The Center for Effective Philanthropy, Inc.

Financial Report
Year Ended December 31, 2016

THE CENTER
FOR EFFECTIVE
PHILANTHROPY

Contents

Independent Auditors' Report

RSM US LLP

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

Report on the Financial Statements
We have audited the accompanying financial statements of The Center for Effective Philanthropy (the "Organization"), which comprise the statement of financial position as of December 31, 2016, the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 Organization as of December 31, 2016, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
The financial statements of the Organization, as of and for the year ended December 31, 2015, were audited by other auditors, whose report, dated May 12, 2016, expressed an unmodified opinion on those statements.

RSM US LLP

Boston, Massachusetts
June 9, 2017

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The Center for Effective Philanthropy, Inc.

Statements of Financial Position
December 31, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	$ 1,632,590	$ 2,326,169
Accounts receivable	441,629	382,543
Pledges receivable, current portion	1,345,238	1,816,250
Prepaid expenses	121,025	69,019
Total current assets	3,540,482	4,593,981
Non-current assets:		
Investments	2,025,125	1,539,549
Property and equipment, net	488,310	625,659
Total non-current assets	2,513,435	2,165,208
Other assets:		
Pledges receivable, net of current portion	92,456	257,583
Security deposits	60,270	60,270
Total other assets	152,726	317,853
	$ 6,206,643	$ 7,077,042
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 496,649	$ 411,599
Deferred revenue	234,167	189,845
Tenant deposits	-	30,262
Total current liabilities	730,816	631,706
Net assets:		
Unrestricted	3,644,643	3,615,179
Temporarily restricted	1,831,184	2,830,157
Total net assets	5,475,827	6,445,336
	$ 6,206,643	$ 7,077,042

See notes to financial statements.

The Center for Effective Philanthropy, Inc.

Statement of Activities
Year Ended December 31, 2016
With Summarized Comparative Totals for the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
Revenue and support:				
Grants and contributions:				
General operations	$ 853,534	$ 2,443,073	$ 3,296,607	$ 4,629,649
Net assets released from restrictions	3,442,046	(3,442,046)	-	-
Total grants and contributions	4,295,580	(998,973)	3,296,607	4,629,649
Earned revenue:				
Assessment and advisory services	2,511,537	-	2,511,537	2,273,625
Youth Truth	494,705	-	494,705	328,680
CEP conference fees	-	-	-	279,190
Rental income	75,656		75,656	-
Speaking engagement fees	20,665	-	20,665	9,610
Investment income (loss), net	27,896	-	27,896	(967)
Total earned revenue	3,130,459	-	3,130,459	2,890,138
Total revenue and support	7,426,039	(998,973)	6,427,066	7,519,787
Expenses and losses:				
Program services	5,983,783	-	5,983,783	5,729,487
Supporting services:				
Management and general	1,269,719	-	1,269,719	1,250,300
Fundraising	143,073	-	143,073	111,297
Total supporting services	1,412,792	-	1,412,792	1,361,597
Total expenses	7,396,575	-	7,396,575	7,091,084
Total expenses and losses	7,396,575	-	7,396,575	7,091,084
Change in net assets	29,464	(998,973)	(969,509)	428,703
Net assets - beginning of year	3,615,179	2,830,157	6,445,336	6,016,633
Net assets - end of year	$ 3,644,643	$ 1,831,184	$ 5,475,827	$ 6,445,336

See notes to financial statements.

The Center for Effective Philanthropy, Inc.

Statement of Activities
Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	2015 Total
Revenue and support:			
Grants and contributions:			
General operations	$ 1,086,600	$ 3,543,049	$ 4,629,649
Net assets released from restrictions	3,189,367	(3,189,367)	-
Total grants and contributions	4,275,967	353,682	4,629,649
Earned revenue:			
Assessment and advisory services	2,273,625	-	2,273,625
Youth Truth	328,680	-	328,680
CEP conference fees	279,190	-	279,190
Speaking engagement fees	9,610	-	9,610
Investment loss, net	(967)	-	(967)
Total earned revenue	2,890,138	-	2,890,138
Total revenue and support	7,166,105	353,682	7,519,787
Expenses and losses:			
Program services	5,729,487	-	5,729,487
Supporting services:			
Management and general	1,250,300	-	1,250,300
Fundraising	111,297	-	111,297
Total supporting services	1,361,597	-	1,361,597
Total expenses	7,091,084	-	7,091,084
Total expenses and losses	7,091,084	-	7,091,084
Change in net assets	75,021	353,682	428,703
Net assets - beginning of year	3,540,158	2,476,475	6,016,633
Net assets - end of year	$ 3,615,179	$ 2,830,157	$ 6,445,336

See notes to financial statements.

The Center for Effective Philanthropy, Inc.

Statement of Functional Expenses
Year Ended December 31, 2016

	Total Expenses	Program Services	Management and General	Fundraising
Personnel and related:				
Salaries	$ 4,453,331	$ 3,608,610	$ 758,045	$ 86,676
Fringe benefits	514,240	416,697	87,534	10,009
Payroll taxes	302,123	244,815	51,428	5,880
Total personnel and related	5,269,694	4,270,122	897,007	102,565
Occupancy:				
Rent	621,322	503,467	105,762	12,093
Telephone/internet/telecom	62,763	50,859	10,682	1,222
Utilities	22,889	18,547	3,897	445
Total occupancy	706,974	572,873	120,341	13,760
Other:				
Professional/consulting fees	495,845	401,792	84,402	9,651
Depreciation	195,440	158,368	33,268	3,804
Travel	157,166	127,354	26,753	3,059
Computer related expenses	110,193	89,291	18,757	2,145
Dues and subscriptions	118,813	96,276	20,225	2,312
Meals	108,150	87,636	18,409	2,105
Office supplies	54,375	44,061	9,256	1,058
Equipment rental and maintenance	55,810	42,442	11,996	1,372
Professional development	32,788	27,206	5,582	-
Miscellaneous	16,991	16,550	396	45
Printing	36,410	29,504	6,197	709
Postage and delivery	20,451	16,572	3,481	398
Advertising	4,611	3,736	785	90
Insurance	12,864	-	12,864	-
Total other	1,419,907	1,140,788	252,371	26,748
Total expenses	$ 7,396,575	$ 5,983,783	$ 1,269,719	$ 143,073

See notes to financial statements.

The Center for Effective Philanthropy, Inc.

Statement of Functional Expenses
Year Ended December 31, 2015

	Total Expenses	Program Services	Management and General	Fundraising
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	4,497,158	3,592,958	817,854	86,346
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	507,261	387,527	109,995	9,739
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	2,086,665	1,749,002	322,451	15,212
Total expenses	$ 7,091,084	$ 5,729,487	$ 1,250,300	$ 111,297

See notes to financial statements.

The Center for Effective Philanthropy, Inc.

Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	**$ (969,509)**	$ 428,703
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	**195,440**	201,551
Amortization of purchase premiums on certificates of deposit	**-**	4,039
Unrealized (gain) loss on investments	**(13,684)**	35,557
(Increase) decrease in operating assets:		
Accounts receivable	**(59,086)**	(266,581)
Pledges receivable, net	**636,139**	(876,799)
Prepaid expenses	**(52,006)**	15,664
Security deposits	**-**	(19,400)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	**148,773**	12,592
Deferred revenue	**44,322**	(119,761)
Tenant deposits	**(30,262)**	30,262
Net cash used in operating activities	**(99,873)**	(554,173)
Cash flows from investing activities:		
Purchase of property and equipment	**(121,814)**	(448,308)
Proceeds from sale or maturity of investments	**618,657**	614,000
Purchase of investments	**(1,090,549)**	(31,726)
Net cash provided by (used in) investing activities	**(593,706)**	133,966
Net decrease in cash and cash equivalents	**(693,579)**	(420,207)
Cash and cash equivalents - beginning of year	**2,326,169**	2,746,376
Cash and cash equivalents - end of year	**$ 1,632,590**	$ 2,326,169
Supplemental disclosure of non-cash investing activity:		
Purchase of property and equipment through incurrence of accounts payable	**$ -**	$ 63,723

See notes to financial statements.

Note 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.

Note 2. Summary of Significant Accounting Policies

Method of accounting: The financial statements are presented in accordance with Accounting Standards Codification ("ASC") 958 – *Financial Statements of Not for Profit Organizations.* Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

i. **Unrestricted net assets:** Represent the portion of net assets of the Organization that are not restricted by donor-imposed stipulations.

ii. **Temporarily restricted net assets:** Represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

iii. **Permanently restricted net assets:** Represent net assets subject to donor-imposed stipulations, which neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization. The Organization had no permanently restricted net assets as of December 31, 2016 or 2015.

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

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

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

Revenue recognition: Assessment and advisory services revenue, conference fees and speaking engagement fees are recognized when services are rendered. Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Rental income is recognized when earned and rental income related to leases extending greater than one year is recognized on a straight-line basis.

Note 2. Summary of Significant Accounting Policies (Continued)

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, YouthTruth and other sources of revenue that have not been received. 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 as of December 31, 2016 and 2015.

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 as of December 31, 2016 and 2015.

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: All investments have been reported in the financial statements at fair value. The fair value of publicly traded securities is based upon quotes from the principal exchanges.

Purchases and sales of securities are recorded on trade dates, and realized gains and losses are determined on the basis of the average cost of securities sold. Investment income and realized and unrealized gains are reflected in the statements of activities.

Investments in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and statements of activities.

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. Leasehold improvements are capitalized and depreciated over the shorter of the economic useful life of the improvements or the remaining term of the related leases.

Deferred revenue: Assessment and Advisory Services and YouthTruth revenue received in advance of services being rendered are recorded as deferred revenue.

Note 2. Summary of Significant Accounting Policies (Continued)

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. Expenses are composed of the following:

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

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

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

Income taxes: The Organization is organized and operated exclusively for charitable 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, 2016 and 2015.

The Organization follows Financial Accounting Standards Board ("FASB") ASC 740 - *Income Taxes*, which clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. The Organization recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities.

Recent accounting pronouncements: In August 2016, the FASB issued ASU 2016-14 —Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier application is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management has not evaluated the impact of this ASU on the Organization's financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (“ASU 2016-02”), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective on January 1, 2020, with early adoption permitted. The Organization is in the process of evaluating the impact of this new guidance.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 will be effective for the Corporation on January 1, 2019. Early adoption is permitted. ASU 2016-15 requires a retrospective transition method. However, if it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Corporation is currently evaluating the impact the adoption of this guidance will have on its statement of cash flows.

In May 2014, the FASB issues ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amounts of revenue to which it expects to be entitles for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issues ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral if the Effective Date. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

Advertising expense: The Organization’s policy is to expense advertising costs as incurred. Advertising expense was $4,611 and $15,472 for the years ended December 31, 2016 and 2015, respectively.

Reclassifications: Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation with no effect on net loss.

Note 2. Summary of Significant Accounting Policies (Continued)

Fair Value Measurements: 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:

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: Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

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.

The Organization has various processes and controls in place to ensure that fair value is reasonably estimated.

While the organization believes its valuation methods are consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different estimate of fair value at the report date.

During the years ended December 31, 2016 and 2015, there were no changes to the Organization’s valuation techniques that had, or are expected to have, a material impact on its balance sheets or results of operations.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Note 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 investments and cash and cash equivalents.

Note 4. Investments

Investments at December 31 consisted of the following:

	2016		2015	
	Cost	Market Value	Cost	Market Value
Certificate of deposit	$ -	$ -	$ 20,152	$ 20,325
Mutual funds	2,116,404	2,025,125	1,630,490	1,519,224
	$ 2,116,404	$ 2,025,125	$ 1,650,642	$ 1,539,549

Investment income at December 31 consisted of the following:

	2016	2015
Dividends, interest and capital gain distributions	$ 14,212	$ 34,590
Net unrealized gain (loss) on investments	13,684	(35,557)
Total investment income (loss), net	$ 27,896	$ (967)

Note 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:

	2016			
Description of Assets	Total	Level 1	Level 2	Level 3
Mutual funds:				
Short-term government	$ 1,022,842	$ 1,022,842	$ -	$ -
Fixed income	837,477	837,477	-	-
Large blend	91,168	91,168	-	-
Real estate	34,351	34,351	-	-
Municipal bonds	20,390	20,390	-	-
Mid cap value	5,628	5,628	-	-
Foreign large blend	4,994	4,994	-	-
Small blend	2,929	2,929	-	-
Large value	2,812	2,812	-	-
Target-date	2,534	2,534	-	-
Total assets measured at fair value	$ 2,025,125	$ 2,025,125	$ -	$ -

Note 5. Fair Value Measurements (Continued)

	2015			
Description of Assets	Total	Level 1	Level 2	Level 3
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	1,909	1,909	-	-
Total assets measured at fair value	$ 1,519,224	$ 1,519,224	$ -	$ -

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

Note 6. Pledges Receivable

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

	2016	2015
Less than one year	$ 1,345,238	$ 1,816,250
One year to five years	100,000	280,000
	1,445,238	2,096,250
Less unamortized discount	7,544	22,417
Pledges receivable, net	$ 1,437,694	$ 2,073,833

Amounts as of December 31, 2016 and 2015 were discounted to their present value using a rate of 4%.

Note 7. Property and Equipment

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

	2016	2015
Office furniture and equipment	$ 277,523	$ 447,536
Leasehold improvements	263,142	225,444
Computer equipment and software	304,890	733,038
Construction in process	-	241,311
	845,555	1,647,329
Less: accumulated depreciation	(357,245)	(1,021,670)
	$ 488,310	$ 625,659

Note 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% (4% and 3.75% at December 31, 2016 and 2015, respectively). As of December 31, 2016 and 2015, there were no amounts outstanding under this facility. The line is secured by cash deposits held by the bank.

Note 9. Net Assets

Unrestricted net assets include the following at December 31:

	2016	2015
Operating	$ 577,066	$ 485,273
Board designated	2,579,267	2,504,247
Property and equipment	488,310	625,659
Unrestricted net assets	$ 3,644,643	$ 3,615,179

Temporarily restricted net assets include the following at December 31:

	2016	2015
Cash and pledges subject to time restrictions	$ 926,819	$ 2,042,583
Cash and pledges subject to purpose restriction	904,365	787,574
Temporarily restricted net assets	$ 1,831,184	$ 2,830,157

Net assets were released from donor restrictions during the years ended December 31, 2016 and 2015 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, 2016 and 2015, the Board approved transfers of $75,020 and $80,738, respectively, to board designated net assets. No uses of these net assets were requested in 2016 and 2015.

Note 10. Deferred Revenue

Deferred revenue includes the following at December 31:

	2016	2015
Program:		
Conference Fees	$ 72,507	$ -
Assessment and Advisory Services	161,660	189,845
Total	$ 234,167	$ 189,845

Note 11. 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 had a five year lease agreement for office space in San Francisco expired September 30, 2016.

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 $621,322 and $421,473 for the years ended December 31, 2016 and 2015, respectively.

The total lease commitment over the remaining lease terms is as follows for the years ending December 31:

2017	$ 500,470
2018	232,800
2019	237,650
2020	242,500
Total	$ 1,213,420

On December 28, 2015 the Organization entered into a sublease agreement on their San Francisco lease that expire September 30, 2016. The term of this sublease commenced on February 1, 2016 and terminated on September 30, 2016. During this period, the Organization earned 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 was shared with the landlord as an inducement to allow the sublease arrangement to be finalized.

Note 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, 2016 and 2015 totaled $178,070 and $149,330, 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 for the years ended December 31, 2016 and 2015. In the Statement of Financial Position, 457(b) plan assets are presented as investments and the corresponding liabilities are presented as an accrued expense.

Note 13. Major Contributors and Assessment and Advisory Services Subscribers

During the year ended December 31, 2016, the Organization received four grants totaling $2,148,200 from three funders. This amount represented approximately 33% of total revenue and support received during the year. As of December 31, 2016, $870,238 of these grants had not been received and was recorded as a current pledge receivable.

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 years ended December 31, 2016 and 2015, revenue from any assessment and advisory services client did not exceed 10% of revenue.

Note 14. Subsequent Events

The Organization has evaluated subsequent events through June 9, 2017, the date on which the financial statements were available to be issued.