

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.



FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of The Center for Effective Philanthropy, Inc. as of December 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of The Center for Effective Philanthropy, Inc. as of December 31, 2010, were audited by other auditors whose report dated March 21, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 audit provides 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Johnson O'Connor Feron & Carucci LLP

Wakefield, Massachusetts
April 24, 2012

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2011

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 2,579,656	\$ 2,204,511	\$ 375,145
Investments	1,419,984	1,419,984	-
Accounts receivable	334,985	334,985	-
Pledges receivable - current portion	405,000	-	405,000
Prepaid expenses	31,610	31,610	-
Total current assets	<u>4,771,235</u>	<u>3,991,090</u>	<u>780,145</u>
PROPERTY AND EQUIPMENT, NET	<u>165,166</u>	<u>165,166</u>	<u>-</u>
OTHER ASSETS:			
Pledges receivable, net of current portion	235,762	-	235,762
Security deposits	40,870	40,870	-
	<u>276,632</u>	<u>40,870</u>	<u>235,762</u>
	<u>\$ 5,213,033</u>	<u>\$ 4,197,126</u>	<u>\$ 1,015,907</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$ 364,911	\$ 364,911	\$ -
Deferred revenue	955,391	955,391	-
Total current liabilities	<u>1,320,302</u>	<u>1,320,302</u>	<u>-</u>
NET ASSETS:			
Unrestricted	2,876,824	2,876,824	-
Temporarily restricted	1,015,907	-	1,015,907
Total net assets	<u>3,892,731</u>	<u>2,876,824</u>	<u>1,015,907</u>
	<u>\$ 5,213,033</u>	<u>\$ 4,197,126</u>	<u>\$ 1,015,907</u>

See notes to financial statements.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2010

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 1,581,414	\$ 783,877	\$ 797,537
Investments	1,706,979	1,706,979	-
Accounts receivable	70,411	70,411	-
Pledges receivable - current portion	685,000	-	685,000
Prepaid expenses	38,845	38,845	-
Total current assets	<u>4,082,649</u>	<u>2,600,112</u>	<u>1,482,537</u>
PROPERTY AND EQUIPMENT, NET	<u>255,211</u>	<u>255,211</u>	<u>-</u>
OTHER ASSETS:			
Pledges receivable, net of current portion	231,214	-	231,214
Security deposits	40,870	40,870	-
	<u>272,084</u>	<u>40,870</u>	<u>231,214</u>
	<u>\$ 4,609,944</u>	<u>\$ 2,896,193</u>	<u>\$ 1,713,751</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$ 261,767	\$ 261,767	\$ -
Deferred revenue	331,914	331,914	-
Total current liabilities	<u>593,681</u>	<u>593,681</u>	<u>-</u>
NET ASSETS:			
Unrestricted	2,302,512	2,302,512	-
Temporarily restricted	1,713,751	-	1,713,751
Total net assets	<u>4,016,263</u>	<u>2,302,512</u>	<u>1,713,751</u>
	<u>\$ 4,609,944</u>	<u>\$ 2,896,193</u>	<u>\$ 1,713,751</u>

See notes to financial statements.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
REVENUE AND SUPPORT:			
Grants and contributions -			
General operations	\$ 2,227,983	\$ 1,842,915	\$ 385,068
Net assets released from restrictions	-	1,082,912	(1,082,912)
Total grants and contributions	<u>2,227,983</u>	<u>2,925,827</u>	<u>(697,844)</u>
Earned revenue -			
Assessment tools	3,691,087	3,691,087	-
CEP conference fees	292,700	292,700	-
Investment income	19,621	19,621	-
Speaking engagement fees	7,000	7,000	-
Total earned revenue	<u>4,010,408</u>	<u>4,010,408</u>	<u>-</u>
Total revenue and support	<u>6,238,391</u>	<u>6,936,235</u>	<u>(697,844)</u>
EXPENSES:			
Program services	<u>5,160,185</u>	<u>5,160,185</u>	<u>-</u>
Supporting services -			
Management and general	1,105,092	1,105,092	-
Fundraising	96,646	96,646	-
Total supporting services	<u>1,201,738</u>	<u>1,201,738</u>	<u>-</u>
Total expenses	<u>6,361,923</u>	<u>6,361,923</u>	<u>-</u>
Change in net assets	(123,532)	574,312	(697,844)
NET ASSETS - BEGINNING OF YEAR	<u>4,016,263</u>	<u>2,302,512</u>	<u>1,713,751</u>
NET ASSETS - END OF YEAR	<u>\$ 3,892,731</u>	<u>\$ 2,876,824</u>	<u>\$ 1,015,907</u>

See notes to financial statements.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
REVENUE AND SUPPORT:			
Grants and contributions -			
General operations	\$ 1,592,467	\$ 646,985	\$ 945,482
Net assets released from restrictions	-	1,916,666	(1,916,666)
Total grants and contributions	<u>1,592,467</u>	<u>2,563,651</u>	<u>(971,184)</u>
Earned revenue -			
Assessment tools	3,150,792	3,150,792	-
CEP conference fees	-	-	-
Investment income	47,006	47,006	-
Speaking engagement fees	3,500	3,500	-
Total earned revenue	<u>3,201,298</u>	<u>3,201,298</u>	<u>-</u>
Total revenue and support	<u>4,793,765</u>	<u>5,764,949</u>	<u>(971,184)</u>
EXPENSES:			
Program services	<u>4,549,519</u>	<u>4,549,519</u>	<u>-</u>
Supporting services -			
Management and general	909,287	909,287	-
Fundraising	140,318	140,318	-
Total supporting services	<u>1,049,605</u>	<u>1,049,605</u>	<u>-</u>
Total expenses	<u>5,599,124</u>	<u>5,599,124</u>	<u>-</u>
Change in net assets	(805,359)	165,825	(971,184)
NET ASSETS - BEGINNING OF YEAR	<u>4,821,622</u>	<u>2,136,687</u>	<u>2,684,935</u>
NET ASSETS - END OF YEAR	<u>\$ 4,016,263</u>	<u>\$ 2,302,512</u>	<u>\$ 1,713,751</u>

See notes to financial statements.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2011

	<u>Total Expenses</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>
PERSONNEL AND RELATED:				
Salaries	\$ 3,016,542	\$ 2,348,116	\$ 604,159	\$ 64,267
Fringe benefits	372,748	289,919	74,865	7,964
Payroll taxes	218,867	170,602	43,625	4,640
Total personnel and related	<u>3,608,157</u>	<u>2,808,637</u>	<u>722,649</u>	<u>76,871</u>
OCCUPANCY:				
Rent	377,878	304,412	66,448	7,018
Telephone/internet/telecom	77,836	64,214	12,308	1,314
Utilities	28,772	23,241	5,003	528
Total occupancy	<u>484,486</u>	<u>391,867</u>	<u>83,759</u>	<u>8,860</u>
OTHER:				
Professional/consulting fees	998,568	865,281	130,905	2,382
CEP conference expenses	225,580	225,580	-	-
Travel	182,387	148,554	32,364	1,469
Depreciation	120,154	96,793	21,129	2,232
Printing	111,906	101,651	10,144	111
Computer related expenses	110,787	97,385	12,218	1,184
Survey administration	100,898	97,398	3,500	-
Dues and subscriptions	68,114	59,578	8,169	367
Equipment rental and maintenance	68,079	55,019	11,812	1,248
Postage and delivery	63,027	57,564	4,602	861
Meals	62,163	39,950	21,879	334
Office supplies	48,431	36,729	11,199	503
Advertising	40,211	40,211	-	-
Professional development	35,975	16,283	19,692	-
Miscellaneous	24,682	21,705	2,753	224
Insurance	8,318	-	8,318	-
Total other	<u>2,269,280</u>	<u>1,959,681</u>	<u>298,684</u>	<u>10,915</u>
Total expenses	<u>\$ 6,361,923</u>	<u>\$ 5,160,185</u>	<u>\$ 1,105,092</u>	<u>\$ 96,646</u>

See notes to financial statements.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2010

	<u>Total</u> <u>Expenses</u>	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>
PERSONNEL AND RELATED:				
Salaries	\$ 2,861,322	\$ 2,237,938	\$ 527,645	\$ 95,739
Fringe benefits	365,943	286,217	67,482	12,244
Payroll taxes	198,080	154,925	36,527	6,628
Total personnel and related	<u>3,425,345</u>	<u>2,679,080</u>	<u>631,654</u>	<u>114,611</u>
OCCUPANCY:				
Rent	358,473	293,716	57,577	7,180
Telephone/internet/telecom	63,719	52,285	10,375	1,059
Utilities	29,098	23,841	4,674	583
Total occupancy	<u>451,290</u>	<u>369,842</u>	<u>72,626</u>	<u>8,822</u>
OTHER:				
Professional/consulting fees	833,507	755,516	72,854	5,137
CEP conference expenses	-	-	-	-
Travel	162,358	134,120	24,071	4,167
Depreciation	139,295	114,132	22,373	2,790
Printing	58,600	51,317	7,069	214
Computer related expenses	84,162	66,798	16,528	836
Survey administration	91,900	88,900	3,000	-
Dues and subscriptions	44,052	38,636	5,262	154
Equipment rental and maintenance	69,038	56,860	10,828	1,350
Postage and delivery	52,213	45,503	6,266	444
Meals	74,764	55,498	18,632	634
Office supplies	52,686	38,540	13,457	689
Advertising	12,053	12,053	-	-
Professional development	33,224	30,679	2,305	240
Miscellaneous	6,802	5,619	1,110	73
Insurance	7,835	6,426	1,252	157
Total other	<u>1,722,489</u>	<u>1,500,597</u>	<u>205,007</u>	<u>16,885</u>
Total expenses	<u>\$ 5,599,124</u>	<u>\$ 4,549,519</u>	<u>\$ 909,287</u>	<u>\$ 140,318</u>

See notes to financial statements.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

1. STATEMENT OF PURPOSE

The Center for Effective Philanthropy, Inc. (the Organization) 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. The Organization’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. The Organization has offices in Cambridge, Massachusetts and San Francisco, California.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting –

The Organization reports information regarding its financial position and activities according to the following three classes of net assets:

- i. Unrestricted Net Assets – use of resources is not limited or restricted by donors.
- ii. Temporarily Restricted Net Assets – use of resources is limited by donors for a specified purpose and/or time period.
- iii. Permanently Restricted Net Assets – resources must be maintained in accordance with permanent restrictions imposed by donors.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

It is the Organization’s policy to report all grants and contributions with restrictions that are met in the same fiscal year the contributions are made as unrestricted revenue. Additionally, gains and investment income are treated as unrestricted revenue unless specifically restricted by the donor or by law.

Use of Estimates –

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition –

Assessment tools revenue, conference fees and consulting and speaking engagement fees are recognized when services are rendered or costs are incurred. Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management's Review –

Subsequent events have been evaluated by management through April 24, 2012, the date the financial statements were available to be issued.

Cash and Cash Equivalents –

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable –

Accounts receivable are non-interest bearing and consist of amounts invoiced by the Organization for its assessment tools and other sources of revenue that have not been received as of December 31, 2011. The Organization uses the allowance method to account for uncollectible receivables. The allowance is based on management's estimate of possible bad debts based upon historical experience and management's evaluation of outstanding accounts receivable at the end of the year. Management believes that all receivables are fully collectible; therefore, no allowance for uncollectible amounts has been recorded.

Pledges Receivable –

Pledges receivable consist of unconditional promises to give to be collected over the next three years. The Organization uses the allowance method to account for uncollectible pledges. The allowance is based on management's estimate of possible bad debts. Management believes that all pledges receivable are fully collectible; therefore, no allowance for uncollectible pledges has been recorded.

The Organization discounts pledges that are not fully collectible within one year to their present value; these discounts are ratably amortized over the life of the pledge and are recorded as contributions in the statements of activities.

Investments –

Investments are reported at fair value based on current market prices. Dividend income is recorded as received or, in the case of dividends which are reinvested, at the time of reinvestment. Interest income is recorded as earned. Realized and unrealized gains or losses are included in the change in net assets.

Property and Equipment –

Property and equipment are recorded at cost. Routine maintenance and repairs are charged as a current expense. The Organization has a policy of capitalizing assets with a cost basis of \$5,000 or more. The Organization provides for depreciation of property and equipment using the straight-line method over periods of three to ten years.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue –

Conference fees and assessment tools revenue received in advance of services being rendered are recorded as deferred revenue.

Functional Expenses –

The Organization allocates expenses on a functional basis among its programs and supporting services. Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis and are composed of the following:

Management and general – includes all activities related to the Organization's internal management and accounting for program services.

Fundraising – includes activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of funds for the Organization's programs.

Expenses that can be identified with a specific program or supporting service are allocated directly to those classifications. Other expenses that are common to several functions are allocated in accordance with the Organization's indirect costs allocation plan. Allocations of functional expenses are based on management's discretion and estimates. These variables may change from year to year. As a result, there may be fluctuations in the comparative presentation of data from year to year.

Income Taxes –

The Organization is organized and operated exclusively for charitable and educational purposes. Income related to these purposes is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Unrelated business income would be taxable according to applicable Internal Revenue Code sections.

The Organization regularly reviews and evaluates its tax positions taken in its filed returns and recognizes the benefit from a tax position only if it is more likely than not that the position would be sustained upon audit based solely on the technical merits of the tax position. The Organization accrues interest and penalties on uncertain tax positions as a component of the provision for income taxes.

The Organization files federal, California and Massachusetts tax returns. The statute of limitations for these jurisdictions is generally three years. The Organization has no returns under examination as of December 31, 2011.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Advertising Expense –

The Organization's policy is to expense advertising costs as incurred.

Reclassification –

Certain items in the 2010 financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no effect on the previously reported change in net assets.

3. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains its cash in several bank deposit and investment accounts. The investment accounts are not federally insured and the bank balances at times may exceed the federally insured limits. If any of these financial institutions holding accounts were to fail, amounts exceeding the federally insured limit would be subject to loss.

The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash and cash equivalents. Management regularly monitors the financial condition of the financial institutions at which CEP balances exceed federally insured levels. Cash and cash equivalents uninsured by the Federal Deposit Insurance Corporation at December 31, 2011 totaled \$1,704,471.

4. INVESTMENTS

Investments at December 31, 2011 and 2010 consisted of the following:

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Certificate of deposit	\$ 200,000	\$ 202,300	\$ 496,000	\$ 501,614
Mutual funds	<u>1,238,653</u>	<u>1,217,684</u>	<u>1,217,083</u>	<u>1,205,365</u>
	<u>\$ 1,438,653</u>	<u>\$ 1,419,984</u>	<u>\$ 1,713,083</u>	<u>\$ 1,706,979</u>

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

4. INVESTMENTS (Concluded)

Investment income at December 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Dividends, interest and capital gain distributions	\$ 32,186	\$ 53,814
Realized gain on investments	-	6,132
Net unrealized loss on investments	<u>(12,565)</u>	<u>(12,940)</u>
Total investment income	<u>\$ 19,621</u>	<u>\$ 47,006</u>

5. FAIR VALUE MEASUREMENTS

The Organization's fair value measurements are classified into one of the three following categories based on the measurement inputs:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are inputs that are observable for the asset or liability, either directly or indirectly, other than quoted prices included within Level 1. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates and yield curves observable at commonly quoted intervals or current market) and contractual prices for the underlying financial instrument, as well as other relevant economic measures.

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities.

Cost approach - Amount that would be required to replace the service capacity of an asset (replacement cost).

Income approach - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques and excess earnings models).

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

5. FAIR VALUE MEASUREMENTS (Concluded)

The fair value of certificates of deposit is determined under the income approach and is estimated using a matrix based on interest rates.

The following table summarizes the Organization's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of December 31, 2011:

<u>Description of Assets</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of deposit	\$ 202,300	\$ -	\$ 202,300	\$ -
Mutual Funds:				
Short-term government	1,217,684	1,217,684	-	-
Total mutual funds	1,217,684	1,217,684	-	-
Total assets measured at fair value	<u>\$ 1,419,984</u>	<u>\$ 1,217,684</u>	<u>\$ 202,300</u>	<u>\$ -</u>

The following table summarizes the Organization's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of December 31, 2010:

<u>Description of Assets</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of deposit	\$ 501,614	\$ -	\$ 501,614	\$ -
Mutual Funds:				
Short-term government	1,205,365	1,205,365	-	-
Total mutual funds	1,205,365	1,205,365	-	-
Total assets measured at fair value	<u>\$ 1,706,979</u>	<u>\$ 1,205,365</u>	<u>\$ 501,614</u>	<u>\$ -</u>

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

6. PLEDGES RECEIVABLE

As of December 31, 2011 and 2010, pledges receivable were due to be collected as follows:

	<u>2011</u>	<u>2010</u>
Less than one year	\$ 405,000	\$ 685,000
One year to five years	<u>250,000</u>	<u>255,000</u>
	655,000	940,000
Less: Unamortized discount	<u>14,238</u>	<u>23,786</u>
Pledges receivable, net	<u><u>\$ 640,762</u></u>	<u><u>\$ 916,214</u></u>

Amounts above have been discounted to their present value using a rate of 4%.

7. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Office furniture and equipment	\$ 276,554	\$ 246,445
Leasehold improvements	225,444	225,444
Computer equipment and software	<u>150,629</u>	<u>150,629</u>
	652,627	622,518
Less: Accumulated depreciation	<u>487,461</u>	<u>367,307</u>
	<u><u>\$ 165,166</u></u>	<u><u>\$ 255,211</u></u>

8. LINE OF CREDIT

The Organization has available a \$250,000 revolving line of credit agreement with a 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, 2011). As of December 31, 2011 and 2010, there were no amounts outstanding under this facility. The line is secured by cash deposits held by the bank.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

9. NET ASSETS

Unrestricted net assets include the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Operating	\$ 1,057,654	\$ 569,122
Board designated	1,654,004	1,488,179
Property and equipment	<u>165,166</u>	<u>245,211</u>
Unrestricted net assets	<u>\$ 2,876,824</u>	<u>\$ 2,302,512</u>

Temporarily restricted net assets include the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Cash and pledges subject to time restrictions	\$ 790,762	\$ 1,316,214
Cash received subject to purpose restriction	<u>225,145</u>	<u>397,537</u>
Temporarily restricted net assets	<u>\$ 1,015,907</u>	<u>\$ 1,713,751</u>

There were no permanently restricted net assets as of December 31, 2011 and 2010.

Net assets were released from donor restrictions during the years ended December 31, 2011 and 2010 by incurring costs satisfying the restricted purposes or by the occurrence of other events or the passage of time specified by the donors.

Board designated net assets consist of assets limited as to use by approval of the Board of Directors. For the years ended December 31, 2010 and 2009, the Board approved transfers of \$165,825 and \$405,279, to these net assets, respectively. These transfers were made in 2011 and 2010, respectively. No uses of these net assets were approved in 2011 and 2010.

10. COMMITMENTS

The Organization 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 the Organization to pay its proportionate share of real estate taxes and operating expenses, and maintain certain insurance coverage on the premises.

The Organization also has a five year lease agreement for office space in San Francisco expiring September 14, 2013. This lease requires the Organization to pay its proportionate share of real estate taxes and operating expenses 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.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

10. COMMITMENTS (Concluded)

Rent expense under these lease agreements was \$377,878 and \$358,473 for the years ended December 31, 2011 and 2010, respectively.

The total lease commitment over the remaining years is as follows:

Year ending December 31,	2012	\$	329,386
	2013		60,908

11. RETIREMENT PLAN

The Organization sponsors a qualified retirement plan for all eligible employees, whereby employees may elect to defer a portion of their salary on a pre-tax basis. The Organization matches 50% of the first 5% of deferrals for eligible employees. Matching contributions for the years ended December 31, 2011 and 2010 totaled \$94,822 and \$92,085, respectively.

12. MAJOR CONTRIBUTORS AND ASSESSMENT TOOL SUBSCRIBERS

During the year ended December 31, 2011, the Organization received a grant in the amount of \$700,000 from one funder. This amount represented approximately 11% of total revenue and support received during the year. As of December 31, 2011, \$200,000 of this grant has not been received and has been recorded as a current pledge receivable.

During the year ended December 31, 2010, the Organization received a grant in the amount of \$500,000 from one funder. This amount represented approximately 10% of total revenue and support received during the year. As of December 31, 2011, \$375,000 of this grant has not been received and has been recorded as a current and long-term pledge receivable.

During the year ended December 31, 2011, revenue from one assessment tool client accounted for 22% of total revenue and support received during the year. This client also provided a grant in the amount of \$50,000, or approximately 1% of total revenue and support received during the year.

During the year ended December 31, 2010, revenue from one assessment tool client accounted for 37% of total revenue and support received during the year. This client also provided a grant in the amount of \$400,000, or approximately 8% of total revenue and support received during the year.