



THE CENTER FOR  
EFFECTIVE PHILANTHROPY

**THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**DECEMBER 31, 2009 AND 2008**

**THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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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, 2009 and 2008 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, 2009 and 2008 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 23, 2010

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

STATEMENTS OF FINANCIAL POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

ASSETS	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 903,219	\$ 1,450,000	\$ 2,353,219	\$ 615,280	\$ 1,520,000	\$ 2,135,280
Investments	2,116,843	-	2,116,843	1,156,599	-	1,156,599
Accounts receivable	64,017	-	64,017	357,131	-	357,131
Pledges receivable	-	1,066,666	1,066,666	-	751,667	751,667
Prepaid expenses and deposits	66,146	-	66,146	134,211	-	134,211
Total current assets	3,150,225	2,516,666	5,666,891	2,263,221	2,271,667	4,534,888
PLEDGES RECEIVABLE, net of current portion	-	168,269	168,269	-	567,061	567,061
FIXED ASSETS, net	363,840	-	363,840	437,446	-	437,446
TOTAL ASSETS	\$ 3,514,065	\$ 2,684,935	\$ 6,199,000	\$ 2,700,667	\$ 2,838,728	\$ 5,539,395
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES:</b>						
Accounts payable and accrued expenses	\$ 263,523	\$ -	\$ 263,523	\$ 327,200	\$ -	\$ 327,200
Deferred revenue	1,113,855	-	1,113,855	642,059	-	642,059
Total current liabilities	1,377,378	-	1,377,378	969,259	-	969,259
TOTAL LIABILITIES	1,377,378	-	1,377,378	969,259	-	969,259
<b>NET ASSETS:</b>						
Unrestricted-						
Operating	689,947	-	689,947	632,076	-	632,076
Board designated	1,082,900	-	1,082,900	675,235	-	675,235
Fixed assets	363,840	-	363,840	424,097	-	424,097
Total unrestricted	2,136,687	-	2,136,687	1,731,408	-	1,731,408
Temporarily restricted	-	2,684,935	2,684,935	-	2,838,728	2,838,728
TOTAL NET ASSETS	2,136,687	2,684,935	4,821,622	1,731,408	2,838,728	4,570,136
TOTAL LIABILITIES AND NET ASSETS	\$ 3,514,065	\$ 2,684,935	\$ 6,199,000	\$ 2,700,667	\$ 2,838,728	\$ 5,539,395

*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, 2009 AND 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>OPERATING REVENUE AND SUPPORT:</b>						
Grants and contributions-						
General operations	\$ 1,560,110	\$ 1,117,874	\$ 2,677,984	\$ 1,107,959	\$ 952,073	\$ 2,060,032
Net assets released from restrictions	1,271,667	(1,271,667)	-	1,555,000	(1,555,000)	-
Total grants and contributions	2,831,777	(153,793)	2,677,984	2,662,959	(602,927)	2,060,032
Earned revenue -						
Assessment tools	2,543,027	-	2,543,027	1,686,048	-	1,686,048
CEP conference fees	220,904	-	220,904	-	-	-
Investment income	55,886	-	55,886	68,729	-	68,729
Consulting fees	-	-	-	583,000	-	583,000
Speaking engagement fees	7,250	-	7,250	10,000	-	10,000
Total earned revenue	2,827,067	-	2,827,067	2,347,777	-	2,347,777
Total operating revenue and support	5,658,844	(153,793)	5,505,051	5,010,736	(602,927)	4,407,809
<b>OPERATING EXPENSES:</b>						
Program services	4,294,940	-	4,294,940	3,650,969	-	3,650,969
General and administrative	839,671	-	839,671	838,828	-	838,828
Fundraising	118,954	-	118,954	113,274	-	113,274
Total operating expenses	5,253,565	-	5,253,565	4,603,071	-	4,603,071
Changes in net assets from operations	405,279	(153,793)	251,486	407,665	(602,927)	(195,262)
NET ASSETS, beginning of year	1,731,408	2,838,728	4,570,136	1,323,743	3,441,655	4,765,398
NET ASSETS, end of year	<u>\$ 2,136,687</u>	<u>\$ 2,684,935</u>	<u>\$ 4,821,622</u>	<u>\$ 1,731,408</u>	<u>\$ 2,838,728</u>	<u>\$ 4,570,136</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, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 251,486	\$ (195,262)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	125,607	76,584
Unrealized gain on investments	(1,222)	-
Changes in operating assets and liabilities -		
Accounts receivable	293,114	(169,646)
Pledges receivable	83,793	1,037,927
Prepaid expenses and deposits	68,065	(100,515)
Accounts payable and accrued expenses	(63,677)	186,066
Deferred revenue	471,796	586,009
Net cash provided by operating activities	<u>1,228,962</u>	<u>1,421,163</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of fixed assets	(52,001)	(404,531)
Proceeds from maturity of investments	1,387,168	-
Purchase of investments	<u>(2,346,190)</u>	<u>(1,156,599)</u>
Net cash used in investing activities	<u>(1,011,023)</u>	<u>(1,561,130)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	217,939	(139,967)
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,135,280</u>	<u>2,275,247</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 2,353,219</u></u>	<u><u>\$ 2,135,280</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION -</b>		
Cash paid during the years for:		
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, 2009 AND 2008

	2009				2008			
	Program Services	General & Administrative	Fund-Raising	Total	Program Services	General & Administrative	Fund-Raising	Total
<b>PERSONNEL AND RELATED:</b>								
Salaries	\$ 2,235,747	\$ 499,679	\$ 84,805	\$ 2,820,231	\$ 1,928,989	\$ 523,115	\$ 72,172	\$ 2,524,276
Fringe benefits	262,936	62,652	10,633	336,221	198,213	53,753	7,416	259,382
Payroll taxes	149,529	35,629	6,047	191,205	138,043	37,435	5,165	180,643
Total personnel and related	<u>2,648,212</u>	<u>597,960</u>	<u>101,485</u>	<u>3,347,657</u>	<u>2,265,245</u>	<u>614,303</u>	<u>84,753</u>	<u>2,964,301</u>
<b>OCCUPANCY:</b>								
Rent	266,461	51,386	6,460	324,307	186,944	41,514	4,116	232,574
Telephone/internet/telecom	34,868	6,274	759	41,901	42,414	9,381	905	52,700
Utilities	20,421	3,940	495	24,856	10,313	2,687	227	13,227
Total occupancy	<u>321,750</u>	<u>61,600</u>	<u>7,714</u>	<u>391,064</u>	<u>239,671</u>	<u>53,582</u>	<u>5,248</u>	<u>298,501</u>
<b>OTHER:</b>								
Professional fees	397,237	70,401	1,990	469,628	359,384	62,917	5,421	427,722
CEP conference expenses	175,496	-	-	175,496	-	-	-	-
Travel	115,536	21,199	1,711	138,446	169,703	29,089	8,535	207,327
Printing	106,613	4,894	615	112,122	94,815	1,829	604	97,248
Survey administration	68,084	4,600	-	72,684	118,365	5,000	-	123,365
Office supplies	30,083	7,919	449	38,451	74,064	13,552	1,680	89,296
Postage and delivery	53,264	2,797	733	56,794	53,252	3,915	896	58,063
Meals	53,405	14,752	461	68,618	74,430	15,354	1,724	91,508
Computer related expenses	55,035	13,932	201	69,168	39,526	10,300	847	50,673
Equipment rental and maintenance	114,514	7,629	959	123,102	34,353	8,916	756	44,025
Depreciation and amortization	103,193	19,911	2,503	125,607	59,375	15,902	1,307	76,584
Dues and subscriptions	20,042	1,172	17	21,231	31,512	433	634	32,579
Professional development	8,089	5,416	-	13,505	26,811	1,530	546	28,887
Miscellaneous	5,369	810	48	6,227	5,216	1,141	207	6,564
Insurance	2,749	4,157	67	6,973	3,859	1,034	85	4,978
Advertising	16,269	522	1	16,792	1,388	31	31	1,450
Total other	<u>1,324,978</u>	<u>180,111</u>	<u>9,755</u>	<u>1,514,844</u>	<u>1,146,053</u>	<u>170,943</u>	<u>23,273</u>	<u>1,340,269</u>
Total expenses	<u>\$ 4,294,940</u>	<u>\$ 839,671</u>	<u>\$ 118,954</u>	<u>\$ 5,253,565</u>	<u>\$ 3,650,969</u>	<u>\$ 838,828</u>	<u>\$ 113,274</u>	<u>\$ 4,603,071</u>

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

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

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

**OPERATIONS**

The Center For Effective Philanthropy, Inc. (CEP) is a nonprofit organization with a mission to provide data and create insight so philanthropic funders can better define, assess, and improve their effectiveness and impact. 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 has offices in Cambridge, Massachusetts and San Francisco, California.

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**

Management's Review

In preparing these financial statements, CEP has evaluated events and transactions for potential recognition or disclosure through March 23, 2010, the date the financial statements were available to be issued.

Classification and Reporting of Net Assets

CEP's financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in ASC 958, Financial Statements of Not-for-Profit Organizations. Under ASC 958, CEP is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted 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.

Temporarily restricted net assets represent contributions and grants whose use by CEP is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of CEP pursuant to those stipulations.

Permanently restricted net assets represent contributions and other inflows of assets whose use by CEP is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the organization pursuant to those stipulations. CEP had no permanently restricted net assets as of December 31, 2009 or 2008.

*(Continued)*



THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)

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**SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in banks, money market accounts and certificates of deposit with a maturity of three months or less. Certificates of deposit totaling \$719,937 and \$564,606 as of December 31, 2009 and 2008, respectively, are included in cash equivalents in the accompanying financial statements. At December 31, 2009, these certificates bear interest ranging from .3% to .55%.

Investments

CEP follows FASB ASC 820, *Fair Value Measurements*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements. Under FASB ASC 820, fair value refers to the price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. It clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, FASB ASC 820 establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under FASB ASC 820, fair value measurements are separately disclosed by level within the fair value hierarchy.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

**Level I:** Quoted prices are available in active markets for identical investments as of the reporting date.

**Level II:** Pricing inputs are other than quoted prices in active markets of comparable investments, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

**Level III:** Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

Investments include listed equity or debt instruments which are publicly traded, and whose fair value is therefore classified and disclosed as Level I. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

*(Continued)*

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Fixed Assets

Fixed asset acquisitions are recorded at cost. Renewals and betterments in excess of \$3,000 are capitalized, while expenditures for repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over estimated useful lives ranging from three to ten years.

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. A reclassification to unrestricted net assets is made to reflect the expiration of time restrictions or satisfaction of program restrictions in the year the restriction is met. Donor restricted grants received and satisfied in the same period are included in unrestricted net assets.

Assessment tools revenue, conference fees and consulting and speaking engagement fees are recognized when services are rendered or costs are incurred.

Deferred Revenue

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

Functional 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.

Advertising Costs

CEP expenses advertising costs as incurred.

**2. INVESTMENTS**

Investments consist of short-term mutual funds and certificates of deposit with maturities greater than three months. Certificates of deposit total \$1,513,096 and \$1,156,599 as of December 31, 2009 and 2008, respectively. At December 31, 2009, these certificates bear interest ranging from 1.15% to 4.15% and have maturities ranging from five to thirty three months.

Investments consist of:

	2009		2008	
	Market	Cost	Market	Cost
Certificates of deposit	\$1,513,096	\$1,513,096	\$1,156,599	\$1,156,599
Mutual funds	603,747	602,525	-	-
Total	<u>\$2,116,843</u>	<u>\$2,115,621</u>	<u>\$1,156,599</u>	<u>\$1,156,599</u>

*(Continued)*

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)

**2. INVESTMENTS (continued)**

Unrealized gain at December 31, 2009 was \$1,222.

Investment income consists of:

	2009	2008
Dividends, interest and capital gain distributions	\$54,664	\$68,729
Net unrealized gain on investments	1,222	-
Total investment income	<u>\$55,886</u>	<u>\$68,729</u>

**3. PLEDGES RECEIVABLE**

Pledges receivable consist of unconditional promises to be collected over the next two years. As of December 31, 2009 and 2008, CEP had pledges receivable of \$1,241,666 and \$1,343,333, respectively, of which \$175,000 and \$591,666, respectively, are considered long-term. Pledges receivable to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved (4%). Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Pledges receivable consists of the following:

	2009	2008
Restricted for time	\$1,241,666	\$1,343,333
Less: Unamortized discount	(6,731)	(24,605)
Net pledge receivable	<u>\$1,234,935</u>	<u>\$1,318,728</u>
Gross amounts due in -		
Less than one year	\$1,066,666	\$ 751,667
Two to three years	175,000	591,666

**4. FIXED ASSETS**

Fixed assets consist of the following:

	Estimated Useful Lives	2009	2008
Office furniture and equipment	5-10 years	\$270,985	\$223,027
Leasehold improvements	5 years	225,444	225,444
Computer equipment and software	3 years	150,629	146,586
		<u>647,058</u>	<u>595,057</u>
Less accumulated depreciation		283,218	157,611
Fixed assets, net		<u>\$363,840</u>	<u>\$437,446</u>

Depreciation expense was \$125,607 and \$76,584 for the years ended December 31, 2009 and 2008, respectively.

(Continued)

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(Continued)

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**5. LINE OF CREDIT**

CEP has available a secured \$250,000 revolving line of credit agreement with a local bank. Borrowings are due on demand and interest is payable monthly at a rate equal to the prime rate as published in the Wall Street Journal (3.25% at December 31, 2009). As of December 31, 2009 and 2008, there were no amounts outstanding under this facility. The line is secured by cash deposits held by the bank.

**6. COMMITMENTS**

CEP leases its Cambridge office under the terms of a five year lease agreement expiring December 31, 2012, with 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. CEP has a five year lease agreement for office space in San Francisco expiring September 14, 2013. This lease requires CEP to pay its proportionate share of operating costs of the building. In accordance with the agreement, assuming no event of default, the lease contains a rent forgiveness period for the first nine months of the lease in the amount of \$57,611. This amount will be recognized ratably over the remaining 51 months of the lease. Rent expense was approximately \$324,000 and \$233,000 for the years ended December 31, 2009 and 2008, respectively.

Future minimum lease payments, without regard to CPI increases or common area costs, for the next four years are as follows:

2010	\$305,232
2011	315,916
2012	326,601
2013	60,908

**7. RETIREMENT PLAN**

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 5% of eligible participants' compensation. For the years ended December 31, 2009 and 2008, CEP made contributions of \$85,363 and \$67,195 to the plan, respectively. Employees immediately vest in all contributions. Employer contributions are included in fringe benefits in the accompanying Statements of Functional Expenses.

**8. CONCENTRATIONS**

CEP maintains its cash balances in bank deposit accounts which, at times, may exceed federally insured limits of \$250,000. CEP has not experienced any losses in such accounts and management regularly monitors the financial condition of the financial institutions and CEP cash balances to limit its exposure to any significant credit risk.

*(Continued)*

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(Continued)

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**9. NET ASSETS**

Board designated net assets consist of assets limited as to use and approval of the Board of Directors.

Temporarily restricted net assets consist of grants and contributions restricted by time and purpose.

**10. NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions during the years ended December 31, 2009 and 2008 by incurring costs satisfying the restricted purposes or by the occurrence of other events or the passage of time specified by the donors.

**11. RECLASSIFICATION**

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation.