The Center for Effective Philanthropy, Inc.

Financial Report
December 31, 2019

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Independent Auditor's 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. (CEP), which comprise the statements of financial position as of December 31, 2019 and 2018, 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 CEP as of December 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, as of January 1, 2019, CEP adopted Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and applied this standard using the modified retrospective approach. This standard provides guidance on revenue recognition, amends guidance on capitalizing contract costs, and requires expanded disclosures within the financial statements. Our opinion is not modified with respect to this matter.

RSM US LLP

Boston, Massachusetts
July 2, 2020

The Center for Effective Philanthropy, Inc.

Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 3,972,005	$ 3,360,697
Accounts receivable	543,348	1,128,976
Unbilled receivables	175,469	-
Pledges receivable, current portion	1,923,310	1,179,295
Prepaid Expenses and other current assets	220,932	287,308
Total current assets	6,835,064	5,956,276
Property and equipment, net	301,182	270,667
Other non-current assets:		
Investments	2,404,731	2,040,340
Pledges receivable, net of current portion	15,000	-
Security deposits	35,270	35,270
Total other non-current assets	2,455,001	2,075,610
	$ 9,591,247	$ 8,302,553
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 859,786	$ 716,845
Deferred revenue	359,943	446,285
Total current liabilities	1,219,729	1,163,130
Net assets:		
Without donor restrictions	4,439,068	3,784,661
With donor restrictions	3,932,450	3,354,762
Total net assets	8,371,518	7,139,423
	$ 9,591,247	$ 8,302,553

See notes to financial statements.

The Center for Effective Philanthropy, Inc.

Statement of Activities
Year Ended December 31, 2019
With Summarized Comparative Totals for the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenue and support:				
Grants and contributions:				
General operations and YouthTruth	$ 1,231,565	$ 4,794,050	$ 6,025,615	$ 4,895,518
Release from restriction - general operations	3,826,370	(3,826,370)	-	-
Total grants and contributions	5,057,935	967,680	6,025,615	4,895,518
Earned revenue:				
Assessment and advisory services	3,353,090	-	3,353,090	2,882,305
YouthTruth	1,342,215	-	1,342,215	1,105,023
Release from restriction - YouthTruth	389,992	(389,992)	-	-
CEP conference fees	514,685	-	514,685	-
Speaking engagement fees	21,500	-	21,500	20,974
Royalties	12,750	-	12,750	-
Investment return, net	220,740	-	220,740	(58,126)
Total earned revenue	5,854,972	(389,992)	5,464,980	3,950,176
Total revenue and support	10,912,907	577,688	11,490,595	8,845,694
Expenses:				
Program services	8,562,919	-	8,562,919	6,933,986
Supporting services:				
Management and general	1,465,905	-	1,465,905	1,362,816
Fundraising	170,311	-	170,311	168,004
Total supporting services	1,636,216	-	1,636,216	1,530,820
Total expenses	10,199,135	-	10,199,135	8,464,806
Change in net assets	713,772	577,688	1,291,460	380,888
ASC 606 transition adjustment - January 1, 2019	(59,365)	-	(59,365)	-
Net assets - beginning of year	3,784,661	3,354,762	7,139,423	6,758,535
Net assets - end of year	$ 4,439,068	$ 3,932,450	$ 8,371,518	$ 7,139,423

See notes to financial statements.

The Center for Effective Philanthropy, Inc.

Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Grants and contributions:			
General operations	$ 1,408,800	$ 3,486,718	$ 4,895,518
Net assets released from restrictions	3,128,510	(3,128,510)	-
Total grants and contributions	4,537,310	358,208	4,895,518
Earned revenue:			
Assessment and advisory services	2,882,305	-	2,882,305
YouthTruth	1,105,023	-	1,105,023
Speaking engagement fees	20,974	-	20,974
Investment return, net	(58,126)	-	(58,126)
Total earned revenue	3,950,176	-	3,950,176
Total revenue and support	8,487,486	358,208	8,845,694
Expenses:			
Program services	6,933,986	-	6,933,986
Supporting services:			
Management and general	1,362,816	-	1,362,816
Fundraising	168,004	-	168,004
Total supporting services	1,530,820	-	1,530,820
Total expenses	8,464,806	-	8,464,806
Change in net assets	22,680	358,208	380,888
Net assets - beginning of year	3,761,981	2,996,554	6,758,535
Net assets - end of year	$ 3,784,661	$ 3,354,762	$ 7,139,423

See notes to financial statements.

The Center for Effective Philanthropy, Inc.

Statement of Functional Expenses
Year Ended December 31, 2019

	Total Expenses	Program Services	Management and General	Fundraising
Personnel and related:				
Salaries	$ 5,614,598	$ 4,674,714	$ 842,190	$ 97,694
Fringe benefits	655,412	545,696	98,312	11,404
Payroll taxes	405,893	337,946	60,884	7,063
Total personnel and related	6,675,903	5,558,356	1,001,386	116,161
Occupancy:				
Rent	740,182	616,276	111,027	12,879
Telephone/internet/telecom	70,460	58,665	10,569	1,226
Utilities	33,032	27,501	4,955	576
Total occupancy	843,674	702,442	126,551	14,681
Other:				
Professional/consulting fees	997,907	828,263	149,687	19,957
CEP conference expenses	544,802	544,802	-	-
Depreciation	123,376	102,723	18,506	2,147
Travel	182,391	151,858	27,359	3,174
Computer related expenses	241,378	200,972	36,206	4,200
Dues and subscriptions	167,259	139,260	25,089	2,910
Meals	92,035	76,629	13,805	1,601
Office supplies	91,249	75,974	13,687	1,588
Equipment rental and maintenance	43,630	36,326	6,545	759
Professional development	71,339	59,397	10,701	1,241
Miscellaneous/bank fees	34,976	29,121	5,246	609
Printing	41,117	34,234	6,168	715
Postage and delivery	23,033	19,177	3,455	401
Advertising	9,596	3,385	6,044	167
Insurance	15,470	-	15,470	-
Total other	2,679,558	2,302,121	337,968	39,469
Total expenses	$ 10,199,135	$ 8,562,919	$ 1,465,905	$ 170,311

See notes to financial statements.

The Center for Effective Philanthropy, Inc.

Statement of Functional Expenses
Year Ended December 31, 2018

	Total Expenses	Program Services	Management and General	Fundraising
Personnel and related:				
Salaries	$ 5,125,404	$ 4,202,831	$ 820,065	$ 102,508
Fringe benefits	612,335	504,503	96,994	10,838
Payroll taxes	364,377	300,210	57,717	6,450
Total personnel and related	6,102,116	5,007,544	974,776	119,796
Occupancy:				
Rent	709,174	581,523	113,468	14,183
Telephone/internet/telecom	60,341	49,715	9,558	1,068
Utilities	22,642	18,655	3,586	401
Total occupancy	792,157	649,893	126,612	15,652
Other:				
Professional/consulting fees	564,301	464,928	89,385	9,988
Depreciation	172,704	142,291	27,356	3,057
Travel	175,229	144,371	27,756	3,102
Computer related expenses	140,860	116,055	22,312	2,493
Dues and subscriptions	126,744	104,424	20,076	2,244
Meals	111,789	92,103	17,707	1,979
Office supplies	66,549	54,830	10,541	1,178
Equipment rental and maintenance	49,676	40,928	7,869	879
Professional development	51,277	42,247	8,122	908
Miscellaneous	14,716	12,125	2,331	260
Printing	54,160	44,622	8,579	959
Postage and delivery	21,258	17,515	3,366	377
Advertising	6,229	110	987	5,132
Insurance	15,041	-	15,041	-
Total other	1,570,533	1,276,549	261,428	32,556
Total expenses	$ 8,464,806	$ 6,933,986	$ 1,362,816	$ 168,004

See notes to financial statements.

The Center for Effective Philanthropy, Inc.

Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	**$ 1,291,460**	$ 380,888
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**123,376**	172,704
Realized and unrealized loss (gain) on investments	**(135,670)**	107,743
(Increase) decrease in operating assets:		
Accounts receivable	**585,628**	(539,314)
Unbilled receivables	**(175,469)**	-
Pledges receivable	**(759,015)**	708,080
Prepaid expenses	**66,376**	(196,320)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	**83,885**	102,693
Deferred revenue	**(145,707)**	248,947
Net cash provided by operating activities	**934,864**	985,421
Cash flows from investing activities:		
Purchase of property and equipment	**(94,835)**	(134,483)
Proceeds from sale or maturity of investments	**2,124,474**	2,443,450
Purchase of investments	**(2,353,195)**	(2,492,578)
Net cash used in investing activities	**(323,556)**	(183,611)
Net increase in cash and cash equivalents	**611,308**	801,810
Cash and cash equivalents:		
Beginning of year	**3,360,697**	2,558,887
End of year	**$ 3,972,005**	$ 3,360,697
Supplemental disclosure of non-cash investing activity:		
Purchase of property and equipment included in accounts payable	**$ 59,056**	$ -

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 largest foundations within the United States and Europe. CEP has offices in Cambridge, Massachusetts and San Francisco, California.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: CEP's financial statements have been prepared on the accrual basis of accounting and in accordance with accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets accounting principles generally accepted in the United States of America (GAAP) to ensure financial condition, changes in net assets, functional expenses and cash flows are consistently reported. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification (FASB ASC).

Classification and reporting of net assets: Net assets are classified into two categories: with donor restrictions and without donor restrictions based on the existence or absence of donor-imposed restrictions. A description of the net asset classes follows:

i. With donor restrictions – net assets subject to donor-imposed stipulations that require they be maintained permanently or that may or will be met by actions of CEP and/or the passage of time.

ii. Without donor restrictions – net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Expirations of restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported in the statement of activities as net assets released from restrictions.

Use of estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition: CEP recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when or as performance obligations are satisfied. ASC Topic 606 may be applied retrospectively to each prior period (full retrospective) or retrospectively with the cumulative effect recognized as of the date of initial application (modified retrospective).

Note 2. Summary of Significant Accounting Policies (Continued)

On January 1, 2019, CEP adopted ASC Topic 606, under the modified retrospective approach, which resulted in a change in the timing of revenue recognition for assessment and advisory services. The changes in revenue recognition resulted in an ASC 606 transition adjustment to opening net assets of $59,365, which is included in the statement of activities, as detailed below.

	January 1, 2019		
	As previously reported	ASC 606 adjustments	As adjusted
Liabilities			
Deferred revenue	$ 446,285	$ 59,365	$ 505,650
Net assets:			
Without donor restrictions	$ 3,784,661	$ (59,365)	$ 3,725,296

In accordance with ASC 606, the disclosure of the impact of adoption to the CEP's statement of activities for the period ended December 31, 2019 was as follows:

	December 31, 2019		
	As reported	Balances without adoption of Topic 606	Effect of change – higher/(lower)
Revenues	$ 11,490,595	$ 11,655,352	$ (164,757)
Change in net assets	$ 1,291,460	$ 1,456,217	$ (164,757)

CEP assesses the contract term as the period in which the parties to the contract have presently enforceable rights and obligations. The contract term can differ from the stated term in contracts that include certain termination or renewal rights, depending on whether there are penalties associated with those rights. Customer contracts generally are standardized and non-cancellable for the duration of the stated contract term. Because CEP's performance obligations relate to contracts with a duration of less than one year, CEP elected to apply the optional exemption provided in ASC 606. Therefore, it is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

CEP's revenue generated from exchange transactions include assessment and advisory services, YouthTruth, conference fees and speaking engagement fees, as further described below:

Assessment and advisory services and YouthTruth
CEP charges a fee for the performance of assessment and advisory services and recognizes revenue related to these services over time as the customer consumes the benefits of the services as CEP performs. The timing of revenue recognition is based on an input measure, which is based on hours incurred to date as they relate to the estimated total hours to complete the survey. Estimates of total survey revenue and hours are monitored regularly during the term of the engagement. Related fulfillment costs are expensed as incurred. CEP generates revenue under a fixed fee billing arrangement. The customer is generally invoiced based on the contractual agreement between the parties with net 30-day terms.

Speaking engagement and conference fees
Revenue from speaking engagements and conference fees are recognized at a point in time when the services are performed.

Note 2. Summary of Significant Accounting Policies (Continued)

As discussed previously, revenue from speaking engagement and conference fees are recognized at a point in time, whereas revenue from assessment and advisory services and YouthTruth are recognized over time. Total revenue recognized at a point in time and over time was as follows for the years ended:

	2019	2018
Revenue recognized over time	$ 4,695,305	$ 3,987,328
Revenue recognized at a point in time	548,935	20,974
	$ 5,244,240	$ 4,008,302

The transaction price is the amount of consideration to which CEP expects to be entitled in exchange for transferring goods and services to the customer. Revenue is recorded based on the transaction price, which includes fixed consideration and estimates of variable consideration. The amount of variable consideration included in the transaction price is constrained and is included only to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration may include expense reimbursements. Reimbursements that are billable to clients in a fixed-fee arrangement are included in the estimation of the total transaction price. Reimbursable expenses are recognized as expenses in the period in which the expense is incurred.

The Company has elected the practical expedient that permits an entity not to recognize a significant financing component if the time between the transfer of a good or service and payment is one year or less. The Company does not enter into contracts in which the period between payment by the customer and the transfer of the promised goods or services to the customer is greater than 12 months.

The timing of revenue recognition may not align with the right to invoice the customer. CEP records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded. If revenue is recognized in advance of the right to invoice, a contract asset (unbilled receivable) is recorded.

CEP does not incur costs which would be considered incremental to the acquisition of a customer contract as such no contract costs have been capitalized.

Contributions and grants: CEP recognizes revenue from contributions in accordance with ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). In accordance with ASU 2018-08, CEP evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be a contribution, CEP evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before CEP is entitled to the assets transferred or promised and (2) a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets.

Grants and contributions, including unconditional promises to give, are initially recognized at fair value as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. All contributions are considered to be available for use without donor restriction unless specifically restricted by the donor.

Note 2. Summary of Significant Accounting Policies (Continued)

Unconditional promises to give that are scheduled to be received after the statement of financial position date are shown as increases in net assets with donor restrictions and released to net assets without donor restrictions when the purpose and/or time restrictions are met. Contributions of assets other than cash are recorded at their estimated fair value as of the date of the gift.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk and duration involved. Amortization of the discount is included in contribution revenue in the appropriate net asset class. An allowance for pledges receivable is provided based upon management's estimate of possible bad debts. The determination includes such factors as prior collection history, type of contribution, and nature of fundraising activity. Management believes that all pledges are fully collectable, therefore, no allowance has been recorded as of December 31, 2019 and 2018.

Cash and cash equivalents: For purposes of the statement of cash flows, CEP 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 CEP for its Assessment and Advisory Services, YouthTruth and other sources of revenue that have not been received. An allowance for doubtful accounts is established, when necessary, based on management's estimate of possible bad debts based upon historical experience for each specific account. Management believes that all receivables are fully collectible; therefore, no allowance for uncollectible amounts has been recorded as of December 31, 2019 and 2018.

Concentration of credit risk: Financial instruments that potentially subject CEP to concentrations of credit risk are cash and cash equivalents, accounts receivable and pledges receivable. CEP maintains its cash in several bank deposit accounts. The bank balances at times may exceed the federally insured limits. CEP has not experienced any losses in such accounts. With respect to accounts receivable and pledges receivable, CEP performs ongoing evaluations of the collectability of these accounts. Management believes CEP is not exposed to any significant credit risks related to cash and cash equivalents, accounts receivable and pledges receivable.

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 on which the security is traded.

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 included in investment return, net 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. CEP has a policy of capitalizing assets with a cost basis of $5,000 or more. CEP provides for depreciation of office furniture, equipment, computer equipment and software 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.

Note 2. Summary of Significant Accounting Policies (Continued)

CEP follows FASB ASC 410, *Asset Retirement and Environmental Obligations*. This standard requires that a liability be recorded for the fair value of an asset retirement specific to certain legal obligations. The recording of a liability is required if the fair value of the obligation can be reasonably estimated. As of December 31, 2019 and 2018, CEP is unaware of any such obligations.

Impairment of long-lived assets: Long-lived assets, which consist primarily of property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, CEP compares the carrying amounts of the assets to the undiscounted expected future cash flows. If this comparison indicates that there may be impairment, the amount of the impairment is calculated as the difference between the carrying value and fair value. During the years ended December 31, 2019 and 2018, CEP did not identify any impairment indicators.

Functional expenses: CEP allocates expenses on a functional basis among its programs and supporting services. Supporting services are those related to operating and managing CEP and its programs on a day-to-day basis. Expenses are composed of the following:

> **Program services:** Includes all activities related to CEP's assessment and advisory services and YouthTruth and CEP conference and speaking engagements.
>
> **Management and general:** Includes all activities related to CEP'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 CEP'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, including occupancy, office expenses, depreciation, travel, professional development and professional fees, are allocated to the underlying activity through which it was incurred. The statement of activities includes certain expenses which must be allocated on a reasonable basis, which has been consistently applied. Management allocates common expenses based on actual employee time incurred for each function.

Advertising expense: CEP's policy is to expense advertising costs as incurred. Advertising expense was $9,596 and $6,229 for the years ended December 31, 2019 and 2018, respectively.

Income taxes: CEP 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.

Note 2. Summary of Significant Accounting Policies (Continued)

CEP 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. CEP 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. Management evaluated CEP's tax positions and concluded that CEP has no material uncertainties in income taxes as of December 31, 2019 and 2018. CEP files federal, California and Massachusetts tax returns. CEP is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2016. CEP will account for interest and penalties related to uncertain tax positions, if any, as part of tax expense.

Recently adopted accounting pronouncements: During 2019, CEP adopted 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 effects of CEP adopting this standard are discussed in the revenue recognition section of Note 2.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for Profit Entities,* or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. CEP adopted this ASU during the year ended December 31, 2019. The amendments in this update were applied on a modified prospective basis. The adoption of the ASU did not have a significant impact on the financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The amendments in this ASU makes improvements to the guidance provided in Topic 230, Statement of Cash Flows in regards to classification and presentation of certain cash receipts and cash payments. CEP adopted this ASU during the year ended December 31, 2019. The adoption of this ASU did not have a significant impact on the financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.* The amendment modifies the disclosure requirements for fair value measurements, and removed disclosures related to transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing transfers between levels, the valuation process of Level 3 fair value measurements and a roll forward of Level 3 investments. CEP adopted this ASU during the year ended December 31, 2019. The adoption of this ASU did not have a significant impact on the financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

Recently issued accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. On June 3, 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities* ("ASU 2020-05"), which defers the effective date of ASU 2016-02 making it effective for annual reporting periods beginning after December 15, 2021. CEP expects to adopt the guidance retrospectively at the beginning of the period of adoption, January 1, 2022, through a cumulative-effect adjustment, and will not apply the new standard to comparative periods presented. The new standard provides a number of practical expedients. Upon adoption, CEP expects to elect all the practical expedients available. ASC 842 is expected to impact CEP's financial statements as CEP has certain operating lease arrangements for which it is the lessee. CEP is in the process of evaluating the impact of this new guidance on the financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)* ("ASU 2016-13"). The amendments in this update require a financial asset (or group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net varying value at the amount expected to be collected on the financial asset. The amendments in this update eliminate the probable initial recognition threshold in current GAAP and, instead, reflect an entity's current estimate of all expected credit losses. As mentioned above, with the issuance of ASU 2019-10, the effective date of this amendment has been delayed and will be applicable to the Company beginning in fiscal year 2021.

Note 3. Financial Assets Available and Liquidity

The following reflects CEP's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general expenditures due to contractual or donor-imposed restrictions within one year. Management estimates all purpose restricted funds will be expended within one year. Amounts not available include amounts set aside for board designated purposes that could be drawn only upon approval of the Board.

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	$ 3,972,005	$ 3,360,697
Accounts receivable	543,348	1,128,976
Unbilled receivables	175,469	-
Pledges receivable	1,938,310	1,179,295
Investments	2,404,731	2,040,340
Financial assets as of December 31	9,033,863	7,709,308
Less amounts not available to be used within one year:		
Pledges receivable, non-current	(15,000)	-
Board designated funds	(2,748,749)	(2,726,069)
Financial assets available to meet general expenditures over the next twelve months	$ 6,270,114	$ 4,983,239

To manage liquidity, CEP has access to an operating line of credit with available borrowings up to $1,000,000 to be drawn upon as needed during the year to manage cash flows.

Note 4. Pledges Receivable

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

	2019	2018
Less than one year	$ 1,923,310	$ 1,179,295
More than one year	15,000	-
Pledges receivable – less than one year	$ 1,938,310	$ 1,179,295

There was no discount applied to pledges receivable as of December 31, 2019 and 2018.

Note 5. Investments and Fair Value Measurements

Investments, at fair value, at December 31, 2019 and 2018 consisted of the following:

	2019	2018
Money market funds	$ 322,431	$ -
Mutual funds	2,082,300	2,040,340
	$ 2,404,731	$ 2,040,340

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, CEP uses a market approach. Based on this approach, CEP often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. CEP utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, CEP is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2: Observable inputs other than Level 1, including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other inputs that can be corroborated by observable market data.

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.

CEP has various processes and controls in place to ensure that fair value is reasonably estimated. While CEP believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Note 5. Investments and Fair Value Measurements (Continued)

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

***Money market funds and mutual funds*:** The fair value of money market funds and mutual funds is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

During the years ended December 31, 2019 and 2018, there were no changes to CEP's valuation techniques that had, or are expected to have, a material impact on its statements of financial position or results of operations.

The following tables present CEP's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of December 31:

	2019			
	Total	Level 1	Level 2	Level 3
Investments				
Money market funds	$ 322,431	$ 322,431	$ -	$ -
Mutual funds:				
Fixed income	1,332,589	1,332,589	-	-
Domestic equities	479,348	479,348	-	-
International equities	159,958	159,958	-	-
Commodities	110,405	110,405	-	-
Total investments, at fair value	$ 2,404,731	$ 2,404,731	$ -	$ -

	2018			
	Total	Level 1	Level 2	Level 3
Investments				
Mutual funds:				
Fixed income	$ 1,270,063	$ 1,270,063	$ -	$ -
Domestic equities	510,189	510,189	-	-
International equities	164,201	164,201	-	-
Commodities	95,887	95,887	-	-
Total investments, at fair value	$ 2,040,340	$ 2,040,340	$ -	$ -

Note 6. Property and Equipment

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

	2019	2018
Office furniture and equipment	$ 231,968	$ 212,504
Leasehold improvements	313,322	310,127
Computer equipment and software	270,720	270,720
Asset not yet placed in service	131,233	-
	947,243	793,351
Less accumulated depreciation	(646,061)	(522,684)
	$ 301,182	$ 270,667

As of December 31, 2019, asset not yet placed in service represented costs incurred for CEP's new website. The cost to complete the project as of December 31, 2019 was $13,775. The website was placed in service in January 2020.

Note 7. Line of Credit

CEP 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 0.25% above the prime rate, which was 5.00% and 5.75% at December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, there were no amounts outstanding under this line. The line is secured by cash deposits held by the bank. The line automatically renews annually unless terminated by the bank.

Note 8. Net Assets

Net assets without donor restrictions include the following at December 31:

	2019	2018
Operating	$ 1,389,137	$ 787,925
Board designated funds for operations	2,748,749	2,726,069
Property and equipment	301,182	270,667
Net assets without donor restrictions	$ 4,439,068	$ 3,784,661

Net assets with donor restrictions include the following at December 31:

	2019	2018
Subject to expenditure for specific purpose:		
YouthTruth	$ 1,443,998	$ 2,013,394
Research and other	600,952	508,868
	2,044,950	2,522,262
Subject to time restrictions	1,887,500	832,500
Net assets with donor restrictions	$ 3,932,450	$ 3,354,762

Net assets released from donor restrictions by incurring expenses or costs satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors were as follows:

	2019	2018
YouthTruth operations	$ 937,804	$ 819,080
Research and other purposes	738,566	317,869
Conference	270,000	-
Satisfaction of time restrictions	1,880,000	1,991,561
Releases from restrictions – general operations	3,826,370	3,128,510
YouthTruth surveys	389,992	-
Releases from restrictions – YouthTruth	389,992	-
Total net assets released from restriction	$ 4,216,362	$ 3,128,510

Board designated net assets consist of assets which may be accessed only with the prior approval of the Board of Directors. During the years ended December 31, 2019 and 2018, the Board approved transfers of $22,680 and $117,338, respectively, to board designated net assets. No uses of these net assets were requested in 2019 and 2018.

Note 9. Deferred Revenue

Deferred revenue includes the following at December 31:

	2019	2018
YouthTruth	$ 106,615	$ -
Conference fees	3,900	157,150
Assessment and advisory services	249,428	289,135
Total	$ 359,943	$ 446,285

Note 10. Commitments

CEP has a five year lease agreement for office space in Cambridge, MA expiring December 31, 2022. The terms of the lease require minimum monthly payments for 2019 through 2022 ranging from $38,740 to $40,690. CEP has a five year lease agreement for office space in San Francisco, CA expiring November 30, 2020. CEP is currently in the process of negotiating an extension of the San Francisco lease. The terms of the lease require minimum monthly payments for 2019 and 2020 ranging from $19,804 to $20,208. Deferred rent related to leases with escalating rental payments over the term of the lease amounted to $33,100 and $14,876 at December 31, 2019 and 2018, respectively, and is recorded in accrued expenses on the statements of financial position.

Rent expenses under these lease agreements were $740,182 and $709,174 for the years ended December 31, 2019 and 2018, respectively.

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

2020	$ 734,980
2021	500,280
2022	508,080
Total	$ 1,743,340

Note 11. Retirement Plan

CEP 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. CEP matches 100% of the first 5% of deferrals for eligible employees. Matching contributions for the years ended December 31, 2019 and 2018 totaled $227,335 and $219,549, respectively.

CEP sponsors a non-qualified 457(b) deferred compensation plan whereby participants may elect to have their compensation deferred into the plan within annual limits. CEP’s discretionary credits into the plan totaled $5,000 and $4,500 for the years ended December 31, 2019 and 2018, respectively. 457(b) plan assets are presented with investments and totaled $58,594 and $42,435 respectively, at December 31, 2019 and 2018 and the corresponding liability is presented with accrued expenses in the statements of financial position.

Note 12. Major Contributors and Assessment and Advisory Services Subscribers

During the year ended December 31, 2019, CEP received seven grants totaling $3,113,150 from three funders. This amount represented approximately 52% of total grant revenue and support received during the year. As of December 31, 2019, $1,212,500 of these grants had not been received and was recorded as a current pledge receivable.

Note 12. Major Contributors and Assessment and Advisory Services Subscribers (Continued)

As of December 31, 2019, CEP had accounts receivable that had not been received from one customer totaling $101,476 representing 18% of accounts receivable. CEP had pledges receivable outstanding totaling $1,212,500 from two funders which individually made up over 10% of the pledges receivable balance.

During the year ended December 31, 2018, CEP received three grants totaling $1,600,000 from three funders. This amount represented approximately 21% of total revenue and support received during the year. As of December 31, 2018, $687,500 of these grants had not been received and was recorded as a current pledge receivable.

As of December 31, 2018, CEP had accounts receivable that had not been received from one customer totaling $130,500 representing 12% of accounts receivable. CEP had pledges receivable outstanding totaling $987,500 from four funders which individually made up over 10% of the pledges receivable balance.

During the years ended December 31, 2019 and 2018, revenue from any assessment and advisory services client did not exceed 10% of revenue.

Note 13. Subsequent Events

CEP has evaluated subsequent events through July 2, 2020, the date on which the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which CEP operates. While it is unknown how long these conditions will last and what the complete financial effect will be to CEP, to date, CEP is projecting changes in its revenues as well as the fair value of its investments and has taken cost saving measures to offset these changes.

On April 15, CEP received a loan through the Payroll Protection Program (PPP) created by the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) in the amount of approximately $965,000. This loan contains a provision under which CEP may apply for forgiveness of an amount equal to the sum of qualifying expenses incurred during the covered time period for loan forgiveness (the forgiveness period), as defined by the CARES Act. These qualifying expenses include employee payroll and fringe benefits and certain facility rent and utility payments. The amount of loan forgiveness is adjusted based on CEP retaining employees and maintaining wage levels during the forgiveness period. Based on these forgiveness terms and forecasted expenses, management estimates that approximately 92% of this loan will be forgiven. At the end of the forgiveness period, the remaining loan balance will begin to accrue interest at a fixed 1% rate.

On June 5, 2020, there was an amendment to the CARES Act signed into law affecting the PPP. This amendment lengthens the forgiveness period and modifies certain conditions of the loan creating additional flexibility in regards to how the funds must be spent. Payments may be deferred until the Small Business Administration reimburses the lending institution for any forgiven amounts, subsequent to which, monthly principal and interest payments using an amortization period of five years less the deferred period will commence.