

The Center For Effective Philanthropy, Inc.

Financial Statements

December 31, 2025 and 2024

The Center For Effective Philanthropy, Inc.

Table of Contents

December 31, 2025 and 2024

	<u>Pages</u>
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Statements of Functional Expenses	6
Notes to Financial Statements	7 - 21



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. (CEP), which comprise the statements of financial position as of December 31, 2025 and 2024, 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, 2025 and 2024, 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, that raise substantial doubt about CEP's ability to continue as a going concern within one year after the date 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.

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, that 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.

AAFCPAs, Inc.

Westborough, Massachusetts
May 8, 2026

The Center For Effective Philanthropy, Inc.

Statements of Financial Position
As of December 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,788,747	\$ 2,942,540
Accounts receivable	1,131,898	1,055,762
Current portion of pledges receivable	1,174,357	1,470,357
Prepaid expenses	195,327	231,019
Total current assets	7,290,329	5,699,678
Pledges Receivable, net	545,676	123,629
Property and Equipment, net	178,295	301,327
Investments	15,703,496	14,356,634
Right-of-Use Assets - Operating Leases	1,017,611	1,057,129
Security Deposits	89,600	89,600
Total Assets	\$ 24,825,007	\$ 21,627,997
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,129,723	\$ 1,022,815
Current portion of operating lease liabilities	631,531	670,919
Deferred revenue	585,512	539,446
Total current liabilities	2,346,766	2,233,180
Operating Lease Liabilities, Net of Current Portion	427,798	472,146
Deferred Compensation	244,339	195,741
Total liabilities	3,018,903	2,901,067
Net Assets		
Without Donor Restrictions		
Operating	2,689,146	2,720,768
Strategic opportunities fund	6,309,596	6,327,240
Board designated funds for operations	8,220,108	7,362,233
Property and equipment	136,577	215,391
Total without donor restrictions	17,355,427	16,625,632
With Donor Restrictions	4,450,677	2,101,298
Net assets	21,806,104	18,726,930
Total liabilities and net assets	\$ 24,825,007	\$ 21,627,997

The accompanying notes are an integral part of these financial statements.

The Center For Effective Philanthropy, Inc.
Statements of Activities and Changes in Net Assets
For the years ended December 31, 2025 and 2024

	2025					2024				
	Operating	Strategic Opportunities Fund	Total Without Donor Restrictions	With Donor Restrictions	Total	Operating	Strategic Opportunities Fund	Total Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support										
Earned Revenue										
Assessment and advisory services	\$ 4,504,860	\$ -	\$ 4,504,860	\$ -	\$ 4,504,860	\$ 4,815,477	\$ -	\$ 4,815,477	\$ -	\$ 4,815,477
YouthTruth	2,468,202	-	2,468,202	-	2,468,202	2,984,623	-	2,984,623	(1,850)	2,982,773
CEP learning institute	-	458,893	458,893	-	458,893	364,459	364,459	364,459	-	364,459
Speaking and registration fees	1,092,967	-	1,092,967	-	1,092,967	12,150	-	12,150	-	12,150
Total earned revenue	8,066,029	458,893	8,524,922	-	8,524,922	7,812,250	364,459	8,176,709	(1,850)	8,174,859
Support										
Grants and contributions	898,511	-	898,511	7,923,020	8,821,531	1,102,398	-	1,102,398	4,380,711	5,483,109
Net assets released from restrictions	5,573,641	-	5,573,641	(5,573,641)	-	4,818,822	-	4,818,822	(4,818,822)	-
Total support	6,472,152	-	6,472,152	2,349,379	8,821,531	5,921,220	-	5,921,220	(438,111)	5,483,109
Total operating revenue and support	14,538,181	458,893	14,997,074	2,349,379	17,346,453	13,733,470	364,459	14,097,929	(439,961)	13,657,968
Operating Expenses										
Program services	12,669,266	954,648	13,623,914	-	13,623,914	11,301,276	765,168	12,066,444	-	12,066,444
General and administrative	2,012,643	-	2,012,643	-	2,012,643	2,196,118	-	2,196,118	-	2,196,118
Fundraising	208,295	-	208,295	-	208,295	169,436	-	169,436	-	169,436
Total operating expenses	14,890,204	954,648	15,844,852	-	15,844,852	13,666,830	765,168	14,431,998	-	14,431,998
Changes in net assets from operations	(352,023)	(495,755)	(847,778)	2,349,379	1,501,601	66,640	(400,709)	(334,069)	(439,961)	(774,030)
Nonoperating Activities										
Investment return, net	1,099,462	478,111	1,577,573	-	1,577,573	857,875	333,851	1,191,726	-	1,191,726
Changes in net assets	747,439	(17,644)	729,795	2,349,379	3,079,174	924,515	(66,858)	857,657	(439,961)	417,696
Net assets at beginning of year	10,298,392	6,327,240	16,625,632	2,101,298	18,726,930	9,373,877	6,394,098	15,767,975	2,541,259	18,309,234
Net assets at end of year	\$11,045,831	\$ 6,309,596	\$17,355,427	\$ 4,450,677	\$21,806,104	\$10,298,392	\$ 6,327,240	\$16,625,632	\$ 2,101,298	\$18,726,930

The accompanying notes are an integral part of these financial statements.

The Center For Effective Philanthropy, Inc.
Statements of Cash Flows
For the years ended December 31, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Changes in net assets	\$ 3,079,174	\$ 417,696
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	170,138	177,495
Non-cash lease expenses	39,518	616,661
Realized and unrealized gains on investments	(865,782)	(743,034)
Change in allowance and discount on contributions receivable	12,953	(20,708)
(Increase) decrease in operating assets		
Accounts receivable	(76,136)	(504,675)
Pledges receivable	(139,000)	402,500
Prepaid expenses	35,692	(61,054)
Security deposits	-	5,316
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	106,908	79,341
Change in operating lease liability	(83,736)	(661,701)
Deferred revenue	46,066	(486,692)
Deferred compensation	48,598	37,229
Net cash provided by (used in) operating activities	2,374,393	(741,626)
Cash Flows From Investing Activities		
Purchase of property and equipment	(47,106)	(99,514)
Proceeds from sale of investments	1,482,417	1,957,830
Purchase of investments	(1,963,497)	(2,638,174)
Net cash used in investing activities	(528,186)	(779,858)
Net increase (decrease) in cash and cash equivalents	1,846,207	(1,521,484)
Cash and cash equivalents, at beginning of year	2,942,540	4,464,024
Cash and cash equivalents, at end of year	\$ 4,788,747	\$ 2,942,540

The accompanying notes are an integral part of these financial statements.

The Center For Effective Philanthropy, Inc.
Statements of Functional Expenses
For the years ended December 31, 2025 and 2024

	2025				2024			
	Program Services	General and Administrative	Fundraising	Total Expenses	Program Services	General and Administrative	Fundraising	Total Expenses
Personnel and Related								
Salaries	\$ 8,056,623	\$ 1,239,698	\$ 131,040	\$ 9,427,361	\$ 7,838,689	\$ 1,188,098	\$ 119,667	\$ 9,146,454
Fringe benefits	886,388	136,391	14,417	1,037,196	865,655	131,206	13,215	1,010,076
Payroll taxes	581,473	89,473	9,458	680,404	561,430	85,095	8,571	655,096
Total personnel and related	9,524,484	1,465,562	154,915	11,144,961	9,265,774	1,404,399	141,453	10,811,626
Occupancy								
Rent	559,121	86,034	9,094	654,249	575,282	87,195	8,782	671,259
Telephone	29,478	4,536	479	34,493	31,311	4,746	478	36,535
Utilities	24,237	3,729	394	28,360	23,629	3,581	361	27,571
Total occupancy	612,836	94,299	9,967	717,102	630,222	95,522	9,621	735,365
Other								
Professional and consulting fees	1,411,159	217,140	22,952	1,651,251	967,602	472,421	-	1,440,023
CEP conference facilities	817,478	-	-	817,478	-	-	-	-
Computer expenses	472,438	72,695	7,684	552,817	426,382	64,626	6,509	497,517
Travel	187,507	28,852	3,050	219,409	181,343	27,486	2,768	211,597
Dues and subscriptions	182,692	28,111	2,971	213,774	145,601	22,069	2,223	169,893
Depreciation	145,400	22,373	2,365	170,138	152,117	23,056	2,322	177,495
Meals	96,455	14,842	1,569	112,866	141,485	21,445	2,160	165,090
Bank fees and miscellaneous	55,310	8,511	900	64,721	26,262	3,981	401	30,644
Professional development	43,585	6,707	709	51,001	63,777	9,667	974	74,418
Insurance	-	42,076	-	42,076	-	41,462	-	41,462
Office supplies	33,931	5,221	552	39,704	38,762	5,875	592	45,229
Printing	20,911	3,218	340	24,469	4,416	669	67	5,152
Advertising	13,729	2,113	223	16,065	16,001	2,425	244	18,670
Postage and delivery	5,999	923	98	7,020	6,700	1,015	102	7,817
Total other	3,486,594	452,782	43,413	3,982,789	2,170,448	696,197	18,362	2,885,007
Total operating expenses	\$ 13,623,914	\$ 2,012,643	\$ 208,295	\$ 15,844,852	\$ 12,066,444	\$ 2,196,118	\$ 169,436	\$ 14,431,998

The accompanying notes are an integral part of these financial statements.

The Center For Effective Philanthropy, Inc.

Notes to Financial Statements

December 31, 2025 and 2024

1. Nature of Operations

The Center for Effective Philanthropy, Inc. (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

Basis of Accounting

CEP prepares its financial statements in accordance with generally accepted accounting 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).

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

CEP considers all highly liquid securities issued with an initial maturity of three months or less to be cash equivalents. At December 31, 2025 and 2024, cash and cash equivalents consists of checking, savings and money market accounts. For the purposes of the statements of cash flows, cash and cash equivalents held within CEP's investment portfolio are considered investments.

The Center For Effective Philanthropy, Inc.

Notes to Financial Statements

December 31, 2025 and 2024

2. Significant Accounting Policies (Continued)

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at fair value at the date the promise is received and included in pledges receivable. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, net of an allowance for uncollectable amounts. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received.

There was no allowance for doubtful accounts as of December 31, 2025 and 2024.

Accounts Receivable and 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, 2025 and 2024.

Investments

CEP records interest and dividends from investments when earned. Gains or losses on investments are recognized as realized upon sale or based on market value changes during the period. Investment return is reported in the accompanying statements of activities without donor restrictions as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

The Center For Effective Philanthropy, Inc.

Notes to Financial Statements

December 31, 2025 and 2024

2. Significant Accounting Policies (Continued)

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the date of receipt by CEP. Renewals and betterments are capitalized, while repairs and maintenance are expensed. Land is not depreciated.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

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

Leases

CEP determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be 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 these assets are leased because CEP has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

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 office space and equipment. CEP has elected the practical expedient to combine 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 liabilities is measured at the present value of the lease payments over the lease term. The ROU assets equals the lease liabilities 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 the risk free rate based on the information available at the lease commencement date to determine the present value of lease payments.

The Center For Effective Philanthropy, Inc.

Notes to Financial Statements

December 31, 2025 and 2024

2. Significant Accounting Policies (Continued)

Leases (Continued)

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.

Revenue Recognition

In accordance with FASB's Accounting Standards Update (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. 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.

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 and Registration Fees

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

The Center For Effective Philanthropy, Inc.

Notes to Financial Statements

December 31, 2025 and 2024

2. Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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>2025</u>	<u>2024</u>
Revenue recognized over time	\$ 7,431,955	\$ 8,162,709
Revenue recognized at a point in time	<u>1,092,967</u>	<u>12,150</u>
Total	<u><u>\$ 8,524,922</u></u>	<u><u>\$ 8,174,859</u></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 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 \$551,087 and \$817,138, respectively, at January 1, 2024.

The Center For Effective Philanthropy, Inc.

Notes to Financial Statements

December 31, 2025 and 2024

2. Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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 \$1,850 for the year ended December 31, 2024, 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.

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.

The Center For Effective Philanthropy, Inc.

Notes to Financial Statements

December 31, 2025 and 2024

2. Significant Accounting Policies (Continued)

Net Assets

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 funds available to carry on the operations of CEP.
- *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. Revenue generated from CEP Learning Institute is recorded under this classification of net asset. For the year ended December 31, 2025 and 2024, the revenue generated by CEP Learning Institute was \$458,893 and \$364,459, respectively. During the years ended December 31, 2025 and 2024, the Board of Directors approved appropriations of \$954,648 and \$765,168, 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 years ended December 31, 2025 and 2024, the Board of Directors approved transfers of \$857,875 and \$808,138, respectively, to Board designated funds for operations. Once transferred to this designation, Board approval is required for any spending.
- *Property and equipment net assets* reflect and account for the activities relating to CEP's property and equipment and ROU assets, net of related lease liabilities.

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

Net assets with donor restrictions at December 31, 2025 and 2024, are available for the following purposes:

	2025	2024
Subject to time restrictions	\$ 3,500,677	\$ 1,173,630
Subject to program restrictions	560,000	235,000
YouthTruth:		
Subject to program restrictions	390,000	-
Subject to time restrictions	-	692,668
Total	\$ 4,450,677	\$ 2,101,298

The Center For Effective Philanthropy, Inc.

Notes to Financial Statements

December 31, 2025 and 2024

2. Significant Accounting Policies (Continued)

Net Assets (Continued)

During the years ended December 31, 2025 and 2024, net assets were released from restrictions for the following:

	<u>2025</u>	<u>2024</u>
Satisfaction of time restrictions	\$ 2,635,000	\$ 2,005,000
Subject to program restrictions	1,565,973	1,275,842
YouthTruth:		
Satisfaction of time restrictions	1,192,668	1,042,333
Subject to program restrictions	180,000	497,497
Total	<u><u>\$ 5,573,641</u></u>	<u><u>\$ 4,820,672</u></u>

Expense Allocation

Expenses related directly to program or supporting functions are distributed to that program or supporting function. Certain categories of expenses that are attributable to both program and supporting functions require an allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, office supplies, depreciation, travel, professional development, and professional and consulting fees, are allocated to the underlying activity through which it was incurred.

Advertising Costs

CEP expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2025 and 2024, were \$16,065 and \$18,670, 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.

The Center For Effective Philanthropy, Inc.

Notes to Financial Statements

December 31, 2025 and 2024

2. Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

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 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 qualifying assets and liabilities are valued using Level 1 inputs.

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, 2025 and 2024. CEP's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through May 8, 2026, which is the date the financial statements were available to be issued. Other than as disclosed in Note 6, there were no such events that met the criteria for recognition or disclosures in the financial statements.

The Center For Effective Philanthropy, Inc.

Notes to Financial Statements

December 31, 2025 and 2024

3. 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. Investments are recorded as long-term assets based on management's intent to hold these assets regardless of maturity. 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 tables present the fair value of CEP's investments as of December 31:

	2025			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 1,798,483	\$ -	\$ -	\$ 1,798,483
Mutual funds:				
Domestic equities	7,601,118	-	-	7,601,118
Corporate bonds	4,345,618	148,318	-	4,493,936
Treasury bonds	1,510,450	-	-	1,510,450
Certificates of deposit	-	250,240	-	250,240
International equities	49,269	-	-	49,269
Total	\$ 15,304,938	\$ 398,558	\$ -	\$ 15,703,496

	2024			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 1,669,528	\$ -	\$ -	\$ 1,669,528
Mutual funds:				
Domestic equities	6,748,986	-	-	6,748,986
Corporate bonds	4,117,563	198,227	-	4,315,790
Treasury bonds	1,337,084	-	-	1,337,084
Certificates of deposit	-	250,204	-	250,204
International equities	35,042	-	-	35,042
Total	\$ 13,908,203	\$ 448,431	\$ -	\$ 14,356,634

The Center For Effective Philanthropy, Inc.

Notes to Financial Statements

December 31, 2025 and 2024

3. Investments (Continued)

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

	2025	2024
Realized and unrealized gains on investments	\$ 865,782	\$ 743,034
Investment income	735,297	468,928
Investment fees	(23,506)	(20,236)
Investment return, net	\$ 1,577,573	\$ 1,191,726

4. Pledges Receivables

Pledges receivable at December 31, 2025 and 2024, are expected to be collected in the following periods:

	2025	2024
Pledges receivable due in one year	\$ 1,174,357	\$ 1,470,357
Pledges receivable due between two and three years	565,000	130,000
Total	1,739,357	1,600,357
Less - current portion	(1,174,357)	(1,470,357)
Less - present value discount	(19,324)	(6,371)
Total accounts receivable	\$ 545,676	\$ 123,629

The present value discount was calculated using a discount factor, which ranged from 3.47% to 4.27% at December 31, 2025 and 2024.

The Center For Effective Philanthropy, Inc.

Notes to Financial Statements

December 31, 2025 and 2024

5. Property and Equipment

Property and equipment consist of the following at December 31 :

	2025	2024
Computer equipment and software	\$ 590,410	\$ 590,410
Office furniture and equipment	625,156	578,050
Leasehold improvements	263,142	263,142
	1,478,708	1,431,602
Less - accumulated depreciation	(1,300,413)	(1,130,275)
Property and equipment, net	\$ 178,295	\$ 301,327

6. Leases

CEP has 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 February 2029. The terms of the lease required minimum monthly payments ranging from \$17,031 to \$18,610.

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

	2025	2024
Lease Costs (included in rent):		
Operating lease cost	\$ 651,665	\$ 671,259
Add - variable lease cost	2,584	-
Total	\$ 654,249	\$ 671,259

	2025	2024
Weighted-average remaining lease term (years)	2.18	1.69
Weighted-average discount rate (%)	4.07	3.68

The Center For Effective Philanthropy, Inc.

Notes to Financial Statements

December 31, 2025 and 2024

6. Leases (Continued)

Future Minimum Payments

Future minimum lease payments for the operating and finance leases as of December 31, 2025, are as follows:

2026	\$ 658,801
2027	211,029
2028	217,360
2029	18,611
Total future undiscounted lease payments	<u>1,105,801</u>
Less - present value discount	<u>(46,472)</u>
Present value of lease liabilities	<u>\$ 1,059,329</u>

In January 2026, CEP entered into an operating lease for office space in Cambridge, Massachusetts, which will commence in January 2027 with a term of five years. The agreement includes a provision for annual increase in monthly lease payments and requires CEP to pay its proportionate share of the building's operating expenses, as defined in the agreement.

Future minimum lease payments under this agreement for the next five years (subject to the rent abatement) are as follows:

Year Ending December 31:

2027	\$ 238,875
2028	\$ 414,278
2029	\$ 422,563
2030	\$ 431,014
2031	\$ 439,635

The Center For Effective Philanthropy, Inc.

Notes to Financial Statements

December 31, 2025 and 2024

7. Line of Credit

CEP has available a \$1,000,000 revolving line of credit 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 6.75% and 7.5% at December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, 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, 2025 and 2024.

8. Retirement Plans

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 \$377,747 and \$371,280 for the years ended December 31, 2025 and 2024, 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 \$23,500 and \$23,000 for the years ended December 31, 2025 and 2024, respectively. The 457(b) plan assets of \$244,339 and \$196,741 are included in investments in the accompanying statements of financial position as of December 31, 2025 and 2024, respectively.

9. Concentration of Credit Risk

No individual donor represented a significant portion of CEP's operating revenue and support at December 31, 2025 and 2024.

Approximately 65% and 64% of CEP's pledges receivable was due from three donors at December 31, 2025 and 2024, respectively.

Approximately 17% and 13% of CEP's accounts receivable was due from one customer at December 31, 2025 and 2024, respectively.

The Center For Effective Philanthropy, Inc.

Notes to Financial Statements

December 31, 2025 and 2024

10. Liquidity and Availability of Financial Assets

Financial assets available for use by CEP within one year from the statements of financial position date are as follows as of December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 4,788,747	\$ 2,942,540
Accounts receivable	1,131,898	1,055,762
Current portion of pledges receivable	1,174,357	1,470,357
	<u>7,095,002</u>	<u>5,468,659</u>
Less - donor-imposed restrictions - time over 1 year	(765,000)	(100,000)
Less - donor-imposed restrictions - purpose	(950,000)	(235,000)
	<u>(1,715,000)</u>	<u>(335,000)</u>
Financial assets available for use	<u>\$ 5,380,002</u>	<u>\$ 5,133,659</u>

CEP has a goal to maintain, at minimum, financial assets available to meet six months of normal operating expenses. As of December 31, 2025 and 2024, CEP had financial assets equal to approximately four and five months of operating expenses, respectively. 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 \$15,500,000 and \$14,200,000 of long-term investments available to CEP as of December 31, 2025 and 2024, respectively.