The Center for Effective Philanthropy, Inc.

Financial Report
Year Ended December 31, 2017

Contents

RSM

RSM US LLP

Independent Auditors' Report

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, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2017 and 2016, 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 audits 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, 2017 and 2016, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Boston, Massachusetts
June 29, 2018

The Center for Effective Philanthropy, Inc.

Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	$ 2,558,887	$ 1,632,590
Accounts receivable	589,662	441,629
Pledges receivable, current portion	1,502,002	1,345,238
Prepaid expenses	90,988	121,025
Total current assets	4,741,539	3,540,482
Non-current assets:		
Investments	2,098,955	2,025,125
Property and equipment, net	308,888	488,310
Total non-current assets	2,407,843	2,513,435
Other assets:		
Pledges receivable, net of current portion	385,373	92,456
Security deposits	35,270	60,270
Total other assets	420,643	152,726
	$ 7,570,025	$ 6,206,643
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 614,152	$ 496,649
Deferred revenue	197,338	234,167
Total current liabilities	811,490	730,816
Net assets:		
Unrestricted	3,761,981	3,644,643
Temporarily restricted	2,996,554	1,831,184
Total net assets	6,758,535	5,475,827
	$ 7,570,025	$ 6,206,643

See notes to financial statements.

The Center for Effective Philanthropy, Inc.

Statement of Activities
Year Ended December 31, 2017
With Summarized Comparative Totals for the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
Revenue and support:				
Grants and contributions:				
General operations	$ 1,172,222	$ 4,226,793	$ 5,399,015	$ 3,296,607
Net assets released from restrictions	3,061,423	(3,061,423)	-	-
Total grants and contributions	4,233,645	1,165,370	5,399,015	3,296,607
Earned revenue:				
Assessment and advisory services	2,697,957	-	2,697,957	2,511,537
YouthTruth	843,800	-	843,800	494,705
CEP conference fees	432,470	-	432,470	-
Rental income	-	-	-	75,656
Speaking engagement fees	31,825	-	31,825	20,665
Investment income, net	75,271	-	75,271	27,896
Total earned revenue	4,081,323	-	4,081,323	3,130,459
Total revenue and support	8,314,968	1,165,370	9,480,338	6,427,066
Expenses:				
Program services	6,670,237	-	6,670,237	5,983,783
Supporting services:				
Management and general	1,373,062	-	1,373,062	1,269,719
Fundraising	154,331	-	154,331	143,073
Total supporting services	1,527,393	-	1,527,393	1,412,792
Total expenses	8,197,630	-	8,197,630	7,396,575
Change in net assets	117,338	1,165,370	1,282,708	(969,509)
Net assets - beginning of year	3,644,643	1,831,184	5,475,827	6,445,336
Net assets - end of year	$ 3,761,981	$ 2,996,554	$ 6,758,535	$ 5,475,827

See notes to financial statements.

The Center for Effective Philanthropy, Inc.

Statement of Activities
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Grants and contributions:			
General operations	$ 853,534	$ 2,443,073	$ 3,296,607
Net assets released from restrictions	3,442,046	(3,442,046)	-
Total grants and contributions	4,295,580	(998,973)	3,296,607
Earned revenue:			
Assessment and advisory services	2,511,537	-	2,511,537
YouthTruth	494,705	-	494,705
CEP conference fees	-	-	-
Rental income	75,656	-	75,656
Speaking engagement fees	20,665	-	20,665
Investment income, net	27,896	-	27,896
Total earned revenue	3,130,459	-	3,130,459
Total revenue and support	7,426,039	(998,973)	6,427,066
Expenses:			
Program services	5,983,783	-	5,983,783
Supporting services:			
Management and general	1,269,719	-	1,269,719
Fundraising	143,073	-	143,073
Total supporting services	1,412,792	-	1,412,792
Total expenses	7,396,575	-	7,396,575
Change in net assets	29,464	(998,973)	(969,509)
Net assets - beginning of year	3,615,179	2,830,157	6,445,336
Net assets - end of year	$ 3,644,643	$ 1,831,184	$ 5,475,827

See notes to financial statements.

The Center for Effective Philanthropy, Inc.

Statement of Functional Expenses
Year Ended December 31, 2017

	Total Expenses	Program Services	Management and General	Fundraising
Personnel and related:				
Salaries	$ 4,844,742	$ 3,940,359	$ 808,709	$ 95,674
Fringe benefits	588,159	478,366	98,178	11,615
Payroll taxes	336,768	273,903	56,215	6,650
Total personnel and related	5,769,669	4,692,628	963,102	113,939
Occupancy:				
Rent	548,848	446,392	91,617	10,839
Telephone/internet/telecom	75,398	61,324	12,585	1,489
Utilities	20,497	16,671	3,421	405
Total occupancy	644,743	524,387	107,623	12,733
Other:				
Professional/consulting fees	497,032	404,250	82,967	9,815
CEP conference expenses	370,073	370,073	-	-
Depreciation	179,421	145,928	29,950	3,543
Travel	121,933	99,171	20,354	2,408
Computer related expenses	163,291	98,809	61,257	3,225
Dues and subscriptions	125,921	102,415	21,019	2,487
Meals	69,465	56,498	11,595	1,372
Office supplies	48,127	39,143	8,034	950
Equipment rental and maintenance	54,164	27,053	26,041	1,070
Professional development	23,214	13,881	8,875	458
Miscellaneous/Bank Fees	40,056	32,578	6,686	792
Printing	58,110	47,262	9,700	1,148
Postage and delivery	14,719	11,972	2,457	290
Advertising	5,150	4,189	860	101
Insurance	12,542	-	12,542	-
Total other	1,783,218	1,453,222	302,337	27,659
Total expenses	$ 8,197,630	$ 6,670,237	$ 1,373,062	$ 154,331

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.

Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	**$ 1,282,708**	$ (969,509)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	**179,421**	195,440
Unrealized gain on investments	**(29,323)**	(13,684)
(Increase) decrease in operating assets:		
Accounts receivable	**(148,033)**	(59,086)
Pledges receivable, net	**(449,681)**	636,139
Prepaid expenses	**30,037**	(52,006)
Security deposits	**25,000**	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	**117,503**	148,773
Deferred revenue	**(36,829)**	44,322
Tenant deposits	**-**	(30,262)
Net cash provided by (used in) operating activities	**970,803**	(99,873)
Cash flows from investing activities:		
Purchase of property and equipment	**-**	(121,814)
Proceeds from sale or maturity of investments	**1,529,632**	618,657
Purchase of investments	**(1,574,138)**	(1,090,549)
Net cash used in investing activities	**(44,506)**	(593,706)
Net increase (decrease) in cash and cash equivalents	**926,297**	(693,579)
Cash and cash equivalents - beginning of year	**1,632,590**	2,326,169
Cash and cash equivalents - end of year	**$ 2,558,887**	$ 1,632,590

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, 2017 or 2016.

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, 2017 and 2016.

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, 2017 and 2016.

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, 2017 and 2016.

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 is currently evaluating 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 entitled 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 issued 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 $5,150 and $4,611 for the years ended December 31, 2017 and 2016, respectively.

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 judgment 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, 2017 and 2016, 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.

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 accounts. 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.

Note 4. Investments

Investments at December 31 consisted of the following:

	2017		2016	
	Cost	Market Value	Cost	Market Value
Mutual funds	$ 2,109,540	$ 2,098,955	$ 2,116,404	$ 2,025,125

Investment income at December 31 consisted of the following:

	2017	2016
Dividends, interest and capital gain distributions	$ 45,948	$ 14,212
Net unrealized gain on investments	29,323	13,684
Total investment income (loss), net	$ 75,271	$ 27,896

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:

	2017			
Description of Assets	Total	Level 1	Level 2	Level 3
Mutual funds:				
Ultrashort bond	$ 1,039,171	$ 1,039,171	$ -	$ -
Large blend	234,043	234,043	-	-
Intermediate term bond	176,544	176,544	-	-
Bank loan	72,779	72,779	-	-
Mid cap blend	65,847	65,847	-	-
Foreign large growth	63,507	63,507	-	-
Foreign large blend	53,236	53,236	-	-
Diversified Pacific/Asia	53,042	53,042	-	-
Large growth	52,279	52,279	-	-
Equity energy	37,626	37,626	-	-
Energy limited partnership	37,414	37,414	-	-
Real estate	33,857	33,857	-	-
Commodities precious metals	32,539	32,539	-	-
Japan stock	31,564	31,564	-	-
Emerging markets bond	31,406	31,406	-	-
Small value	31,203	31,203	-	-
Short term bond	31,137	31,137	-	-
Large value	6,339	6,339	-	-
Small blend	3,293	3,293	-	-
Mid cap value	3,158	3,158	-	-
Foreign large growth	3,071	3,071	-	-
Target-date	3,017	3,017	-	-
World large stock	2,883	2,883	-	-
Total assets measured at fair value	$ 2,098,955	$ 2,098,955	$ -	$ -

Note 5. Fair Value Measurements (Continued)

	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 6. Pledges Receivable

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

	2017	2016
Less than one year	$ 1,502,002	$ 1,345,238
One year to five years	416,795	100,000
	1,918,797	1,445,238
Less unamortized discount	31,422	7,544
Pledges receivable, net	$ 1,887,375	$ 1,437,694

Amounts as of December 31, 2017 and 2016 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:

	2017	2016
Office furniture and equipment	$ 277,523	$ 277,523
Leasehold improvements	263,142	263,142
Computer equipment and software	304,890	304,890
	845,555	845,555
Less: accumulated depreciation	(536,667)	(357,245)
	$ 308,888	$ 488,310

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's prime rate plus 0.25% (4.75% and 4.00% at December 31, 2017 and 2016, respectively). As of December 31, 2017 and 2016, 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:

	2017	2016
Operating	$ 844,362	$ 577,066
Board designated	2,608,731	2,579,267
Property and equipment	308,888	488,310
Unrestricted net assets	$ 3,761,981	$ 3,644,643

Temporarily restricted net assets include the following at December 31:

	2017	2016
Cash and pledges subject to time restrictions	$ 1,084,887	$ 926,819
Cash and pledges subject to purpose restriction	1,911,667	904,365
Temporarily restricted net assets	$ 2,996,554	$ 1,831,184

Net assets were released from donor restrictions during the years ended December 31, 2017 and 2016 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, 2017 and 2016, the Board approved transfers of $29,464 and $75,020, respectively, to board designated net assets. No uses of these net assets were requested in 2017 and 2016.

Note 10. Deferred Revenue

Deferred revenue includes the following at December 31:

	2017	2016
Program:		
Conference fees	$ -	$ 72,507
Assessment and advisory services	197,338	161,660
Total	$ 197,338	$ 234,167

Note 11. Commitments

The Organization leases its Cambridge office under the terms of a five year lease agreement expiring December 31, 2017. The lease was amended on February 10, 2017, and will now expire on December 31, 2022. 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 terms of the lease require minimum monthly payments of $37,940.

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 $548,848 and $621,322 for the years ended December 31, 2017 and 2016, respectively.

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

2018	$ 688,080
2019	700,730
2020	713,380
2021	478,680
2022	486,480
Total	$ 3,067,350

On December 28, 2015 the Organization entered into a sublease agreement on their San Francisco lease that expired 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. The sublease was not renewed, and rental income of $0 was earned during the year ended December 31, 2017.

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 or post tax basis. The Organization matches 100% of the first 5% of deferrals for eligible employees. Matching contributions for the years ended December 31, 2017 and 2016 totaled $212,816 and $178,070, 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, 2017 and 2016, respectively. In the Statement of Financial Position, 457(b) plan assets are presented with investments and the corresponding liabilities are presented with accrued expenses.

Note 13. Major Contributors and Assessment and Advisory Services Subscribers

During the year ended December 31, 2017, the Organization received three grants totaling $1,975,000 from three funders. This amount represented approximately 26% of total revenue and support received during the year. As of December 31, 2017, $966,795 of these grants had not been received and was recorded as a current pledge receivable.

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 years ended December 31, 2017 and 2016, 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 29, 2018, the date on which the financial statements were available to be issued.