

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.



FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

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Years Ended December 31, 2013 and 2012

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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 financial statements of The Center for Effective Philanthropy, Inc. which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Johnson O'Connor Feron & Carucci LLP

Wakefield, Massachusetts
April 28, 2014

THE CENTER OF EFFECTIVE PHILANTHROPY, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2013

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 1,641,268	\$ 515,542	\$ 1,125,726
Investments	2,701,901	2,701,901	-
Accounts receivable	219,972	219,972	-
Pledges receivable, current portion	1,103,750	-	1,103,750
Prepaid expenses	64,105	64,105	-
Total current assets	<u>5,730,996</u>	<u>3,501,520</u>	<u>2,229,476</u>
PROPERTY AND EQUIPMENT, NET	<u>370,437</u>	<u>370,437</u>	<u>-</u>
OTHER ASSETS:			
Pledges receivable, net of current portion	-	-	-
Security deposits	40,870	40,870	-
	<u>40,870</u>	<u>40,870</u>	<u>-</u>
	<u>\$ 6,142,303</u>	<u>\$ 3,912,827</u>	<u>\$ 2,229,476</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$ 275,155	\$ 275,155	\$ -
Deferred revenue	178,250	178,250	-
Total current liabilities	<u>453,405</u>	<u>453,405</u>	<u>-</u>
NET ASSETS:			
Unrestricted	3,459,422	3,459,422	-
Temporarily restricted	2,229,476	-	2,229,476
Total net assets	<u>5,688,898</u>	<u>3,459,422</u>	<u>2,229,476</u>
	<u>\$ 6,142,303</u>	<u>\$ 3,912,827</u>	<u>\$ 2,229,476</u>

See notes to financial statements.

THE CENTER OF EFFECTIVE PHILANTHROPY, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2012

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 2,358,740	\$ 646,102	\$ 1,712,638
Investments	2,618,075	2,618,075	-
Accounts receivable	435,219	435,219	-
Pledges receivable, current portion	1,832,288	-	1,832,288
Prepaid expenses	75,030	75,030	-
Total current assets	<u>7,319,352</u>	<u>3,774,426</u>	<u>3,544,926</u>
PROPERTY AND EQUIPMENT, NET	<u>150,634</u>	<u>150,634</u>	<u>-</u>
OTHER ASSETS:			
Pledges receivable, net of current portion	557,295	-	557,295
Security deposits	40,870	40,870	-
	<u>598,165</u>	<u>40,870</u>	<u>557,295</u>
	<u>\$ 8,068,151</u>	<u>\$ 3,965,930</u>	<u>\$ 4,102,221</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$ 313,999	\$ 313,999	\$ -
Deferred revenue	387,702	387,702	-
Total current liabilities	<u>701,701</u>	<u>701,701</u>	<u>-</u>
NET ASSETS:			
Unrestricted	3,264,229	3,264,229	-
Temporarily restricted	4,102,221	-	4,102,221
Total net assets	<u>7,366,450</u>	<u>3,264,229</u>	<u>4,102,221</u>
	<u>\$ 8,068,151</u>	<u>\$ 3,965,930</u>	<u>\$ 4,102,221</u>

See notes to financial statements.

THE CENTER OF EFFECTIVE PHILANTHROPY, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
REVENUE AND SUPPORT:			
Grants and contributions -			
General operations	\$ 2,631,618	\$ 972,600	\$ 1,659,018
Net assets released from restrictions	-	3,531,763	(3,531,763)
Total grants and contributions	<u>2,631,618</u>	<u>4,504,363</u>	<u>(1,872,745)</u>
Earned revenue -			
Assessment tools	2,072,398	2,072,398	-
CEP conference fees	237,150	237,150	-
Speaking engagement fee:	12,450	12,450	-
Investment income	-	-	-
Total earned revenue	<u>2,321,998</u>	<u>2,321,998</u>	<u>-</u>
Total revenue and support	<u>4,953,616</u>	<u>6,826,361</u>	<u>(1,872,745)</u>
EXPENSES AND LOSSES:			
Program services	<u>5,314,640</u>	<u>5,314,640</u>	<u>-</u>
Supporting services -			
Management and general	1,214,001	1,214,001	-
Fundraising	97,928	97,928	-
Total supporting services	<u>1,311,929</u>	<u>1,311,929</u>	<u>-</u>
Total expenses	6,626,569	6,626,569	-
Investment loss	<u>4,599</u>	<u>4,599</u>	<u>-</u>
Total expenses and losses	6,631,168	6,631,168	-
Change in net assets	(1,677,552)	195,193	(1,872,745)
NET ASSETS - BEGINNING OF YEAR	<u>7,366,450</u>	<u>3,264,229</u>	<u>4,102,221</u>
NET ASSETS - END OF YEAR	<u>\$ 5,688,898</u>	<u>\$ 3,459,422</u>	<u>\$ 2,229,476</u>

See notes to financial statements.

THE CENTER OF EFFECTIVE PHILANTHROPY, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
REVENUE AND SUPPORT:			
Grants and contributions -			
General operations	\$ 6,410,285	\$ 1,020,500	\$ 5,389,785
Net assets released from restrictions	-	2,303,471	(2,303,471)
Total grants and contributions	<u>6,410,285</u>	<u>3,323,971</u>	<u>3,086,314</u>
Earned revenue -			
Assessment tools	3,160,254	3,160,254	-
CEP conference fees	-	-	-
Speaking engagement fees	10,250	10,250	-
Investment income	7,446	7,446	-
Total earned revenue	<u>3,177,950</u>	<u>3,177,950</u>	<u>-</u>
Total revenue and support	<u>9,588,235</u>	<u>6,501,921</u>	<u>3,086,314</u>
EXPENSES AND LOSSES:			
Program services	<u>4,855,753</u>	<u>4,855,753</u>	<u>-</u>
Supporting services -			
Management and general	1,156,137	1,156,137	-
Fundraising	102,626	102,626	-
Total supporting services	<u>1,258,763</u>	<u>1,258,763</u>	<u>-</u>
Total expenses	6,114,516	6,114,516	-
Investment loss	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses and losses	6,114,516	6,114,516	-
Change in net assets	3,473,719	387,405	3,086,314
NET ASSETS - BEGINNING OF YEAR	<u>3,892,731</u>	<u>2,876,824</u>	<u>1,015,907</u>
NET ASSETS - END OF YEAR	<u>\$ 7,366,450</u>	<u>\$ 3,264,229</u>	<u>\$ 4,102,221</u>

See notes to financial statements.

THE CENTER OF EFFECTIVE PHILANTHROPY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2013

	<u>Total Expenses</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>
PERSONNEL AND RELATED:				
Salaries	\$ 3,729,767	\$ 3,106,490	\$ 553,228	\$ 70,049
Fringe benefits	538,970	448,903	79,944	10,123
Payroll taxes	279,572	232,853	41,468	5,251
Total personnel and related	<u>4,548,309</u>	<u>3,788,246</u>	<u>674,640</u>	<u>85,423</u>
OCCUPANCY:				
Rent	364,413	315,129	44,973	4,311
Telephone/internet/telecom	87,231	74,634	11,647	950
Utilities	23,046	20,024	2,758	264
Total occupancy	<u>474,690</u>	<u>409,787</u>	<u>59,378</u>	<u>5,525</u>
OTHER:				
Professional/consulting fees	626,419	296,015	329,449	955
CEP conference expenses	144,389	144,389	-	-
Travel	141,892	131,977	9,893	22
Depreciation	120,553	107,141	12,239	1,173
Dues and subscriptions	102,649	85,367	15,982	1,300
Computer related expenses	102,538	50,305	52,065	168
Meals	77,010	65,536	11,237	237
Office supplies	65,791	55,109	10,234	448
Equipment rental and maintenance	63,668	55,372	7,570	726
Printing	49,662	42,249	7,351	62
Postage and delivery	45,246	42,246	1,423	1,577
Miscellaneous	26,875	23,311	3,252	312
Professional development	15,764	7,973	7,791	-
Advertising	11,116	9,617	1,499	-
Insurance	9,998	-	9,998	-
Survey administration	-	-	-	-
Total other	<u>1,603,570</u>	<u>1,116,607</u>	<u>479,983</u>	<u>6,980</u>
Total expenses	<u>\$ 6,626,569</u>	<u>\$ 5,314,640</u>	<u>\$ 1,214,001</u>	<u>\$ 97,928</u>

See notes to financial statements.

THE CENTER OF EFFECTIVE PHILANTHROPY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2012

	<u>Total Expenses</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>
PERSONNEL AND RELATED:				
Salaries	\$ 3,483,569	\$ 2,775,958	\$ 634,836	\$ 72,775
Fringe benefits	419,552	333,997	76,756	8,799
Payroll taxes	257,147	205,245	46,564	5,338
Total personnel and related	<u>4,160,268</u>	<u>3,315,200</u>	<u>758,156</u>	<u>86,912</u>
OCCUPANCY:				
Rent	368,844	307,825	56,705	4,314
Telephone/internet/telecom	83,100	69,467	12,702	931
Utilities	30,428	25,411	4,662	355
Total occupancy	<u>482,372</u>	<u>402,703</u>	<u>74,069</u>	<u>5,600</u>
OTHER:				
Professional/consulting fees	633,505	511,356	119,882	2,267
CEP conference expenses	-	-	-	-
Travel	161,473	114,946	44,579	1,948
Depreciation	108,271	90,360	16,645	1,266
Dues and subscriptions	61,230	42,791	18,056	383
Computer related expenses	128,809	97,756	30,161	892
Meals	72,675	35,601	36,715	359
Office supplies	43,079	29,560	13,160	359
Equipment rental and maintenance	59,712	50,089	8,943	680
Printing	65,935	61,293	4,543	99
Postage and delivery	54,258	49,775	2,842	1,641
Miscellaneous	10,344	8,785	1,339	220
Professional development	32,104	20,255	11,849	-
Advertising	10,912	9,158	1,754	-
Insurance	8,444	-	8,444	-
Survey administration	21,125	16,125	5,000	-
Total other	<u>1,471,876</u>	<u>1,137,850</u>	<u>323,912</u>	<u>10,114</u>
Total expenses	<u>\$ 6,114,516</u>	<u>\$ 4,855,753</u>	<u>\$ 1,156,137</u>	<u>\$ 102,626</u>

See notes to financial statements.

THE CENTER OF EFFECTIVE PHILANTHROPY, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,677,552)	\$ 3,473,719
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	120,553	108,271
Unrealized loss on investments	39,994	31,808
Realized loss on sale of investments	16,621	4,605
(Increase) decrease in operating assets:		
Accounts receivable	215,247	(100,234)
Pledges receivable	1,285,833	(1,748,821)
Prepaid expenses	10,925	(43,420)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(38,844)	(50,912)
Deferred revenue	(209,452)	(567,689)
Net cash (used) provided by operating activities	<u>(236,675)</u>	<u>1,107,327</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(340,356)	(93,739)
Proceeds from sale or maturity of investments	289,000	1,021,122
Purchase of investments	(429,441)	(2,255,626)
Net cash used by investing activities	<u>(480,797)</u>	<u>(1,328,243)</u>
Net increase (decrease) in cash and cash equivalents	(717,472)	(220,916)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,358,740</u>	<u>2,579,656</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,641,268</u>	<u>\$ 2,358,740</u>

See notes to financial statements.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

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.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition –

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

Management's Review –

Subsequent events have been evaluated by management through April 28, 2014, 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, 2013. 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 a donor specified term. 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 due 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.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments –

Investments in mutual funds are reported at fair value based on current market prices. Investments in certificates of deposit are reported at fair value under the income approach and are estimated using a matrix based on interest rates. 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.

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 determined through time sheet data. 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.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

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 had no returns under examination as of December 31, 2013.

Advertising Expense –

The Organization's policy is to expense advertising costs as incurred. Advertising expense was \$11,116 and \$10,912 for the years ended December 31, 2013 and 2012, respectively.

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. 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

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

4. INVESTMENTS

Investments at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Certificate of deposit	\$ 1,201,486	\$ 1,187,658	\$ 1,107,107	\$ 1,097,468
Mutual funds	<u>1,580,091</u>	<u>1,514,243</u>	<u>1,551,523</u>	<u>1,520,607</u>
	<u>\$ 2,781,577</u>	<u>\$ 2,701,901</u>	<u>\$ 2,658,630</u>	<u>\$ 2,618,075</u>

Investment income (loss) at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Dividends, interest and capital gain distributions	\$ 52,016	\$ 43,859
Net realized loss on investments	(16,621)	(4,605)
Net unrealized loss on investments	<u>(39,994)</u>	<u>(31,808)</u>
Total investment income (loss)	<u>\$ (4,599)</u>	<u>\$ 7,446</u>

5. FAIR VALUE MEASUREMENTS

The following tables present the Company's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of December 31, 2013 and 2012, using quoted prices in active market for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

5. FAIR VALUE MEASUREMENTS (Concluded)

December 31, 2013:

<u>Description of Assets</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of deposit	<u>\$1,187,658</u>	<u>\$ -</u>	<u>\$1,187,658</u>	<u>\$ -</u>
Mutual Funds:				
Short-term government	1,504,118	1,504,118	-	-
Large Blend	3,048	3,048	-	-
Target-Date	2,465	2,465	-	-
Mid Cap Value	1,124	1,124	-	-
Small Blend	1,066	1,066	-	-
Large Value	985	985	-	-
Real Estate	953	953	-	-
Foreign Large Blend	<u>484</u>	<u>484</u>	<u>-</u>	<u>-</u>
Total assets measured at fair value	<u>\$2,701,901</u>	<u>\$1,514,243</u>	<u>\$1,187,658</u>	<u>\$ -</u>

December 31, 2012:

<u>Description of Assets</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of deposit	<u>\$1,097,468</u>	<u>\$ -</u>	<u>\$1,097,468</u>	<u>\$ -</u>
Mutual Funds:				
Short-term government	<u>1,520,607</u>	<u>1,520,607</u>	<u>-</u>	<u>-</u>
Total assets measured at fair value	<u>\$2,618,075</u>	<u>\$1,520,607</u>	<u>\$1,097,468</u>	<u>\$ -</u>

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

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

6. PLEDGES RECEIVABLE

As of December 31, 2013 and 2012, pledges receivable were due to be collected as follows:

	<u>2013</u>	<u>2012</u>
Less than one year	\$ 1,103,750	\$ 1,832,288
One year to five years	-	580,000
	<u>1,103,750</u>	<u>2,412,288</u>
Less: Unamortized discount	-	22,705
Pledges receivable, net	<u>\$ 1,103,750</u>	<u>\$ 2,389,583</u>

No discount is necessary as of December 31, 2013 as all pledges are current. Amounts for 2012 were discounted to their present value using a rate of 4%.

7. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Office furniture and equipment	\$ 358,789	\$ 309,193
Leasehold improvements	225,444	225,444
Computer equipment and software	462,318	171,558
	<u>1,046,551</u>	<u>706,195</u>
Less: Accumulated depreciation	676,114	555,561
	<u>\$ 370,437</u>	<u>\$ 150,634</u>

8. LINE OF CREDIT

The Organization has a \$1,000,000 revolving line of credit agreement available with a bank. Borrowings are due on demand and interest is payable monthly at a rate equal to the bank prime rate plus 0.25% (3.50% at December 31, 2013). As of December 31, 2013 and 2012, 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, 2013 and 2012

9. NET ASSETS

Unrestricted net assets include the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Operating	\$ 860,669	\$ 885,279
Board designated	2,228,316	2,228,316
Property and equipment	<u>370,437</u>	<u>150,634</u>
Unrestricted net assets	<u>\$ 3,459,422</u>	<u>\$ 3,264,229</u>

Temporarily restricted net assets include the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Cash and pledges subject to time restrictions	\$ 978,750	\$ 1,772,142
Cash and pledges subject to purpose restriction	<u>1,250,726</u>	<u>2,330,079</u>
Temporarily restricted net assets	<u>\$ 2,229,476</u>	<u>\$ 4,102,221</u>

There were no permanently restricted net assets as of December 31, 2013 and 2012.

Net assets were released from donor restrictions during the years ended December 31, 2013 and 2012 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 consisted of assets limited as to use by approval of the Board of Directors. For the year ended December 31, 2011, the Board approved a transfer of \$574,312, to these net assets. The transfer was made in 2012. No uses of these net assets were approved in 2013 and 2012.

10. COMMITMENTS

The Organization leases its Cambridge office under the terms of a five year lease agreement expiring December 31, 2017. The terms of the lease require escalating minimum monthly rent payments ranging from \$20,150 in the first year of the lease to \$22,750 in the final year of the lease. 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 CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

10. COMMITMENTS (Concluded)

The Organization also has a three year lease agreement for office space in San Francisco expiring September 30, 2016. The terms of the lease require escalating minimum monthly rent payments ranging from \$6,860 in the first year of the lease to \$7,465 in the final year of the lease. The organization is required 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 full month of the lease in the amount of \$6,860.

Rent expense under these lease agreements was \$364,413 and \$368,844 for the years ended December 31, 2013 and 2012, respectively.

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

Year ending December 31, 2014	\$	332,620
2015		342,841
2016		330,668
2017		273,000

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 100% of the first 5% of deferrals for eligible employees. Matching contributions for the years ended December 31, 2013 and 2012 totaled \$145,833 and \$121,536, respectively.

During 2012, the organization began sponsoring a non-qualified 457(b) deferred compensation plan whereby participants may elect to have their compensation deferred into the plan within annual limits. The organization's discretionary credits into the plan totaled \$4,750 and \$4,500 for the years ended December 31, 2013 and 2012, respectively. In the Statement of Financial Position, 457(b) plan assets are presented in investments and the corresponding liabilities are presented in accounts payable and accrued expenses.

12. MAJOR CONTRIBUTORS AND ASSESSMENT TOOL SUBSCRIBERS

During the year ended December 31, 2013, the Organization received three grants in the amount of \$850,000 from one funder. This amount represented approximately 17% of total revenue and support received during the year. As of December 31, 2013, \$350,000 of these grants had not been received and was recorded as a current pledge receivable.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

12. MAJOR CONTRIBUTORS AND ASSESSMENT TOOL SUBSCRIBERS (Concluded)

During the year ended December 31, 2012, the Organization received two grants in the amount of \$2,125,000 from two funders. This amount represented approximately 22% of total revenue and support received during the year. As of December 31, 2012, \$1,027,288 of these grants had not been received and was recorded as a current pledge receivable.

During the year ended December 31, 2013, revenue from one assessment tool client accounted for 23% of total assessment tool revenue received during the year. This client also provided two grants in the amount of \$150,000, or approximately 3% of total revenue and support received during the year.

During the year ended December 31, 2012, revenue from one assessment tool client accounted for 35% of total assessment tool revenue received during the year. This client also provided a grant in the amount of \$1,000,000, or approximately 10% of total revenue and support received during the year.