

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.



FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013

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 financial statements of The Center for Effective Philanthropy, Inc. which comprise the statements of financial position as of December 31, 2014 and 2013, 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, 2014 and 2013, 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
May 4, 2015

THE CENTER OF EFFECTIVE PHILANTHROPY, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2014

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 2,746,376	\$ 1,466,935	\$ 1,279,441
Investments	2,161,419	2,161,419	-
Accounts receivable	115,962	115,962	-
Pledges receivable, net	1,007,500	-	1,007,500
Prepaid expenses	84,683	84,683	-
Total current assets	<u>6,115,940</u>	<u>3,828,999</u>	<u>2,286,941</u>
PROPERTY AND EQUIPMENT, NET	<u>315,179</u>	<u>315,179</u>	<u>-</u>
OTHER ASSETS:			
Pledges receivable, net of current portion	189,534	-	189,534
Security deposits	40,870	40,870	-
	<u>230,404</u>	<u>40,870</u>	<u>189,534</u>
	<u>\$ 6,661,523</u>	<u>\$ 4,185,048</u>	<u>\$ 2,476,475</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$ 335,284	\$ 335,284	\$ -
Deferred revenue	309,606	309,606	-
Total current liabilities	<u>644,890</u>	<u>644,890</u>	<u>-</u>
NET ASSETS:			
Unrestricted	3,540,158	3,540,158	-
Temporarily restricted	2,476,475	-	2,476,475
Total net assets	<u>6,016,633</u>	<u>3,540,158</u>	<u>2,476,475</u>
	<u>\$ 6,661,523</u>	<u>\$ 4,185,048</u>	<u>\$ 2,476,475</u>

See notes to financial statements.

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 ACTIVITIES

Year Ended December 31, 2014

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
REVENUE AND SUPPORT:			
Grants and contributions -			
General operations	\$ 3,689,584	\$ 480,050	\$ 3,209,534
Net assets released from restrictions	-	2,962,535	(2,962,535)
Total grants and contributions	<u>3,689,584</u>	<u>3,442,585</u>	<u>246,999</u>
Earned revenue -			
Assessment tools	2,323,230	2,323,230	-
CEP conference fees	-	-	-
Speaking engagement fees	8,647	8,647	-
Investment income	10,273	10,273	-
Total earned revenue	<u>2,342,150</u>	<u>2,342,150</u>	<u>-</u>
Total revenue and support	<u>6,031,734</u>	<u>5,784,735</u>	<u>246,999</u>
EXPENSES:			
Program services	<u>4,572,640</u>	<u>4,572,640</u>	<u>-</u>
Supporting services -			
Management and general	1,020,723	1,020,723	-
Fundraising	110,636	110,636	-
Total supporting services	<u>1,131,359</u>	<u>1,131,359</u>	<u>-</u>
Total expenses	5,703,999	5,703,999	-
Investment loss	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses and losses	5,703,999	5,703,999	-
Change in net assets	327,735	80,736	246,999
NET ASSETS - BEGINNING OF YEAR	<u>5,688,898</u>	<u>3,459,422</u>	<u>2,229,476</u>
NET ASSETS - END OF YEAR	<u>\$ 6,016,633</u>	<u>\$ 3,540,158</u>	<u>\$ 2,476,475</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 fees	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:			
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 FUNCTIONAL EXPENSES

Year Ended December 31, 2014

	<u>Total Expenses</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>
PERSONNEL AND RELATED:				
Salaries	\$ 3,297,379	\$ 2,751,760	\$ 469,419	\$ 76,200
Fringe benefits	430,338	359,130	61,263	9,945
Payroll taxes	233,565	194,916	33,251	5,398
Total personnel and related	<u>3,961,282</u>	<u>3,305,806</u>	<u>563,933</u>	<u>91,543</u>
OCCUPANCY:				
Rent	431,656	368,765	55,701	7,190
Telephone/internet/telecom	86,237	74,190	10,770	1,277
Utilities	18,247	15,618	2,329	300
Total occupancy	<u>536,140</u>	<u>458,573</u>	<u>68,800</u>	<u>8,767</u>
OTHER:				
Professional/consulting fees	474,413	231,245	240,111	3,057
Depreciation	144,005	129,255	13,064	1,686
Travel	108,911	88,054	19,646	1,211
Computer related expenses	98,102	44,582	53,513	7
Dues and subscriptions	89,641	80,824	8,236	581
Equipment rental and maintenance	63,682	54,403	8,218	1,061
Meals	60,389	44,841	15,081	467
Professional development	42,422	42,422	-	-
Printing	38,517	33,848	4,418	251
Office supplies	31,626	23,832	7,460	334
Postage and delivery	23,226	19,510	2,265	1,451
Advertising	12,651	9,591	3,060	-
Insurance	10,939	-	10,939	-
Miscellaneous	8,053	5,854	1,979	220
CEP conference expenses	-	-	-	-
Total other	<u>1,206,577</u>	<u>808,261</u>	<u>387,990</u>	<u>10,326</u>
Total expenses	<u>\$ 5,703,999</u>	<u>\$ 4,572,640</u>	<u>\$ 1,020,723</u>	<u>\$ 110,636</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
Depreciation	120,553	107,141	12,239	1,173
Travel	141,892	131,977	9,893	22
Computer related expenses	102,538	50,305	52,065	168
Dues and subscriptions	102,649	85,367	15,982	1,300
Equipment rental and maintenance	63,668	55,372	7,570	726
Meals	77,010	65,536	11,237	237
Professional development	15,764	7,973	7,791	-
Printing	49,662	42,249	7,351	62
Office supplies	65,791	55,109	10,234	448
Postage and delivery	45,246	42,246	1,423	1,577
Advertising	11,116	9,617	1,499	-
Insurance	9,998	-	9,998	-
Miscellaneous	26,875	23,311	3,252	312
CEP conference expenses	144,389	144,389	-	-
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.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 327,735	\$ (1,677,552)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	144,005	120,553
Amortization of purchase premiums on certificates of deposit	28,295	-
Unrealized loss on investments	244	39,994
Realized loss on sale of investments	-	16,621
(Increase) decrease in operating assets:		
Accounts receivable	104,010	215,247
Pledges receivable	(93,284)	1,285,833
Prepaid expenses	(20,578)	10,925
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	60,129	(38,844)
Deferred revenue	131,356	(209,452)
Net cash provided (used) by operating activities	<u>681,912</u>	<u>(236,675)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(88,747)	(340,356)
Proceeds from sale or maturity of investments	535,000	289,000
Purchase of investments	(23,057)	(429,441)
Net cash provided (used) by investing activities	<u>423,196</u>	<u>(480,797)</u>
Net increase (decrease) in cash and cash equivalents	1,105,108	(717,472)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,641,268</u>	<u>2,358,740</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,746,376</u>	<u>\$ 1,641,268</u>

See notes to financial statements.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013

1. STATEMENT OF PURPOSE

The Center for Effective Philanthropy (CEP) is a nonprofit organization focused on the development of data and insight to enable higher-performing funders. CEP's mission is to provide data and create insight so philanthropic funders can better define, assess, and improve their effectiveness – and, as a result, their intended impact. This mission is based on a vision of a world in which pressing social needs are more effectively addressed. It stems from a belief that improved effectiveness of philanthropic funders can have a profoundly positive impact on nonprofit organizations and the people and communities they serve. CEP's research, assessment tools and programming are widely utilized by chief executive officers, trustees and senior executives of the country's largest foundations. CEP 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.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Management's Review –

Subsequent events have been evaluated by management through May 4, 2015, 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, 2014. 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 CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable (Concluded) –

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.

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.

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.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Functional Expenses (Concluded) –

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 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, 2014.

Advertising Expense –

The Organization's policy is to expense advertising costs as incurred. Advertising expense was \$12,651 and \$11,116 for the years ended December 31, 2014 and 2013, 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, 2014 and 2013

4. INVESTMENTS

Investments at December 31, 2014 and 2013 consisted of the following:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Certificate of deposit	\$ 638,191	\$ 641,010	\$ 1,201,486	\$ 1,187,658
Mutual funds	<u>1,603,148</u>	<u>1,520,409</u>	<u>1,580,091</u>	<u>1,514,243</u>
	<u>\$ 2,241,339</u>	<u>\$ 2,161,419</u>	<u>\$ 2,781,577</u>	<u>\$ 2,701,901</u>

Investment income/(loss) at December 31, 2014 and 2013 consisted of the following:

Investment income consists of:

	<u>2014</u>	<u>2013</u>
Dividends, interest and capital gain distributions	\$ 10,517	\$ 52,016
Net realized loss on investments	-	(16,621)
Net unrealized loss on investments	<u>(244)</u>	<u>(39,994)</u>
Total investment income (loss)	<u>\$ 10,273</u>	<u>\$ (4,599)</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, 2014 and 2013, 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, 2014 and 2013

5. FAIR VALUE MEASUREMENTS (Concluded)

December 31, 2014:

<u>Description of Assets</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of deposit	<u>\$ 641,010</u>	<u>\$ -</u>	<u>\$ 641,010</u>	<u>\$ -</u>
Mutual Funds:				
Short-term government	1,504,888	1,504,888	-	-
Large Blend	2,999	2,999	-	-
Mid Cap Value	3,471	3,471	-	-
Foreign Large Blend	2,846	2,846	-	-
Real estate	1,687	1,687	-	-
Small Blend	1,539	1,539	-	-
Target-Date	1,490	1,490	-	-
Large Value	<u>1,489</u>	<u>1,489</u>	<u>-</u>	<u>-</u>
Total assets measured at fair value	<u>\$2,161,419</u>	<u>\$1,520,409</u>	<u>\$ 641,010</u>	<u>\$ -</u>

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>

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, 2014 and 2013

6. PLEDGES RECEIVABLE

As of December 31, 2014 and 2013, pledges receivable were due to be collected as follows:

	<u>2014</u>	<u>2013</u>
Less than one year	\$ 1,007,500	\$ 1,103,750
One year to five years	205,000	-
	<u>1,212,500</u>	<u>1,103,750</u>
Less: Unamortized discount	15,466	-
Pledges receivable, net	<u>\$ 1,197,034</u>	<u>\$ 1,103,750</u>

Amounts as of December 31, 2014 were discounted to their present value using a rate of 4%. No discount was necessary for 2013 as all pledges were current.

7. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Office furniture and equipment	\$ 447,536	\$ 358,789
Leasehold improvements	225,444	225,444
Computer equipment and software	462,318	462,318
	<u>1,135,298</u>	<u>1,046,551</u>
Less: Accumulated depreciation	820,119	676,114
	<u>\$ 315,179</u>	<u>\$ 370,437</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, 2014). As of December 31, 2014 and 2013, 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, 2014 and 2013

9. NET ASSETS

Unrestricted net assets include the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Operating	\$ 801,470	\$ 860,668
Board designated	2,423,509	2,228,316
Property and equipment	<u>315,179</u>	<u>370,437</u>
Unrestricted net assets	<u>\$ 3,540,158</u>	<u>\$ 3,459,421</u>

Temporarily restricted net assets include the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Cash and pledges subject to time restrictions	\$ 1,082,034	\$ 978,750
Cash and pledges subject to purpose restriction	<u>1,394,441</u>	<u>1,250,725</u>
Temporarily restricted net assets	<u>\$ 2,476,475</u>	<u>\$ 2,229,475</u>

There were no permanently restricted net assets as of December 31, 2014 and 2013.

Net assets were released from donor restrictions during the years ended December 31, 2014 and 2013 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, 2013, the Board approved a transfer of \$195,193, to these net assets. The transfer was made in 2014. No uses of these net assets were approved in 2014.

10. COMMITMENTS

The Organization leases its Cambridge office under the terms of a five year lease agreement expiring December 31, 2017. 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, 2014 and 2013

10. COMMITMENTS (Concluded)

The Organization also has a five year lease agreement for office space in San Francisco expiring September 30, 2016. 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 full month of the lease in the amount of \$6,860.

Rent expenses under these lease agreements were \$431,656 and \$364,413 for the years ended December 31, 2014 and 2013, respectively.

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

Year ending December 31	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, 2014 and 2013 totaled \$130,185 and \$145,833 respectively.

The Organization sponsors 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 \$4,500 and \$4,750 for the years ended December 31, 2014 and 2013, respectively. In the Statement of Financial Position, 457(b) plan assets are presented as investments and the corresponding liabilities are presented as an accrued expense.

12. MAJOR CONTRIBUTORS AND ASSESSMENT TOOL SUBSCRIBERS

During the year ended December 31, 2014, the Organization received five grants in the amount of \$1,840,000 from two funders. This amount represented approximately 31% of total revenue and support received during the year. As of December 31, 2014, \$577,500 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, 2014 and 2013

12. MAJOR CONTRIBUTORS AND ASSESSMENT TOOL SUBSCRIBERS (Concluded)

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.

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.

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