

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.



FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

TABLE OF CONTENTS

Years Ended December 31, 2015 and 2014

	Page
INDEPENDENT AUDITORS' REPORT	1
 FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9



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. (a non-profit organization) which comprise the statements of financial position as of December 31, 2015 and 2014, 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 accounting principles generally accepted in the United States of America; 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 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 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 misstatement 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 that 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Johnson O'Connor Feron & Carucci LLP

Wakefield, Massachusetts
May 12, 2016

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2015

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 2,326,169	\$ 1,569,845	\$ 756,324
Investments	1,539,549	1,539,549	-
Accounts receivable	382,543	382,543	-
Pledges receivable, current portion	1,816,250	-	1,816,250
Prepaid expenses	69,019	69,019	-
Total current assets	<u>6,133,530</u>	<u>3,560,956</u>	<u>2,572,574</u>
PROPERTY AND EQUIPMENT, NET	<u>625,659</u>	<u>625,659</u>	<u>-</u>
OTHER ASSETS:			
Pledges receivable, net of current portion	257,583	-	257,583
Security deposits	60,270	60,270	-
	<u>317,853</u>	<u>60,270</u>	<u>257,583</u>
	<u>\$ 7,077,042</u>	<u>\$ 4,246,885</u>	<u>\$ 2,830,157</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$ 411,599	\$ 411,599	\$ -
Deferred revenue	189,845	189,845	-
Tenant deposits	30,262	30,262	-
Total current liabilities	<u>631,706</u>	<u>631,706</u>	<u>-</u>
NET ASSETS:			
Unrestricted	3,615,179	3,615,179	-
Temporarily restricted	2,830,157	-	2,830,157
Total net assets	<u>6,445,336</u>	<u>3,615,179</u>	<u>2,830,157</u>
	<u>\$ 7,077,042</u>	<u>\$ 4,246,885</u>	<u>\$ 2,830,157</u>

See notes to financial statements.

THE CENTER FOR 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 FOR EFFECTIVE PHILANTHROPY, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2015

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
REVENUE AND SUPPORT:			
Grants and contributions -			
General operations	\$ 4,629,649	\$ 1,086,600	\$ 3,543,049
Net assets released from restrictions	-	3,189,367	(3,189,367)
Total grants and contributions	<u>4,629,649</u>	<u>4,275,967</u>	<u>353,682</u>
Earned revenue -			
Assessment and advisory services/Youth Truth	2,602,305	2,602,305	-
CEP conference fees	279,190	279,190	-
Speaking engagement fees	9,610	9,610	-
Investment income, net	-	-	-
Total earned revenue	<u>2,891,105</u>	<u>2,891,105</u>	<u>-</u>
Total revenue and support	<u>7,520,754</u>	<u>7,167,072</u>	<u>353,682</u>
EXPENSES AND LOSSES:			
Program services	<u>5,729,487</u>	<u>5,729,487</u>	<u>-</u>
Supporting services -			
Management and general	1,250,300	1,250,300	-
Fundraising	111,297	111,297	-
Total supporting services	<u>1,361,597</u>	<u>1,361,597</u>	<u>-</u>
Total expenses	<u>7,091,084</u>	<u>7,091,084</u>	<u>-</u>
Investment loss, net	<u>967</u>	<u>967</u>	<u>-</u>
Total expenses and losses	7,092,051	7,092,051	-
Change in net assets	428,703	75,021	353,682
NET ASSETS - BEGINNING OF YEAR	<u>6,016,633</u>	<u>3,540,158</u>	<u>2,476,475</u>
NET ASSETS - END OF YEAR	<u>\$ 6,445,336</u>	<u>\$ 3,615,179</u>	<u>\$ 2,830,157</u>

See notes to financial statements.

THE CENTER FOR 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 and advisory services/Youth Truth	2,323,230	2,323,230	-
CEP conference fees	-	-	-
Speaking engagement fees	8,647	8,647	-
Investment income, net	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 AND LOSSES:			
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	<u>5,703,999</u>	<u>5,703,999</u>	<u>-</u>
Investment loss, net	<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 FOR EFFECTIVE PHILANTHROPY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2015

	<u>Total Expenses</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>
PERSONNEL AND RELATED:				
Salaries	\$ 3,803,780	\$ 3,035,908	\$ 694,839	\$ 73,033
Fringe benefits	427,690	343,600	75,878	8,212
Payroll taxes	265,688	213,450	47,137	5,101
Total personnel and related	<u>4,497,158</u>	<u>3,592,958</u>	<u>817,854</u>	<u>86,346</u>
OCCUPANCY:				
Rent	421,473	318,606	94,775	8,092
Telephone/internet/telecom	63,895	51,332	11,336	1,227
Utilities	21,893	17,589	3,884	420
Total occupancy	<u>507,261</u>	<u>387,527</u>	<u>109,995</u>	<u>9,739</u>
OTHER:				
Professional/consulting fees	786,948	632,224	151,615	3,109
CEP conference expenses	351,791	351,791	-	-
Depreciation	201,551	161,923	37,758	1,870
Travel	144,969	116,467	25,719	2,783
Computer related expenses	138,877	111,572	25,639	1,666
Dues and subscriptions	106,826	87,323	18,952	551
Meals	73,649	59,169	13,066	1,414
Office supplies	67,878	54,532	12,043	1,303
Equipment rental and maintenance	56,632	45,498	10,047	1,087
Professional development	37,345	34,032	3,313	-
Miscellaneous	32,721	30,122	2,345	254
Printing	36,257	29,129	6,432	696
Postage and delivery	24,951	20,045	4,427	479
Advertising	15,472	15,175	297	-
Insurance	10,798	-	10,798	-
Total other	<u>2,086,665</u>	<u>1,749,002</u>	<u>322,451</u>	<u>15,212</u>
Total expenses	<u>\$ 7,091,084</u>	<u>\$ 5,729,487</u>	<u>\$ 1,250,300</u>	<u>\$ 111,297</u>

See notes to financial statements.

THE CENTER FOR 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
CEP conference expenses	-	-	-	-
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
Meals	60,389	44,841	15,081	467
Office supplies	31,626	23,832	7,460	334
Equipment rental and maintenance	63,682	54,403	8,218	1,061
Professional development	42,422	42,422	-	-
Miscellaneous	8,053	5,854	1,979	220
Printing	38,517	33,848	4,418	251
Postage and delivery	23,226	19,510	2,265	1,451
Advertising	12,651	9,591	3,060	-
Insurance	10,939	-	10,939	-
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 FOR EFFECTIVE PHILANTHROPY, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 428,703	\$ 327,735
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	201,551	144,005
Amortization of purchase premiums on certificates of deposit	4,039	28,295
Unrealized loss on investments	35,557	244
(Increase) decrease in operating assets:		
Accounts receivable	(266,581)	104,010
Pledges receivable, net	(876,799)	(93,284)
Prepaid expenses	15,664	(20,578)
Security deposits	(19,400)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	12,592	60,129
Deferred revenue	(119,761)	131,356
Tenant deposits	30,262	-
Net cash provided (used) by operating activities	<u>(554,173)</u>	<u>681,912</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(448,308)	(88,747)
Proceeds from sale or maturity of investments	614,000	535,000
Purchase of investments	(31,726)	(23,057)
Net cash provided by investing activities	<u>133,966</u>	<u>423,196</u>
Net increase (decrease) in cash and cash equivalents	(420,207)	1,105,108
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,746,376</u>	<u>1,641,268</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,326,169</u>	<u>\$ 2,746,376</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITY		
Purchase of property and equipment through incurrence of accounts payable	\$ 63,723	\$ -

See notes to financial statements.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014

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 and advisory services, 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, 2015 and 2014

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 and advisory services 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 May 12, 2016, 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 and advisory services and other sources of revenue that have not been received as of December 31, 2015. 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, 2015 and 2014

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 two to ten years.

Deferred Revenue –

Conference fees and assessment and advisory services 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, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015.

Advertising Expense –

The Organization's policy is to expense advertising costs as incurred. Advertising expense was \$15,472 and \$12,651 for the years ended December 31, 2015 and 2014, respectively.

Fair Value of Financial Instruments –

The Organization follows ASC 820-10, "Fair Value Measurements", which applies to reported balances that are required or permitted to be measured at fair market value under an existing accounting pronouncement. ASC 820-10 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Fair Value of Financial Instruments (Concluded) –

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the assets and liabilities, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

ASC 825-10, "Financial Instruments", permits an entity to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. The Organization has not adopted any of the additional fair value options allowed in the standard. Management has determined that the fair values of its financial instruments not carried at fair value, including cash and cash equivalents, prepaid expenses, payables, and accrued expenses are substantially equivalent to their carrying values as of December 31, 2015 and 2014 because of their relatively short-term nature.

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, 2015 and 2014

4. INVESTMENTS

Investments at December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Certificate of deposit	\$ 20,152	\$ 20,325	\$ 638,191	\$ 641,010
Mutual funds	<u>1,630,490</u>	<u>1,519,224</u>	<u>1,603,148</u>	<u>1,520,409</u>
	<u>\$ 1,650,642</u>	<u>\$ 1,539,549</u>	<u>\$ 2,241,339</u>	<u>\$ 2,161,419</u>

Investment income at December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Dividends, interest and capital gain distributions	\$ 34,590	\$ 10,517
Net unrealized loss on investments	<u>(35,557)</u>	<u>(244)</u>
Total investment income (loss), net	<u>\$ (967)</u>	<u>\$ 10,273</u>

5. FAIR VALUE MEASUREMENTS

The following tables present the Organization's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of December 31, 2015 and 2014, 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, 2015 and 2014

5. FAIR VALUE MEASUREMENTS (Concluded)

December 31, 2015:

<u>Description of Assets</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of deposit	<u>\$ 20,325</u>	<u>\$ -</u>	<u>\$ 20,325</u>	<u>\$ -</u>
Mutual Funds:				
Short-term Government	1,499,169	1,499,169	-	-
Mid Cap Value	4,381	4,381	-	-
Large Blend	3,940	3,940	-	-
Foreign Large Blend	3,700	3,700	-	-
Real Estate	2,244	2,244	-	-
Large Value	1,967	1,967	-	-
Target-Date	1,914	1,914	-	-
Small Blend	<u>1,909</u>	<u>1,909</u>	<u>-</u>	<u>-</u>
Total assets measured at fair value	<u>\$1,539,549</u>	<u>\$1,519,224</u>	<u>\$ 20,325</u>	<u>\$ -</u>

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	-	-
Mid Cap Value	3,471	3,471	-	-
Large Blend	2,999	2,999	-	-
Foreign Large Blend	2,846	2,846	-	-
Real Estate	1,687	1,687	-	-
Large Value	1,489	1,489	-	-
Target-Date	1,490	1,490	-	-
Small Blend	<u>1,539</u>	<u>1,539</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>

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, 2015 and 2014

6. PLEDGES RECEIVABLE

As of December 31, 2015 and 2014, pledges receivable were due to be collected as follows:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 1,816,250	\$ 1,007,500
One year to five years	<u>280,000</u>	<u>205,000</u>
	2,096,250	1,212,500
Less: Unamortized discount	<u>22,417</u>	<u>15,466</u>
Pledges receivable, net	<u>\$ 2,073,833</u>	<u>\$ 1,197,034</u>

Amounts as of December 31, 2015 and 2014 were discounted to their present value using a rate of 4%.

7. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Office furniture and equipment	\$ 447,536	\$ 447,536
Leasehold improvements	225,444	225,444
Computer equipment and software	733,038	462,318
Construction in process	<u>241,311</u>	<u>-</u>
	1,647,329	1,135,298
Less: Accumulated depreciation	<u>1,021,670</u>	<u>820,119</u>
	<u>\$ 625,659</u>	<u>\$ 315,179</u>

The Company is constructing improvements on their new San Francisco lease which is scheduled to be completed in January 2016. As of December 31, 2015, the Company incurred and capitalized construction in process costs of \$241,311. The estimated cost to be incurred in 2016 to complete the construction of the facility is approximately \$16,373.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014

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% (3.75% at December 31, 2015). As of December 31, 2015 and 2014, there were no amounts outstanding under this facility. The line is secured by cash deposits held by the bank.

9. NET ASSETS

Unrestricted net assets include the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Operating	\$ 485,273	\$ 801,470
Board designated	2,504,247	2,423,509
Property and equipment	<u>625,659</u>	<u>315,179</u>
Unrestricted net assets	<u>\$ 3,615,179</u>	<u>\$ 3,540,158</u>

Temporarily restricted net assets include the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2015</u>
Cash and pledges subject to time restrictions	\$ 2,042,583	\$ 1,082,034
Cash and pledges subject to purpose restriction	<u>787,574</u>	<u>1,394,441</u>
Temporarily restricted net assets	<u>\$ 2,830,157</u>	<u>\$ 2,476,475</u>

There were no permanently restricted net assets as of December 31, 2015 and 2014.

Net assets were released from donor restrictions during the years ended December 31, 2015 and 2014 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, 2015, the Board approved a transfer of \$80,738, to these net assets which was made in 2015. No uses of these net assets were approved in 2015.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 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 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.

The Organization entered into another five year lease agreement for office space in San Francisco expiring November 30, 2020. The terms of the lease require minimum monthly payments of \$18,592 for the first year, \$18,996 for the second year, \$19,400 for the third year, \$19,804 for the fourth year, and \$20,208 for the fifth year.

Rent expenses under these lease agreements were \$421,473 and \$431,656 for the years ended December 31, 2015 and 2014, respectively.

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

Year ending December 31, 2016	\$	553,768
2017		500,470
2018		232,800
2019		237,650
2020		242,500

11. SUBLEASE COMMITMENTS

On December 28, 2015 the Organization entered into a sublease agreement on their San Francisco lease that expires September 30, 2016. The term of this sublease shall commence on February 1, 2016 and terminate on September 30, 2016. During this period, the Organization expects to earn rental income (sublease amounts received in excess of required lease payments) totaling approximately \$11,700 from the agreement. Fifty percent of any sublease rental income will be shared with the landlord as an inducement to allow the sublease arrangement to be finalized.

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014

12. 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, 2015 and 2014 totaled \$149,330 and \$130,185, 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 \$4,750 and \$4,500 for the years ended December 31, 2015 and 2014, 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.

13. MAJOR CONTRIBUTORS AND ASSESSMENT AND ADVISORY SERVICES SUBSCRIBERS

During the year ended December 31, 2015, the Organization received four grants totaling \$2,200,000 from two funders. This amount represented approximately 29% of total revenue and support received during the year. As of December 31, 2015, \$750,000 of these grants had not been received and was recorded as a current pledge receivable.

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.

During the years ended December 31, 2015 and 2014, revenue from any assessment and advisory services client did not exceed 10% of revenue.

101 Edgewater Drive
Suite 210
Wakefield, MA 01880

T (781) 914-3400
www.joellp.com