years | 1,850,000 | 400,000 |
| Total | 4,965,142 | 1,526,444 |
| Less: | | |
| Discount to present value (average of 1.6% discount rate) | (48,653) | (14,445) |
| Contributions and grants receivable, net | $ 4,916,489 | $ 1,511,999 |

## 7. Property and Equipment, Net

The following is a summary of property and equipment held at December 31:

| | 2019 | 2018 |
|---|---|---|
| Website | $ 20,800 | $ 20,800 |
| Computer equipment | 16,442 | 9,308 |
| Property and equipment | 37,242 | 30,108 |
| Accumulated depreciation and amortization | (27,724) | (18,452) |
| Total property and equipment, net | $ 9,518 | $ 11,656 |

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 was $9,272 and $8,904, respectively.

## 8. Line of Credit

In December 2016, the Center entered into a $350,000 working capital line of credit with its financial institution. The line of credit is payable in monthly payments of principal and interest and is secured by a priority lien on the business assets of the Center. In March 2019, the line of credit was increased to $500,000, with no other changes in the terms and conditions. The interest rate on the line of credit is the "Wall Street Journal Prime Rate" plus 100 basis points with a floor of 5.5% per annum, which was 5.75% and 6.5% at December 31, 2019 and 2018, respectively. The Center believes it is in compliance with all covenants stipulated on the line for the years ended December 31, 2019 and 2018. At December 31, 2019 and 2018, there was no outstanding balance on the line. In March 2020, the line of credit was renewed and changed from a term facility to a demand facility, which will be reviewed annually by its financial institution.

## 9. Net Assets With Donor Restrictions

Net assets were released from donor restrictions during the years ended December 31, 2019 and 2018 for the following purposes:

| | 2019 | 2018 |
|---|---|---|
| Hurricane Harvey Recovery Fund | $ 4,854,475 | $ 8,847,684 |
| 2018 Atlantic Hurricane Season Recovery Fund | 1,754,089 | 80,471 |
| Midwest Early Recovery Fund | 1,582,239 | 1,013,918 |
| 2018 California Wildfires Recovery Fund | 1,553,820 | 50,114 |
| Google Disaster Grants | 1,011,956 | 142,421 |
| Capacity Building Grant | 300,946 | 3,645 |
| Global Recovery Fund | 287,292 | - |
| 2019 Midwest Floods Recovery Fund | 128,351 | - |
| 2019 Atlantic Hurricane Season Recovery Fund | 117,833 | - |
| Kerala Flooding | 110,867 | 567 |
| State of Disaster Philanthropy | 104,149 | 106,526 |
| 2019 California Wildfires Recovery Fund | 37,647 | - |
| Disaster Philanthropy Playbook | 56,844 | 3,326 |
| Tribal Communities Grant | 10,380 | - |
| Louisiana Disaster Recovery Alliance | 188 | 250,000 |
| 2017 Atlantic Hurricane Season Recovery Fund | (148,010) | 3,456,011 |
| Hurricane Irma | - | 1,476,312 |
| Others | 8,967 | 557,150 |
| Total net assets released from restrictions | $ 11,772,033 | $ 15,988,145 |

At December 31, 2019 and 2018, net assets with donor restrictions were available for the following purposes:

| | 2019 | 2018 |
|---|---|---|
| Midwest Early Recovery Fund | $ 3,052,129 | $ 1,081,867 |
| Google Disaster Grants | 2,391,715 | 443,329 |
| 2019 Atlantic Hurricane Season Recovery Fund | 2,239,207 | - |
| 2019 California Wildfires Recovery Fund | 1,074,433 | - |
| Tribal Communities Grant | 990,927 | - |
| Global Recovery Fund | 488,686 | - |
| Disaster Recovery Fund | 376,277 | 395,442 |
| Disaster Philanthropy Playbook | 230,117 | 117,961 |
| Capacity Building Grant | 196,955 | 496,355 |
| FJC Earmarked Fund | 183,384 | 179,955 |
| 2017 Atlantic Hurricane Season Recovery Fund | 173,866 | 216 |
| Gulf Coast Resilience Innovation Fund | 177,764 | 177,764 |
| 2019 Midwest Floods Recovery Fund | 149,664 | - |
| Louisiana Disaster Recovery Alliance | 88,058 | 87,573 |
| Transition Funding Grant | 63,000 | - |
| 2018 California Wildfires Recovery Fund | 29,672 | 1,349,004 |
| 2018 Atlantic Hurricane Season Recovery Fund | 13,717 | 1,711,007 |
| Hurricane Harvey Recovery Fund | - | 4,664,083 |
| Kerala Flooding | - | 110,767 |
| Other | - | 23,351 |
| Total net assets with donor restrictions | $ 11,919,571 | $ 10,838,674 |

## 10. Concentrations of Revenue Risk

As part of an effort to secure more long-term financial sustainability, CDP was awarded several multi-year grants in 2019 and 2018. As a result, approximately 82% and 99% of contributions and grants receivable were from two donors as of December 31, 2019 and 2018, respectively. CDP received approximately 49% of its total contributions and grants revenue from two grantors as of December 31, 2019. There were no significant concentrations of revenue as of December 31, 2018. Any significant reduction in revenue and support may adversely impact CDP's financial position and operations.

## 11. Commitment

Operating lease

In May 2012, CDP entered into an agreement for office space with Arabella Advisors, LLC. The multi-year agreement expired on June 30, 2013, however, CDP continued to lease the space on a month-to-month basis at the rate of $1,294 per month through April 30, 2019. On May 1, 2019, CDP relocated to a coworking office space managed by Industrious and entered into a twelve-month membership agreement for access to the office space and services provided by Industrious. The membership fee is $2,709 per month through April 30, 2020. The membership agreement will continue on a month-to-month basis upon expiration of the twelve-month term.

## 12. Retirement Plan

Effective October 1, 2018, CDP implemented a contributory, defined contribution retirement plan (the Plan) for the benefit of all qualified employees. In order to qualify to participate in the Plan, an employee must have completed one year of service, must have worked at least 1,000 hours per year and must be at least 21 years of age. The Plan makes contributions of 100% of the first 3% of an employee’s contributions. Effective January 1, 2019, CDP amended the plan to be a safe harbor plan which makes contributions of 100% of the first 4% of an employee's contributions, and effective May 1, 2019, CDP amended the plan to remove the year of service and hours requirements. With this amendment, employees are eligible to participate in the plan on their employment date. Employer contributions totaled $40,069 and $2,888 for the years ended December 31, 2019 and 2018, respectively.

## 13. Subsequent Events

In preparing the consolidated financial statements, CDP has evaluated events and transactions for potential recognition or disclosure through April 20, 2020, which is the date the consolidated financial statements were available to be issued. Except as noted below and in Note 8, there were no subsequent events that require recognition or disclosure in these consolidated financial statements.

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity and funding sources could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. CDP launched its COVID-19 Response Fund in early March and has raised over $14,000,000. The financial impact and duration of the global pandemic cannot be reasonably estimated at this time; however, due to the nature of the crisis and CDP's mission it is not expected to have a negative impact on its operations or financial results. No adjustments have been made to these consolidated financial statements as a result of this uncertainty.

Supplemental Information

## Center for Disaster Philanthropy, Inc. & Subsidiary

## Consolidating Schedule of Financial Position

## December 31, 2019

## (with summarized financial information for 2018)

| | Center for Disaster Philanthropy, Inc. | Louisiana Disaster Recovery Alliance LLC | Eliminations | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | $ 11,320,769 | $ 88,058 | $ - | $ 11,408,827 | $ 12,759,784 |
| Certificates of deposit | - | - | - | - | 1,001,444 |
| Accounts receivable | 1,332 | - | - | 1,332 | 23,547 |
| Contributions and grants receivable, net | 4,916,489 | - | - | 4,916,489 | 1,511,999 |
| Property and equipment, net | 9,518 | - | - | 9,518 | 11,656 |
| Other assets | 17,067 | - | - | 17,067 | - |
| Total assets | $ 16,265,175 | $ 88,058 | $ - | $ 16,353,233 | $ 15,308,430 |
| **Liabilities and Net Assets** | | | | | |
| Accounts payable and accrued expenses | $ 175,345 | $ - | $ - | $ 175,345 | $ 191,581 |
| Grants payable | 1,468,140 | - | - | 1,468,140 | 996,190 |
| Contract liabilities | 76,669 | - | - | 76,669 | 71,098 |
| Total liabilities | 1,720,154 | - | - | 1,720,154 | 1,258,869 |
| Net assets: | | | | | |
| Without donor restrictions | 2,713,508 | - | - | 2,713,508 | 3,210,887 |
| With donor restrictions | 11,831,513 | 88,058 | - | 11,919,571 | 10,838,674 |
| Total net assets | 14,545,021 | 88,058 | - | 14,633,079 | 14,049,561 |
| Total liabilities and net assets | $ 16,265,175 | $ 88,058 | $ - | $ 16,353,233 | $ 15,308,430 |

## Center for Disaster Philanthropy, Inc. & Subsidiary

## Consolidating Schedule of Activities

## For the Year Ended December 31, 2019

## (with summarized financial information for 2018)

| | Center for Disaster Philanthropy, Inc. | Louisiana Disaster Recovery Alliance LLC | Eliminations | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| Net assets without donor restrictions: | | | | | |
| Contributions and grants | $ 622,232 | $ - | $ - | $ 622,232 | $ 1,564,072 |
| Consulting fees | 353,880 | - | - | 353,880 | 567,355 |
| Interest income, net | 51,436 | 673 | - | 52,109 | 101,260 |
| Net assets released from restrictions: | | | | | |
| Satisfaction of donor restrictions | 11,771,845 | 188 | - | 11,772,033 | 15,988,145 |
| Total revenues without donor restrictions | 12,799,393 | 861 | - | 12,800,254 | 18,220,832 |
| Expenses: | | | | | |
| Program services: | | | | | |
| Disaster programs | 10,949,903 | - | - | 10,949,903 | 16,424,135 |
| Consulting services | 1,636,460 | - | - | 1,636,460 | 485,248 |
| Total program services | 12,586,363 | - | - | 12,586,363 | 16,909,383 |
| Support services: | | | | | |
| Management and general | 356,815 | 188 | - | 357,003 | 244,781 |
| Fundraising | 354,267 | - | - | 354,267 | 271,419 |
| Total support services | 711,082 | 188 | - | 711,270 | 516,200 |
| Total expenses | 13,297,445 | 188 | - | 13,297,633 | 17,425,583 |
| Change in net assets without donor restrictions | (498,052) | 673 | - | (497,379) | 795,249 |
| Net assets with donor restrictions: | | | | | |
| Contributions and grants | 12,844,785 | - | - | 12,844,785 | 5,494,080 |
| Interest income, net | 8,145 | - | - | 8,145 | 4,975 |
| Net assets released from restrictions: | | | | | |
| Satisfaction of donor restrictions | (11,771,845) | (188) | - | (11,772,033) | (15,988,145) |
| Change in net assets with donor restrictions | 1,081,085 | - | - | 1,080,897 | (10,489,090) |
| Change in net assets | 583,033 | 485 | - | 583,518 | (9,693,841) |
| Net assets, beginning of year | 13,961,988 | 87,573 | - | 14,049,561 | 23,743,402 |
| Net assets, end of year | $ 14,545,021 | $ 88,058 | $ - | $ 14,633,079 | $ 14,049,561 |