



THE CENTER FOR  
EFFECTIVE PHILANTHROPY

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

REPORT ON AUDIT OF FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

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

REPORT ON AUDIT OF FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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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, 2010 and 2009 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, 2010 and 2009 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 21, 2011

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

STATEMENTS OF FINANCIAL POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

ASSETS	2010		2009	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
	Total	Total	Total	Total
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 783,877	\$ 797,537	\$ 1,581,414	\$ 1,450,000
Investments	1,706,979	-	1,706,979	-
Accounts receivable	70,411	-	70,411	-
Pledges receivable	-	685,000	685,000	1,066,666
Prepaid expenses and deposits	79,715	-	79,715	66,146
Total current assets	2,640,982	1,482,537	4,123,519	2,516,666
PLEDGES RECEIVABLE, net of current portion	-	231,214	231,214	168,269
FIXED ASSETS, net	255,211	-	255,211	-
<b>TOTAL ASSETS</b>	\$ 2,896,193	\$ 1,713,751	\$ 4,609,944	\$ 2,684,935
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable and accrued expenses	\$ 261,767	\$ -	\$ 261,767	\$ -
Deferred revenue	331,914	-	331,914	-
Total current liabilities	593,681	-	593,681	-
<b>TOTAL LIABILITIES</b>	593,681	-	593,681	-
<b>NET ASSETS:</b>				
Unrestricted-				
Operating	569,122	-	569,122	689,947
Board designated	1,488,179	-	1,488,179	-
Fixed assets	245,211	-	245,211	-
Total unrestricted	2,302,512	-	2,302,512	-
Temporarily restricted	-	1,713,751	1,713,751	2,684,935
<b>TOTAL NET ASSETS</b>	2,302,512	1,713,751	4,016,263	2,136,687
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 2,896,193	\$ 1,713,751	\$ 4,609,944	\$ 2,684,935

*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, 2010 AND 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>OPERATING REVENUE AND SUPPORT:</b>						
Grants and contributions-						
General operations	\$ 646,985	\$ 945,482	\$ 1,592,467	\$ 1,560,110	\$ 1,117,874	\$ 2,677,984
Net assets released from restrictions	1,916,666	(1,916,666)	-	1,271,667	(1,271,667)	-
Total grants and contributions	2,563,651	(971,184)	1,592,467	2,831,777	(153,793)	2,677,984
Earned revenue -						
Assessment tools	3,150,792	-	3,150,792	2,543,027	-	2,543,027
CEP conference fees	-	-	-	220,904	-	220,904
Investment income	47,006	-	47,006	55,886	-	55,886
Speaking engagement fees	3,500	-	3,500	7,250	-	7,250
Total earned revenue	3,201,298	-	3,201,298	2,827,067	-	2,827,067
Total operating revenue and support	5,764,949	(971,184)	4,793,765	5,658,844	(153,793)	5,505,051
<b>OPERATING EXPENSES:</b>						
Program services	4,549,519	-	4,549,519	4,294,940	-	4,294,940
General and administrative	909,287	-	909,287	839,671	-	839,671
Fundraising	140,318	-	140,318	118,954	-	118,954
Total operating expenses	5,599,124	-	5,599,124	5,253,565	-	5,253,565
Changes in net assets from operations	165,825	(971,184)	(805,359)	405,279	(153,793)	251,486
NET ASSETS, beginning of year	2,136,687	2,684,935	4,821,622	1,731,408	2,838,728	4,570,136
NET ASSETS, end of year	<u>\$ 2,302,512</u>	<u>\$ 1,713,751</u>	<u>\$ 4,016,263</u>	<u>\$ 2,136,687</u>	<u>\$ 2,684,935</u>	<u>\$ 4,821,622</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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (805,359)	\$ 251,486
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	139,295	125,607
Realized gain on investments	(6,132)	-
Unrealized loss (gain) on investments	12,940	(1,222)
Changes in operating assets and liabilities -		
Accounts receivable	(6,394)	293,114
Pledges receivable	318,721	83,793
Prepaid expenses and deposits	(13,569)	68,065
Accounts payable and accrued expenses	(1,756)	(63,677)
Deferred revenue	(781,941)	471,796
Net cash provided by (used in) operating activities	<u>(1,144,195)</u>	<u>1,228,962</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of fixed assets	(30,666)	(52,001)
Proceeds from maturity of investments	1,603,056	1,387,168
Purchase of investments	<u>(1,200,000)</u>	<u>(2,346,190)</u>
Net cash provided by (used in) investing activities	<u>372,390</u>	<u>(1,011,023)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(771,805)</b>	<b>217,939</b>
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,353,219</u>	<u>2,135,280</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,581,414</u>	<u>\$ 2,353,219</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, 2010 AND 2009

	2010			2009				
	Program Services	General & Administrative	Fund-Raising	Total	Program Services	General & Administrative	Fund-Raising	Total
<b>PERSONNEL AND RELATED:</b>								
Salaries	\$ 2,237,938	\$ 527,645	\$ 95,739	\$ 2,861,322	\$ 2,235,747	\$ 499,679	\$ 84,805	\$ 2,820,231
Fringe benefits	286,217	67,482	12,244	365,943	262,936	62,652	10,633	336,221
Payroll taxes	154,925	36,527	6,628	198,080	149,529	35,629	6,047	191,205
Total personnel and related	<u>2,679,080</u>	<u>631,654</u>	<u>114,611</u>	<u>3,425,345</u>	<u>2,648,212</u>	<u>597,960</u>	<u>101,485</u>	<u>3,347,657</u>
<b>OCCUPANCY:</b>								
Rent	293,716	57,577	7,180	358,473	266,461	51,386	6,460	324,307
Telephone/internet/telecom	52,285	10,375	1,059	63,719	34,868	6,274	759	41,901
Utilities	23,841	4,674	583	29,098	20,421	3,940	495	24,856
Total occupancy	<u>369,842</u>	<u>72,626</u>	<u>8,822</u>	<u>451,290</u>	<u>321,750</u>	<u>61,600</u>	<u>7,714</u>	<u>391,064</u>
<b>OTHER:</b>								
Professional/consulting fees	755,516	72,854	5,137	833,507	397,237	70,401	1,990	469,628
CEP conference expenses	-	-	-	-	175,496	-	-	175,496
Travel	134,120	24,071	4,167	162,358	115,536	21,199	1,711	138,446
Printing	51,317	7,069	214	58,600	106,613	4,894	615	112,122
Survey administration	88,900	3,000	-	91,900	68,084	4,600	-	72,684
Office supplies	38,540	13,457	689	52,686	30,083	7,919	449	38,451
Postage and delivery	45,503	6,266	444	52,213	53,264	2,797	733	56,794
Meals	55,498	18,632	634	74,764	53,405	14,752	461	68,618
Computer related expenses	66,798	16,528	836	84,162	55,035	13,932	201	69,168
Equipment rental and maintenance	56,860	10,828	1,350	69,038	114,514	7,629	959	123,102
Depreciation and amortization	114,132	22,373	2,790	139,295	103,193	19,911	2,503	125,607
Dues and subscriptions	38,636	5,262	154	44,052	20,042	1,172	17	21,231
Professional development	30,679	2,305	240	33,224	8,089	5,416	-	13,505
Miscellaneous	5,619	1,110	73	6,802	5,369	810	48	6,227
Insurance	6,426	1,252	157	7,835	2,749	4,157	67	6,973
Advertising	12,053	-	-	12,053	16,269	522	1	16,792
Total other	<u>1,500,597</u>	<u>205,007</u>	<u>16,885</u>	<u>1,722,489</u>	<u>1,324,978</u>	<u>180,111</u>	<u>9,755</u>	<u>1,514,844</u>
Total expenses	<u>\$ 4,549,519</u>	<u>\$ 909,287</u>	<u>\$ 140,318</u>	<u>\$ 5,599,124</u>	<u>\$ 4,294,940</u>	<u>\$ 839,671</u>	<u>\$ 118,954</u>	<u>\$ 5,253,565</u>

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

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

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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 as a result, their intended 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 21, 2011, 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, 2010 or 2009.

*(Continued)*



THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

(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. At December 31, 2010, there were no certificates of deposit included in cash and cash equivalents. Certificates of deposit totaling \$719,937 as of December 31, 2009 are included in cash equivalents in the accompanying financial statements.

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, 2010 AND 2009

(Continued)

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

Fixed Assets

Fixed asset acquisitions are recorded at cost. Renewals and betterments in excess of \$5,000 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. Advertising expense was \$12,053 and \$16,792 in 2010 and 2009, respectively.

**2. INVESTMENTS**

Investments consist of short-term mutual funds and certificates of deposit with maturities greater than three months. Certificates of deposit total \$501,614 and \$1,513,096 as of December 31, 2010 and 2009, respectively. At December 31, 2010, these certificates bear interest ranging from 1.95% to 2.55% and have maturities ranging from five to twenty one months.

Investments consist of:

	2010		2009	
	Market	Cost	Market	Cost
Certificates of deposit	\$ 501,614	\$ 501,614	\$1,513,096	\$1,513,096
Mutual funds	1,205,365	1,217,083	603,747	602,525
Total	<u>\$1,706,979</u>	<u>\$1,718,697</u>	<u>\$2,116,843</u>	<u>\$2,115,621</u>

*(Continued)*

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)

**2. INVESTMENTS (continued)**

Unrealized gains (losses) at December 31, 2010 and 2009 were (\$12,940) and \$1,222 respectively.

Investment income consists of:

	2010	2009
Dividends, interest and capital gain distributions	\$53,814	\$54,664
Realized gain on investments	6,132	-
Net unrealized gain (loss) on investments	(12,940)	1,222
Total investment income	\$47,006	\$55,886

**3. PLEDGES RECEIVABLE**

Pledges receivable consist of unconditional promises to be collected over the next two years. As of December 31, 2010 and 2009, CEP had pledges receivable of \$940,000 and \$1,241,666, respectively, of which \$255,000 and \$175,000, 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:

	2010	2009
Restricted for time	\$ 940,000	\$1,241,666
Less: Unamortized discount	(23,786)	(6,731)
Net pledge receivable	\$ 916,214	\$1,234,935
Gross amounts due in -		
Less than one year	\$ 685,000	\$1,066,666
Two to three years	255,000	175,000

**4. FIXED ASSETS**

Fixed assets consist of the following:

	Estimated Useful Lives	2010	2009
Office furniture and equipment	5-10 years	\$246,444	\$270,985
Leasehold improvements	5 years	225,444	225,444
Computer equipment and software	3 years	150,629	150,629
		622,517	647,058
Less accumulated depreciation		367,306	283,218
Fixed assets, net		\$255,211	\$363,840

Depreciation expense was \$139,295 and \$125,607 for the years ended December 31, 2010 and 2009, respectively. Fully depreciated assets with original cost of \$55,207 were written off in 2010.

(Continued)

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(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, 2010). As of December 31, 2010 and 2009, 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 \$358,000 and \$324,000 for the years ended December 31, 2010 and 2009, respectively.

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

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, 2010 and 2009, CEP made contributions of \$92,085 and \$85,363 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.

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THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(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. For the years ended 2009 and 2008, the Board approved a transfer of \$405,279 and \$407,665, to these net assets, respectively. These transfers were made in 2010 and 2009, respectively. No uses of these net assets were approved in 2010 or 2009.

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, 2010 and 2009 by incurring costs satisfying the restricted purposes or by the occurrence of other events or the passage of time specified by the donors.