



**THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.**

Contents  
December 31, 2023 and 2022

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## Independent Auditor's Report

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

### **Opinion**

We have audited the financial statements of The Center for Effective Philanthropy, Inc. (a Massachusetts nonprofit corporation) (CEP), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Center for Effective Philanthropy, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CEP and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about CEP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

## **Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CEP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about CEP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*AAFCPA, Inc.*

Westborough, Massachusetts  
July 15, 2024

**THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.**

Statements of Financial Position  
December 31, 2023 and 2022

<b>Assets</b>	<b>2023</b>	<b>2022</b>
Current Assets:		
Cash and cash equivalents	\$ 4,464,024	\$ 4,744,313
Accounts receivable	551,087	966,053
Current portion of pledges receivable	1,512,857	1,815,126
Prepaid expenses and other current assets	169,965	246,124
Total current assets	6,697,933	7,771,616
Pledges Receivable, net	462,921	440,485
Investments	12,933,256	11,214,981
Security Deposits	94,916	105,470
Property and Equipment, net	379,308	286,387
Operating Right-of-Use Assets	1,673,790	2,274,498
Total assets	\$ 22,242,124	\$ 22,093,437
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 943,474	\$ 1,229,948
Current portion of lease liability	670,434	640,888
Current portion of deferred revenue	817,138	535,470
Total current liabilities	2,431,046	2,406,306
Long-term Liabilities:		
Deferred revenue, net of current portion	209,000	-
Deferred compensation	158,512	119,276
Lease liability, net of current portion	1,134,332	1,803,445
Total liabilities	3,932,890	4,329,027
Net Assets:		
Without donor restrictions:		
Operating	2,571,450	976,334
Strategic opportunities fund	6,394,098	6,555,892
Board designated funds for operations	6,554,095	6,554,095
Property and equipment	248,332	116,552
Total without donor restrictions	15,767,975	14,202,873
With donor restrictions	2,541,259	3,561,537
Total net assets	18,309,234	17,764,410
Total liabilities and net assets	\$ 22,242,124	\$ 22,093,437

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

Statements of Activities and Changes in Net Assets  
For the Years Ended December 31, 2023 and 2022

	2023					2022				
	Without Donor Restrictions		Total Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions		Total Without Donor Restrictions	With Donor Restrictions	Total
Operating	Strategic Opportunities Fund	Operating				Strategic Opportunities Fund				
<b>Operating Revenue and Support:</b>										
Earned revenue:										
Assessment and advisory services	\$ 4,383,030	\$ -	\$ 4,383,030	\$ -	\$ 4,383,030	\$ 4,452,579	\$ -	\$ 4,452,579	\$ -	\$ 4,452,579
YouthTruth	2,763,754	-	2,763,754	(31,800)	2,731,954	2,458,868	-	2,458,868	(35,000)	2,423,868
Speaking engagement and registration fees	794,536	-	794,536	-	794,536	22,734	-	22,734	-	22,734
CEP Learning Institute	199,859	-	199,859	-	199,859	-	-	-	-	-
Total earned revenue	8,141,179	-	8,141,179	(31,800)	8,109,379	6,934,181	-	6,934,181	(35,000)	6,899,181
Support:										
Grants and contributions	1,091,766	-	1,091,766	4,109,150	5,200,916	1,388,771	-	1,388,771	5,273,757	6,662,528
Net assets released from restrictions	5,097,628	-	5,097,628	(5,097,628)	-	3,772,865	-	3,772,865	(3,772,865)	-
Total support	6,189,394	-	6,189,394	(988,478)	5,200,916	5,161,636	-	5,161,636	1,500,892	6,662,528
Total operating revenue and support	14,330,573	-	14,330,573	(1,020,278)	13,310,295	12,095,817	-	12,095,817	1,465,892	13,561,709
<b>Operating Expenses:</b>										
Program services	10,734,800	550,561	11,285,361	-	11,285,361	9,270,628	1,426,724	10,697,352	-	10,697,352
General and administrative	2,493,406	-	2,493,406	-	2,493,406	2,614,106	-	2,614,106	-	2,614,106
Fundraising	183,610	-	183,610	-	183,610	173,066	-	173,066	-	173,066
Total operating expenses	13,411,816	550,561	13,962,377	-	13,962,377	12,057,800	1,426,724	13,484,524	-	13,484,524
Changes in net assets from operations	918,757	(550,561)	368,196	(1,020,278)	(652,082)	38,017	(1,426,724)	(1,388,707)	1,465,892	77,185
<b>Investment Return, net</b>	808,139	388,767	1,196,906	-	1,196,906	(242,873)	(17,384)	(260,257)	-	(260,257)
Changes in net assets	1,726,896	(161,794)	1,565,102	(1,020,278)	544,824	(204,856)	(1,444,108)	(1,648,964)	1,465,892	(183,072)
<b>Net Assets:</b>										
Beginning of year	7,646,981	6,555,892	14,202,873	3,561,537	17,764,410	7,851,837	8,000,000	15,851,837	2,095,645	17,947,482
End of year	\$ 9,373,877	\$ 6,394,098	\$ 15,767,975	\$ 2,541,259	\$ 18,309,234	\$ 7,646,981	\$ 6,555,892	\$ 14,202,873	\$ 3,561,537	\$ 17,764,410

The accompanying notes are an integral part of these statements.

**THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.**

Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 544,824	\$ (183,072)
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation and amortization	159,501	181,847
Non-cash lease expenses	600,708	776,933
Realized and unrealized (gain) loss on investments	(813,810)	413,202
Change in discount on pledges receivable	1,564	25,515
Changes in operating assets and liabilities:		
Accounts receivable	414,966	(535,348)
Pledges receivable	278,269	(216,269)
Prepaid expenses and other current assets	76,159	(21,540)
Security deposits	10,554	(64,422)
Accounts payable and accrued expenses	(286,474)	446,504
Deferred revenue	490,668	(345,458)
Deferred compensation	39,236	6,261
Change in operating lease liability	<u>(639,567)</u>	<u>(743,158)</u>
Net cash and cash equivalents provided by (used in) operating activities	<u>876,598</u>	<u>(259,005)</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(252,422)	(137,351)
Proceeds from sale of investments	2,919,412	2,346,840
Purchase of investments	<u>(3,823,877)</u>	<u>(10,484,799)</u>
Net cash and cash equivalents used in investing activities	<u>(1,156,887)</u>	<u>(8,275,310)</u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(280,289)</b>	<b>(8,534,315)</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of year	<u>4,744,313</u>	<u>13,278,628</u>
End of year	<u>\$ 4,464,024</u>	<u>\$ 4,744,313</u>

THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

Statements of Functional Expenses  
For the Years Ended December 31, 2023 and 2022

	2023				2022			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
<b>Personnel and Related:</b>								
Salaries	\$ 7,201,901	\$ 1,043,884	\$ 128,129	\$ 8,373,914	\$ 6,630,144	\$ 1,061,206	\$ 117,885	\$ 7,809,235
Fringe benefits	810,535	117,483	14,420	942,438	785,598	125,741	13,968	925,307
Payroll taxes	523,857	75,931	9,320	609,108	467,499	74,827	8,312	550,638
Total personnel and related	8,536,293	1,237,298	151,869	9,925,460	7,883,241	1,261,774	140,165	9,285,180
<b>Occupancy:</b>								
Rent	584,974	84,789	10,407	680,170	715,213	114,476	12,717	842,406
Telephone	38,167	5,532	679	44,378	56,146	8,986	998	66,130
Utilities	15,111	2,190	269	17,570	24,000	3,842	427	28,269
Total occupancy	638,252	92,511	11,355	742,118	795,359	127,304	14,142	936,805
<b>Other:</b>								
Professional and consulting fees	325,413	956,376	-	1,281,789	963,657	1,017,013	-	1,980,670
CEP conference facilities	639,541	-	-	639,541	-	-	-	-
Computer expenses	386,012	55,951	6,868	448,831	376,897	60,325	6,701	443,923
Dues and subscriptions	180,649	26,184	3,214	210,047	108,279	17,331	1,925	127,535
Travel	173,947	25,213	3,095	202,255	127,445	20,399	2,266	150,110
Depreciation and amortization	137,177	19,883	2,441	159,501	154,552	24,566	2,729	181,847
Office supplies	78,261	11,343	1,392	90,996	50,939	8,153	906	59,998
Meals	75,413	10,931	1,342	87,686	118,041	18,893	2,099	139,033
Professional development	50,387	7,303	896	58,586	36,849	5,898	655	43,402
Insurance	-	41,133	-	41,133	-	39,139	-	39,139
Bank fees and miscellaneous	35,095	5,088	623	40,806	43,862	7,191	799	51,852
Printing	11,682	1,693	208	13,583	13,118	2,100	233	15,451
Postage and delivery	9,474	1,373	169	11,016	8,121	1,300	144	9,565
Advertising	7,765	1,126	138	9,029	16,992	2,720	302	20,014
Total other	2,110,816	1,163,597	20,386	3,294,799	2,018,752	1,225,028	18,759	3,262,539
Total expenses	\$ 11,285,361	\$ 2,493,406	\$ 183,610	\$ 13,962,377	\$ 10,697,352	\$ 2,614,106	\$ 173,066	\$ 13,484,524



## THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

Notes to Financial Statements  
December 31, 2023 and 2022

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### 1. OPERATIONS AND NONPROFIT STATUS

#### Operations

The Center for Effective Philanthropy (CEP) provides data, feedback, programs, and insights to help individual and institutional donors improve their effectiveness. CEP believes effective donors, working collaboratively and thoughtfully, can profoundly contribute to creating a better and more just world. CEP's research, assessment and advisory services and programming are widely utilized by funders in the United States and around the world, as well as by individual donors and those who advise them. CEP has offices in Cambridge, Massachusetts and San Francisco, California.

YouthTruth, an initiative of CEP, harnesses student perceptions to help educators and education funders accelerate improvements. Through validated survey instruments and tailored advisory services, YouthTruth partners with schools, districts, states, and education funders to enhance learning for all students.

#### Nonprofit Status

CEP is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). CEP is also exempt from state income taxes. Donors may deduct contributions made to CEP within IRC requirements.

### 2. SIGNIFICANT ACCOUNTING POLICIES

CEP prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

#### Recently Adopted Accounting Pronouncement

*ASU 2016-13, Financial Instruments – Credit Losses (Topic 326)*

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Topic 326 introduced a new accounting model, the Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses and additional disclosures related to credit risk. The CECL model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. CEP adopted the standard effective January 1, 2023, using the modified retrospective method. Based on the composition of CEP's receivables and expected future losses, the adoption of Topic 326 did not have a material impact on CEP's 2023 financial statements.

#### Leases

CEP determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be a lease or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. CEP determines such assets are leased because CEP has the right to obtain substantially all of the economic benefits from and the right to direct the use of the identified asset.

## THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

Notes to Financial Statements  
December 31, 2023 and 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases (Continued)

Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because CEP determines it does not have the right to control and direct the use of the identified asset. CEP's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, CEP separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its buildings, equipment, and parking spaces. CEP has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. CEP determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. CEP uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, CEP uses a risk-free rate based on the information available at the later of January 1, 2022, or commencement date to determine the present value of lease payments.

The lease term may include options to extend or to terminate the lease that CEP is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. CEP has elected not to record leases with an initial term of twelve months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

#### Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at 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.

#### Cash and Cash Equivalents

For the purpose of the statements of cash flows, CEP considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents, excluding cash included in the investment portfolio (see Note 4). Cash and cash equivalents consist of checking and money market accounts in the accompanying statements of financial position.

## THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

Notes to Financial Statements  
December 31, 2023 and 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Pledges Receivable

Unconditional promises to give are reported as pledges receivable at net realizable value on the date the promise is verifiably committed. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value, and those that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

#### Allowance for Grants and Pledges Receivable

CEP receives grants and pledges from various donors. An allowance for doubtful accounts, if any, is based on management's best estimate of amounts that may become uncollectible. There was no allowance as of December 31, 2023 and 2022.

#### Allowance for Credit Losses

CEP's research, assessment and advisory services and programming are widely utilized by funders in the United States and around the world. CEP's accounts receivable are primarily derived from foundations, schools, districts, and education funders. At each statement of financial position date, CEP recognizes an expected allowance for credit losses. This estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis over 90 days where similar risk characteristics exist.

The allowance estimate is derived from a review of CEP's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by CEP (e.g., contract renewals by corporate partner or customer). CEP believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as CEP's customers have remained constant over multiple years and are committed partners in helping CEP achieve its mission.

CEP writes off receivables when there is information that indicates the corporate partner or customer is facing significant financial difficulty or after several attempts at collection of a very old receivable from a non-renewing customer and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with CEP's accounting policy election.

There was no allowance for credit losses as of December 31, 2023 and 2022.

#### Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major or central to the provision of operating programs are reported as operating revenue and support and operating expenses in the accompanying statements of activities and changes in net assets. Non-operating revenue includes investment income net of expenses consistent with industry practice.

#### Investments

Investment returns consist of interest and dividends (investment income), net of realized and unrealized gain and losses on investments and investment fees (see Note 4). Interest income is recorded as earned and dividend income is recorded on the ex-dividend date. Gains and losses are recognized upon sale using the first-in, first-out (FIFO) method or based on fair value changes during the period.

## THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

Notes to Financial Statements  
December 31, 2023 and 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property, Equipment, Depreciation and Amortization

Property and equipment are recorded at cost, if purchased, or at their fair value, if donated. Additions, renewals and betterments of property and equipment over \$5,000 are capitalized.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	Shorter of lease term or 3 years
Office furniture and equipment	3 - 5 years
Computer equipment and software	3 years

#### Net Assets

##### *Net Assets Without Donor Restrictions*

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by CEP. CEP has grouped its net assets without donor restrictions into the following categories:

**Operating net assets** represent net assets which are available for operations and bear no external restrictions.

**Strategic opportunities fund** represents funds set aside by the Board of Directors to support new and existing initiatives that advances CEP's purpose either through expansion or improvement. During the years ended December 31, 2023 and 2022, the Board of Directors approved an appropriation of \$559,561 and \$1,426,724, respectively, for operations. Annually, investment income is allocated to the fund based upon the value of assets invested.

**Board designated funds for operations** represent funds set aside by the Board of Directors to cover any significant needs for CEP. During the year ended December 31, 2022, the Board of Directors approved transfers of \$598,564 to Board designated funds for net assets. There were no transfers during 2023.

**Property and equipment net assets** reflect the net book value of CEP's property and equipment and lease activity.

Activity related to operating, Board designated funds and property and equipment net assets are reflected in the operating column in the accompanying statements of activities and changes in net assets.

##### *Net Assets With Donor Restrictions*

Net assets with donor restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose (purpose restricted) or amounts for use in future periods (time restricted).

## THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

Notes to Financial Statements  
December 31, 2023 and 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Net Assets (Continued)

##### Net Assets With Donor Restrictions (Continued)

Net assets with donor restrictions at December 31, 2023 and 2022, are available for the following purposes:

	<u>2023</u>	<u>2022</u>
Subject to time restrictions	\$ 1,590,519	\$ 1,159,484
Subject to program restrictions	460,842	600,076
YouthTruth:		
Subject to time restrictions	292,401	799,519
Subject to program restrictions	<u>197,497</u>	<u>1,002,458</u>
	<u>\$ 2,541,259</u>	<u>\$ 3,561,537</u>

During the years ended December 31, 2023 and 2022, net assets were released from restrictions for the following programs and purposes and other restrictions:

	<u>2023</u>	<u>2022</u>
Satisfaction of time restrictions	\$ 1,780,000	\$ 1,738,016
Subject to program restrictions	1,269,948	696,426
YouthTruth:		
Subject to program restrictions	1,129,960	322,944
Satisfaction of time restrictions	<u>949,520</u>	<u>1,050,479</u>
	<u>\$ 5,129,428</u>	<u>\$ 3,807,865</u>

#### Revenue Recognition

In accordance with FASB's ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, CEP uses a five-step model for recognizing and measuring revenue from contracts with customers, which includes 1) identifying the contract with the customer, 2) identifying the performance obligation(s) promised within the contract, 3) determining the transaction price (the amount of consideration to which CEP expects to be entitled), 4) allocating the transaction price to the performance obligation(s), and 5) recognizing revenue when (or as) the performance obligation(s) are satisfied.

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 Topic 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.

## THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

Notes to Financial Statements  
December 31, 2023 and 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition (Continued)

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

##### *Contract Revenue - Assessment and Advisory Services and YouthTruth*

Contract revenue is recognized in accordance with Topic 606. 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 performed. Timing of recognizing revenue is based on the input measurement of hours incurred to date, compared to the estimated total hours of the contract to satisfy the performance obligations. Estimates of total survey revenue and hours are monitored regularly during the term of the engagement.

##### *Speaking Engagements and Registration Fees*

Speaking engagement and registration fees revenue is recognized at a point in time when the services are performed.

##### *CEP Learning Institute*

CEP Learning institute revenue is recognized in equal installments for the duration of the cohort.

As discussed previously, revenue from speaking engagements and registration fees is recognized at a point in time, whereas revenue from assessment and advisory services, CEP Learning institute, and YouthTruth is recognized over time. Total revenue recognized at a point in time and over time is as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Revenue recognized over time	\$ 7,314,843	\$ 6,876,447
Revenue recognized at a point in time	<u>794,536</u>	<u>22,734</u>
	<u>\$ 8,109,379</u>	<u>\$ 6,899,181</u>

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 billed 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 expenses are incurred.

CEP 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. CEP 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 twelve months.

## THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

Notes to Financial Statements  
December 31, 2023 and 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition (Continued)

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) is also recorded. If revenue is recognized in advance of the right to invoice, a contract asset (unbilled receivable) is recorded.

Accounts receivable and deferred revenue from exchange transactions were \$430,705 and \$880,928, respectively, at January 1, 2022.

#### *Grants and Contributions*

In accordance with ASC 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, CEP recognizes grants and contributions when unconditionally pledged or received. CEP reports gifts of cash or other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

In accordance with Topic 958, CEP must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that CEP should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Grants restricted for specific use for the YouthTruth program of \$31,800 and \$35,000 for the years ended December 31, 2023 and 2022, respectively, are included in earned revenue in the accompanying statements of activities and changes in net assets, however, are accounted for under Topic 958.

All other revenue is recorded when it is earned.

#### *Deferred Revenue*

Based on the timing of revenue recognition, billings, and cash collections for contract revenue, CEP receives certain billings in advance of revenue recognition, resulting in contract liabilities. These payments are presented as deferred revenue in the accompanying statements of financial position. The current portion of deferred revenue as of December 31, 2022, was recognized during 2023. The current portion of deferred revenue as of December 31, 2023, is expected to be recognized in 2024. Long-term deferred revenue as of December 31, 2023, is expected to be recognized through 2025.

## THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

Notes to Financial Statements  
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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Functional Expenses

CEP allocates expenses on a functional basis among its program 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 registration and speaking engagements.

**General and Administrative:** 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 supplies, depreciation and amortization, travel, professional development, and professional and consulting fees, are allocated to the underlying activity through which it was incurred. The accompanying statements of activities and changes in net assets include certain expenses which must be allocated on a reasonable basis, which have 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 \$9,029 and \$20,014 for the years ended December 31, 2023 and 2022, respectively.

#### Fair Value Measurements

CEP follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that CEP would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

CEP uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of CEP. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.



## THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

Notes to Financial Statements  
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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All of CEP's qualifying assets are valued using Level 1 inputs.

#### Accounting for Uncertainty in Income Taxes

CEP accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. CEP has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2023 and 2022. CEP's information and tax returns are subject to examination by the Federal and state jurisdictions.

#### Subsequent Events

Subsequent events have been evaluated through July 15, 2024, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

### 3. PLEDGES RECEIVABLE

Pledges receivable at December 31, 2023 and 2022, are expected to be collected in the following periods:

	<u>2023</u>	<u>2022</u>
Pledges receivable due in one year	\$ 1,512,857	\$ 1,815,126
Pledges receivable due between two and three years	<u>490,000</u>	<u>466,000</u>
Total pledges receivable	2,002,857	2,281,126
Less - current portion	1,512,857	1,815,126
Less - present value discount	<u>27,079</u>	<u>25,515</u>
Pledges receivable, net	<u>\$ 462,921</u>	<u>\$ 440,485</u>

The present value discount was calculated using a discount factor, which ranged from 4.01% to 5.07% at December 31, 2023 and 2022.

## THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

Notes to Financial Statements  
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### 4. INVESTMENTS

The primary investment objectives are two-tiered. Tier one is protection of the asset with a secondary focus on current income allowing for potentially higher returns on funds that are not required for ongoing operations. Tier two is to balance the protection of asset values while earning a return. Investment allocations are periodically reviewed by the Audit and Finance Committee and adjustments are made. The Board of Directors will review and make changes as necessary on an annual basis.

Unrealized gains or losses on investments are reflected in the accompanying statements of activities and changes in net assets based on fair value changes during the period. Realized gains and losses, if any, on investments are recorded on the date in which the sale takes place. These investments are not insured and are subject to on-going market fluctuations.

The following table presents the fair value of CEP's investments as of December 31, 2023 and 2022, all of which are valued using Level 1 inputs (see Note 2):

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 1,279,974	\$ 2,480,133
Mutual funds:		
Domestic equities	6,274,957	4,491,535
Corporate bonds	3,408,838	2,193,023
Treasury bonds	1,791,933	2,029,043
CDs	147,931	-
International equities	29,623	21,247
	<u>\$ 12,933,256</u>	<u>\$ 11,214,981</u>

Investment return consists of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Realized and unrealized gains (losses) on investments	\$ 813,810	\$ (413,202)
Investment income	383,096	152,945
Investment return, net	<u>\$ 1,196,906</u>	<u>\$ (260,257)</u>

### 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Computer equipment and software	\$ 590,410	\$ 457,385
Office furniture and equipment	524,431	424,498
Leasehold improvements	263,142	263,142
	<u>1,377,983</u>	<u>1,145,025</u>
Less - accumulated depreciation and amortization	998,675	858,638
Property and equipment, net	<u>\$ 379,308</u>	<u>\$ 286,387</u>

## THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

Notes to Financial Statements  
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### 6. LEASES

During 2022, CEP entered into a four-year lease agreement for office space in Cambridge, Massachusetts through December 31, 2026. The terms of the lease require minimum monthly payments ranging from \$37,100 to \$39,050.

CEP has a lease agreement for office space in San Francisco, California that expires in November 2025. The terms of the lease required minimum monthly payments ranging from \$9,700 to \$21,017.

CEP had a ten-month lease agreement for additional space in San Francisco, California through October 31, 2022. Per the terms of the lease agreement, CEP is required to make monthly payments aggregating to \$5,778.

CEP leases two pieces of office equipment and certain plants and related containers under lease agreements that expire at various periods through October 2026. The aggregate monthly payments under the terms of these lease agreements are \$2,011.

The following summarizes lease costs and other information relative to operating leases as of and for the years ended December 31:

<b>Lease Costs (included in rent, computer expenses and utilities expenses):</b>	<b>2023</b>	<b>2022</b>
Operating lease cost	\$ 677,082	\$ 801,571
Add - variable lease cost	17,570	28,269
Add - short-term lease cost	<u>13,936</u>	<u>40,835</u>
Total lease costs	<u>\$ 708,588</u>	<u>\$ 870,675</u>
<b>Other Information:</b>		
Cash paid for amounts included in measuring operating lease liabilities:		
Operating cash flows from operating leases	<u>\$ 698,931</u>	<u>\$ 769,083</u>
Lease assets obtained in exchange for lease obligations:		
Operating leases	<u>\$ -</u>	<u>\$ 1,679,123</u>
Weighted-average remaining lease term (years)	2.63	3.57
Weighted-average discount rate	3.52%	3.41%

The maturities of lease liabilities as of December 31, are as follows:

<b>Year Ending December 31,</b>	
2024	\$ 721,334
2025	700,328
2026	<u>471,166</u>
Total future undiscounted lease payments	1,892,828
Less - present value discount	<u>(88,062)</u>
Present value of lease liabilities	<u>\$ 1,804,766</u>

## THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.

Notes to Financial Statements  
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### 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 8.5% and 7.5% at December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, there were no amounts outstanding under this line. The line is secured by cash deposits held by the bank. The line of credit automatically renews annually unless terminated by the bank. The line of credit agreement contains certain administrative covenants with which CEP is required to comply. CEP was in compliance with these covenants at December 31, 2023 and 2022.

### 8. 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 were \$347,190 and \$313,491 for the years ended December 31, 2023 and 2022, respectively, and are included in fringe benefits in the accompanying statements of functional expenses.

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 to the plan totaled \$22,500 and \$20,500 for the years ended December 31, 2023 and 2022, respectively. The 457(b) plan assets of approximately \$158,000 and \$119,000 are included in investments in the accompanying statements of financial position as of December 31, 2023 and 2022, respectively.

### 9. CONCENTRATIONS

CEP maintains its operating cash balances in banks in Massachusetts. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. CEP has not experienced any losses in such accounts. CEP believes it is not exposed to any significant credit risk on its operating cash balance.

No individual donor represented a significant portion of CEP's operating revenue and support at December 31, 2023 and 2022.

Approximately 51% of CEP's pledges receivable was due from three donors at December 31, 2023 and 2022.

Approximately 14% of CEP's accounts receivable was due from one customer at December 31, 2023. No individual customer represented a significant portion of CEP's accounts receivable at December 31, 2022.

**THE CENTER FOR EFFECTIVE PHILANTHROPY, INC.**

Notes to Financial Statements  
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**10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

CEP's financial assets available within one year from the statements of financial position date for general operating purposes as of December 31, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 4,464,024	\$ 4,744,313
Accounts receivable	551,087	966,053
Current portion of pledges receivable	<u>1,512,857</u>	<u>1,815,126</u>
	6,527,968	7,525,492
Less - donor-imposed restrictions	<u>708,339</u>	<u>2,043,016</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,819,629</u>	<u>\$ 5,482,476</u>

CEP has a goal to maintain, at minimum, financial assets available to meet six months of normal operating expenses. As of December 31, 2023 and 2022, CEP had financial assets equal to approximately five months of operating expenses. CEP also has access to a \$1,000,000 line of credit (see Note 7) that can be drawn upon as needed to cover operating costs. In addition, there is approximately \$12,800,000 and \$11,100,000 of long-term investments available to CEP as of December 31, 2023 and 2022, respectively.

**11. RECLASSIFICATION**

Certain amounts in the 2022 financial statements have been reclassified to conform with the 2023 presentation.