



THE CENTER FOR
EFFECTIVE PHILANTHROPY

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

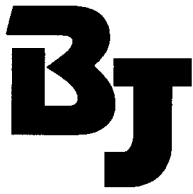
DECEMBER 31, 2007 AND 2006

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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Bernard, Johnson & Company, P.C.

Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Center for Effective Philanthropy, Inc.:

We have audited the accompanying statements of financial position of The Center for Effective Philanthropy, Inc. (a Massachusetts corporation, not for profit) as of December 31, 2007 and 2006 and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of The Center for Effective Philanthropy's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Center for Effective Philanthropy, Inc. as of December 31, 2007 and 2006 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Bernard Johnson & Company P.C.

Topsfield, Massachusetts
March 20, 2008

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

ASSETS	2007		2006	
	Unrestricted	Temporarily Restricted	Total	Total
CURRENT ASSETS:				
Cash	\$ 1,175,247	\$ 1,100,000	\$ 2,275,247	\$ 1,058,037
Accounts receivable	187,485	-	187,485	296,224
Pledges receivable	15,000	955,000	970,000	617,000
Prepaid expenses and deposits	33,696	-	33,696	44,870
Total current assets	1,411,428	2,055,000	3,466,428	2,016,131
PLEDGES RECEIVABLE, net of current portion	-	1,386,655	1,386,655	30,000
FIXED ASSETS, net	109,499	-	109,499	64,891
TOTAL ASSETS	\$ 1,520,927	\$ 3,441,655	\$ 4,962,582	\$ 2,111,022
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 141,134	\$ -	\$ 141,134	\$ 115,569
Deferred revenue	56,050	-	56,050	113,390
Total current liabilities	197,184	-	197,184	228,959
TOTAL LIABILITIES	197,184	-	197,184	228,959
NET ASSETS:				
Unrestricted-				
Operating	627,689	-	627,689	702,142
Board designated	586,555	-	586,555	468,030
Fixed assets	109,499	-	109,499	64,891
Total unrestricted	1,323,743	-	1,323,743	1,235,063
Temporarily restricted	-	3,441,655	3,441,655	647,000
TOTAL NET ASSETS	1,323,743	3,441,655	4,765,398	1,882,063
TOTAL LIABILITIES AND NET ASSETS	\$ 1,520,927	\$ 3,441,655	\$ 4,962,582	\$ 2,111,022

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

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUE AND SUPPORT:						
Grants and contributions-						
General operations	\$ 1,096,722	\$ 3,411,655	\$ 4,508,377	\$ 655,530	\$ 547,000	\$ 1,202,530
Program support	160,000	-	160,000	55,000	-	55,000
Net assets released from restrictions	617,000	(617,000)	-	764,000	(764,000)	-
Total grants and contributions	1,873,722	2,794,655	4,668,377	1,474,530	(217,000)	1,257,530
Earned revenue -						
Assessment tools	1,251,172	-	1,251,172	925,773	-	925,773
CEP conference fees	120,035	-	120,035	-	-	-
Interest income and other	58,975	-	58,975	31,617	-	31,617
Consulting fees	16,025	-	16,025	7,500	-	7,500
Speaking engagement fees	12,000	-	12,000	5,000	-	5,000
Total earned revenue	1,458,207	-	1,458,207	969,890	-	969,890
Total operating revenue and support	3,331,929	2,794,655	6,126,584	2,444,420	(217,000)	2,227,420
OPERATING EXPENSES:						
Program services	2,577,556	-	2,577,556	1,709,189	-	1,709,189
General and administrative	531,258	-	531,258	276,640	-	276,640
Fundraising	134,435	-	134,435	126,246	-	126,246
Total operating expenses	3,243,249	-	3,243,249	2,112,075	-	2,112,075
Changes in net assets from operations	88,680	2,794,655	2,883,335	332,345	(217,000)	115,345
NET ASSETS, beginning of year	1,235,063	647,000	1,882,063	902,718	864,000	1,766,718
NET ASSETS, end of year	<u>\$ 1,323,743</u>	<u>\$ 3,441,655</u>	<u>\$ 4,765,398</u>	<u>\$ 1,235,063</u>	<u>\$ 647,000</u>	<u>\$ 1,882,063</u>

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

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 2,883,335	\$ 115,345
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	19,769	21,838
Changes in operating assets and liabilities -		
Accounts receivable	108,739	(258,541)
Pledges receivable	(1,709,655)	242,000
Prepaid expenses and deposits	11,174	(36,715)
Accounts payable and accrued expenses	25,565	61,548
Deferred revenue	(57,340)	48,760
Net cash provided by operating activities	<u>1,281,587</u>	<u>194,235</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Acquisition of fixed assets	(64,377)	-
Payments on capital lease obligation	-	(1,211)
Net cash used in financing activities	<u>(64,377)</u>	<u>(1,211)</u>
NET INCREASE IN CASH	1,217,210	193,024
CASH, beginning of year	<u>1,058,037</u>	<u>865,013</u>
CASH, end of year	<u>\$ 2,275,247</u>	<u>\$ 1,058,037</u>
SUPPLEMENTAL DISCLOSURE FOR CASH FLOW INFORMATION -		
Interest	\$ -	\$ -
Income taxes	-	-

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

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007				2006			
	Program Services	General & Administrative	Fund-Raising	Total	Program Services	General & Administrative	Fund-Raising	Total
PERSONNEL AND RELATED:								
Salaries	\$ 1,239,193	\$ 312,332	\$ 76,977	\$ 1,628,502	\$ 940,956	\$ 136,566	\$ 59,749	\$ 1,137,271
Fringe benefits	111,406	27,575	6,926	145,907	80,835	13,107	5,876	99,818
Payroll taxes	94,575	22,947	5,885	123,407	71,660	11,458	5,115	88,233
Total personnel and related	<u>1,445,174</u>	<u>362,854</u>	<u>89,788</u>	<u>1,897,816</u>	<u>1,093,451</u>	<u>161,131</u>	<u>70,740</u>	<u>1,325,322</u>
OCCUPANCY:								
Rent	86,531	20,936	5,385	112,852	87,053	13,238	4,334	104,625
Telephone/internet/telecom	23,392	5,145	1,326	29,863	18,811	2,356	803	21,970
Utilities	6,761	1,656	420	8,837	5,493	835	272	6,600
Total occupancy	<u>116,684</u>	<u>27,737</u>	<u>7,131</u>	<u>151,552</u>	<u>111,357</u>	<u>16,429</u>	<u>5,409</u>	<u>133,195</u>
OTHER:								
Professional fees	332,072	72,029	13,341	417,442	105,993	41,889	31,130	179,012
CEP conference expenses	148,556	-	-	148,556	-	-	-	-
Travel	96,529	14,520	7,749	118,798	66,572	19,989	8,483	95,044
Printing	111,904	2,370	760	115,034	75,375	2,222	726	78,323
Survey administration	81,092	-	-	81,092	51,191	-	-	51,191
Office supplies	56,467	13,175	2,862	72,504	35,024	4,301	1,378	40,703
Postage and delivery	56,708	3,481	3,172	63,361	44,596	2,701	1,306	48,603
Meals	38,736	10,986	2,267	51,989	42,561	9,494	1,590	53,645
Computer related expenses	26,731	7,743	1,710	36,184	13,790	2,033	660	16,483
Equipment rental and maintenance	19,002	6,009	1,232	26,243	5,760	1,061	348	7,169
Depreciation and amortization	15,172	3,653	944	19,769	18,175	2,762	901	21,838
Dues and subscriptions	15,339	3,010	832	19,181	13,054	4,195	1,255	18,504
Professional development	6,764	1,431	2,202	10,397	3,311	500	727	4,538
Miscellaneous	5,391	999	127	6,517	4,509	1,268	131	5,908
Insurance	3,504	921	224	4,649	1,449	3,015	58	4,522
Advertising	1,731	340	94	2,165	23,021	3,650	1,404	28,075
Total other	<u>1,015,698</u>	<u>140,667</u>	<u>37,516</u>	<u>1,193,881</u>	<u>504,381</u>	<u>99,080</u>	<u>50,097</u>	<u>653,558</u>
Total expenses	<u>\$ 2,577,556</u>	<u>\$ 531,258</u>	<u>\$ 134,435</u>	<u>\$ 3,243,249</u>	<u>\$ 1,709,189</u>	<u>\$ 276,640</u>	<u>\$ 126,246</u>	<u>\$ 2,112,075</u>

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

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

1. **OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES:**

OPERATIONS:

The Center For Effective Philanthropy, Inc. (CEP) was formed on June 30, 2000 and began operations in the summer of 2001. CEP provides comparative data to enable higher performing charitable foundations. Its mission is to provide management and governance tools to define, assess and improve overall foundation performance. CEP's research, assessment tools and programming are widely utilized by chief executive officers, trustees and senior executives of the country's several hundred largest foundations.

CEP is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c) (3) of the Internal Revenue Code. CEP is also exempt from state income taxes. Donors may deduct contributions made to CEP within Internal Revenue Code requirements.

SIGNIFICANT ACCOUNTING POLICIES:

Revenue Recognition

Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed. Donor restricted grants received and satisfied in the same period are included in unrestricted net assets.

Assessment tools, seminar, consulting and speaking fees are recorded based upon the delivery of services.

All other revenue is recorded as earned.

Deferred Revenue

Seminar fees and assessment tools fees received in advance are recorded as deferred revenue.

Net Assets

Unrestricted Net Assets

Unrestricted net assets include the following:

- **Operating net assets** represent amounts that bear no external restrictions and are currently available for operations.
- **Board designated net assets** represent funds set aside by the Board of Directors to establish a working capital reserve. Funds may only be used upon approval of the Board of Directors.
- **Fixed asset net assets** represent the net book value of CEP's equipment and leasehold improvements, net of related debt.

(Continued)

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

(Continued)

SIGNIFICANT ACCOUNTING POLICIES *(continued)*:

Net Assets (Continued)

Temporarily Restricted Net Assets

CEP receives contributions and grants which are designated by donors for specific purposes or for specified time periods. These contributions are recorded as temporarily restricted net assets until they are expended for their designated purposes or their time restriction has lapsed. Temporarily restricted net assets are restricted for the following purposes at December 31:

	<u>2007</u>	<u>2006</u>
Time restricted	\$3,441,655	\$647,000
Program restricted	-	-
	<u>\$3,441,655</u>	<u>\$647,000</u>

Expense Allocation

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Donated Goods and Services

CEP receives services of volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying financial statements since the value assigned to these services by the donating volunteers is not ascertainable and does not meet the recognition criteria of Financial Accounting Standards Board Statement No. 116.

Advertising Costs

CEP expenses advertising costs as incurred.

(Continued)

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

SIGNIFICANT ACCOUNTING POLICIES *(continued)*:

Certificates of Deposit

Certificates of deposit totaling \$659,730 and \$477,418 as of December 31, 2007 and 2006, respectively, are included in cash in the accompanying financial statements. As of December 31, 2007, the certificates bear interest ranging from 1.98% to 5.08% and have maturities ranging from three to eleven months, with a one-time no-penalty withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Fixed Assets

Purchased fixed assets are recorded at cost. Renewals and betterments are capitalized while repairs and maintenance are charged to expense as incurred. Depreciation is computed using the straight-line method.

Fixed assets consist of the following:

	Estimated Useful Lives	2007	2006
Office furniture and equipment	5 years	\$91,266	\$ 91,266
Leasehold improvements	5 years	64,377	-
Computer equipment and software	3 years	34,883	34,883
		<u>190,526</u>	<u>126,149</u>
Less accumulated depreciation		81,027	61,258
Fixed assets, net		<u>\$109,499</u>	<u>\$ 64,891</u>

Depreciation expense was \$19,769 and \$21,838 for the years ended December 31, 2007 and 2006, respectively.

(Continued)

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

2. PLEDGES RECEIVABLE:

Temporarily restricted pledges receivable consist of pledges made to CEP payable over the next three years. As of December 31, 2007 and 2006, CEP had pledges receivable of \$2,420,000 and \$647,000, respectively, of which \$1,450,000 and \$30,000, respectively, are considered long-term. Long-term receivables as of December 31, 2007 have been discounted at the present value of estimated future cash flows using a discount rate of 4%. The pledges receivable for the year ended December 31, 2006 have not been discounted since the discount would be immaterial.

Pledges receivable consists of the following at December 31, 2007 and 2006:

	2007	2006
Restricted for Time	\$2,405,000	\$647,000
Unrestricted	15,000	-
Gross pledges receivable	2,420,000	647,000
Less: Unamortized discount	(63,345)	-
Net pledge receivable	<u>\$2,356,655</u>	<u>\$647,000</u>
Amounts due in -		
Less than one year	\$ 970,000	\$ 30,000
Two to three years	1,450,000	-

3. COMMITMENT:

CEP leases its Cambridge offices under the terms of a new five year lease agreement which expires on December 31, 2012, with additional space and contains an option to renew for an additional five years. The lease requires CEP to pay its proportionate share of real estate taxes and operating expenses, and maintain certain insurance coverage on the premises. Rent expense was approximately \$113,000 and \$105,000 for the years ended December 31, 2007 and 2006, respectively.

Future minimum lease payments for the next five years are as follows:

2008	\$203,909
2009	207,540
2010	225,454
2011	233,846
2012	242,238

(Continued)

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

(Continued)

4. RETIREMENT PLAN:

During the year ended December 31, 2006 CEP adopted a defined contribution plan under Section 403(b) of the Internal Revenue Code. Eligible participants are able to defer a portion of their salary up to limits established by the Internal Revenue Code. CEP contributes up to 3% of the participants' annual salaries. For the years ended December 31, 2007 and 2006 CEP made contributions of \$42,174 and \$15,157 to the plan, respectively. Employees immediately vest in all contributions. These contributions are included in fringe benefits in the accompanying statements of functional expenses.

5. CONCENTRATIONS:

CEP maintains its cash balances in a Massachusetts bank. The Federal Deposit Insurance Corporation insures balances up to \$100,000. At certain times during the year, cash balances exceeded the insured amounts. Management monitors, on a regular basis, the financial condition of the financial institutions along with their balances to keep this potential risk to a minimum.

6. LINE OF CREDIT:

Effective July, 2007, CEP entered into a revolving line of credit agreement with a local bank for \$250,000, with interest fluctuating at a rate equal to the prime rate as published in the Wall Street Journal (7.25% at December 31, 2007). As of December 31, 2007, there was no amount outstanding under this facility. The line is secured by cash deposits held by the bank.