

ASSOCIATION OF SMALL FOUNDATIONS

AUDITED FINANCIAL STATEMENTS

December 31, 2010

**ASSOCIATION OF SMALL FOUNDATIONS
AUDITED FINANCIAL STATEMENTS
December 31, 2010**

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Board of Directors
Association of Small Foundations
Washington, DC

Report of Independent Auditors

We have audited the accompanying statement of financial position of the Association of Small Foundations (the Association) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's 2009 financial statements. The financial statements of the Association as of December 31, 2009, were audited by other auditors whose report dated May 14, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association of Small Foundations as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Drolet + Associates, PLLC

Washington, DC
May 20, 2011

ASSOCIATION OF SMALL FOUNDATIONS
STATEMENT OF FINANCIAL POSITION
December 31, 2010
(With Summarized Financial Information for December 31, 2009)

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,179,601	\$ 939,459
Grants receivable	495,454	503,639
Donated office space receivable	398,256	431,112
Investments	-0-	1,039,886
Prepaid expenses and other current assets	21,915	28,534
TOTAL CURRENT ASSETS	2,095,226	2,942,630
FIXED ASSETS, net	95,363	74,913
DONATED OFFICE SPACE RECEIVABLE, net of current portion	1,757,436	120,437
INVESTMENTS, net of current portion	247,389	101,832
GRANTS RECEIVABLE, net of current portion	25,000	160,000
TOTAL ASSETS	\$ 4,220,414	\$ 3,399,812
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 110,059	\$ 118,973
Deferred membership dues	644,774	622,465
TOTAL CURRENT LIABILITIES	754,833	741,438
UNRESTRICTED NET ASSETS		
Unrestricted net assets - undesignated	835,878	923,675
Unrestricted - board designated for future purposes	-0-	300,000
TOTAL UNRESTRICTED NET ASSETS	835,878	1,223,675
TEMPORARILY RESTRICTED NET ASSETS	2,629,703	1,434,699
TOTAL NET ASSETS	3,465,581	2,658,374
TOTAL LIABILITIES AND NET ASSETS	\$ 4,220,414	\$ 3,399,812

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

ASSOCIATION OF SMALL FOUNDATIONS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010
(With Summarized Financial Information for the Year Ended December 31, 2009)

	Unrestricted	Temporarily Restricted	2010 Total	2009 Total
REVENUE				
Membership dues	\$ 1,337,091		\$ 1,337,091	\$ 1,357,932
Grants	841,584	\$ 354,500	1,196,084	1,298,584
Registration fees	508,206		508,206	157,382
Rental income	117,110		117,110	140,335
Publications and other revenue	110,068		110,068	94,224
Contribution - donated office space	26,337	2,008,918	2,035,255	74,891
Interest income	15,352		15,352	32,642
Net assets released from restrictions	1,168,414	(1,168,414)	-0-	-0-
TOTAL REVENUE	4,124,162	1,195,004	5,319,166	3,155,990
EXPENSES				
Program services	3,774,595		3,774,595	3,562,186
General and administrative	288,476		288,476	288,897
Fundraising	448,888		448,888	275,703
TOTAL EXPENSES	4,511,959	-0-	4,511,959	4,126,786
CHANGE IN NET ASSETS	(387,797)	1,195,004	807,207	(970,796)
NET ASSETS, BEGINNING OF YEAR	1,223,675	1,434,699	2,658,374	3,629,170
NET ASSETS, END OF YEAR	\$ 835,878	\$ 2,629,703	\$ 3,465,581	\$ 2,658,374

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

ASSOCIATION OF SMALL FOUNDATIONS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010
(With Summarized Financial Information for the Year Ended December 31, 2009)

	Networking and Connection	Learning	Board	Educational Outreach	Total Program Services	General and Administrative	Fundraising	2010 Total	2009 Total
Salaries and benefits	\$ 661,996	\$ 553,323	\$ 49,876	\$ 426,891	\$ 1,692,086	\$ 32,936	\$ 333,937	\$ 2,058,959	\$ 2,069,185
Meetings	4,239	538,158	4,844	106	547,347	168	83	547,598	156,662
Amortization of donated rent	222,816	56,516	5,095	43,601	328,028	68,977	34,107	431,112	431,112
Consultants	150,799	97,019	55,083	52,979	355,880	1,129	20,156	377,165	429,655
Occupancy	148,064	37,555	3,386	28,973	217,978	45,837	22,664	286,479	298,908
Travel	33,425	87,681	74,316	9,576	204,998	5,567	13,521	224,086	140,086
Legal and accounting	-0-	1,523	26,827	-0-	28,350	92,285	-0-	120,635	100,837
Printing	39,968	34,166	3,270	30,231	107,635	742	367	108,744	129,284
Postage and delivery	14,622	24,525	3,132	28,380	70,659	1,496	853	73,008	95,260
Telephone and fax	14,418	9,320	4,026	11,346	39,110	6,839	3,960	49,909	36,847
Depreciation and amortization	9,422	7,875	710	6,075	24,082	9,611	4,753	38,446	12,196
Office equipment and maintenance	13,249	6,621	597	5,108	25,575	8,081	3,996	37,652	28,167
Website	30,655	1,093	299	3,018	35,065	1,334	660	37,059	33,730
Design	18,525	11,222	73	297	30,117	43	21	30,181	36,390
Merchant and bank charges	4,635	7,952	349	2,989	15,925	4,729	2,338	22,992	10,631
Dues and publications	5,661	1,543	7,829	2,310	17,343	1,646	3,984	22,973	31,145
Office supplies	4,006	6,385	1,349	3,500	15,240	3,631	1,795	20,666	22,011
Temporary help	6,609	3,314	65	558	10,546	883	436	11,865	18,247
Insurance	2,269	4,160	171	1,463	8,063	2,315	1,145	11,523	12,633
Miscellaneous	222	186	17	143	568	227	112	907	33,800
Total expenses	\$1,385,600	\$1,490,137	\$241,314	\$657,544	\$3,774,595	\$288,476	\$448,888	\$4,511,959	\$4,126,786

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

ASSOCIATION OF SMALL FOUNDATIONS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010
(With Summarized Financial Information for the Year Ended December 31, 2009)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ 807,207	\$ (970,796)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	38,446	12,196
Loss (gain) on investments	1,612	(926)
Change in present value discount for donated office space	(26,337)	(74,891)
Decrease in grants receivable	143,185	487,156
(Increase) decrease in donated office space	(1,577,806)	431,112
Decrease in prepaid expenses and other assets	6,619	50,988
Decrease in accounts payable and accrued expenses	(8,914)	(43,203)
Increase (decrease) in deferred membership dues	22,309	(16,990)
NET CASH USED IN OPERATING ACTIVITIES	(593,679)	(125,354)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,148,141)	(3,143,488)
Proceeds from sales of investments	2,040,859	3,548,381
Purchases of fixed assets	(58,896)	(60,494)
NET CASH PROVIDED BY INVESTING ACTIVITIES	833,821	344,399
NET INCREASE IN CASH AND CASH EQUIVALENTS	240,142	219,045
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	939,459	720,414
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,179,601	\$ 939,459

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

ASSOCIATION OF SMALL FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization The Association of Small Foundations (the Association) is a nonprofit organization incorporated under the laws of the State of Delaware. The Association builds and strengthens small foundation philanthropy by providing high-quality programs, services and resources to charitable foundations with few or no staff. The Association is a membership organization, recognized for peer-to-peer information sharing, and recognized for the production of practical tools that improve, simplify, and reduce the cost of administering a grant making foundation. The Association’s activities are funded primarily through membership dues and grants.

Basis of Presentation The accompanying financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

Cash and Cash Equivalents The Association considers demand deposits, money market funds and investments purchased with a maturity of three months or less, when purchased, to be cash and cash equivalents.

Investments Investments are comprised of certificates of deposit and are valued at principal plus accrued interest. Investments with original maturities of less than one year are classified as short-term investments.

Grants Receivable Unconditional promises to give that have not been collected as of year-end are recorded as grants receivable in the accompanying statement of financial position. Grants receivable over multiple years are discounted to their net present value using the applicable interest rate if such discount would be significant.

Fixed Assets Fixed assets are stated at cost and are depreciated using the straight-line method over estimated useful lives of three to five years, with no salvage value. Direct costs incurred during the application stage of the development of the Association’s website are capitalized and amortized over an estimated useful life of three years. Maintenance and repairs, including planned major maintenance activities, are charged to expense when incurred; major renewals and betterments are capitalized. Donated fixed assets are recorded at fair market value at the date of donation.

Donated Office Space The Association receives the use of office space and furniture and equipment free of charge. The Association records the fair value of the donated office space as donated office space and temporarily restricted revenue at the net present value of the estimated fair value of the lease. Donated office space that has been committed to the Association as of December 31, 2010 through a formal lease agreement has been recorded as donated office space receivable in the accompanying statement of financial position.

ASSOCIATION OF SMALL FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Revenue

Recognition

The Association reports contributions and grants as unrestricted and available for general operations, unless specifically restricted by the donor. If such contributions and grants are received with donor stipulations that limit the use of the donated funds for a particular purpose or for a specific period of time, they are reported as temporarily restricted. When the stipulated time restriction ends or the purpose of the restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Dues revenue is recognized ratably over the membership period of one year, which begins in the month dues are paid. The portion of dues that relates to a membership period extending beyond year end is reported as deferred membership dues.

Registration fees are recognized in the year in which the seminar or conference is held.

Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined by the Internal Revenue Service not to be a private foundation within the meaning of section 509(a) of the Code. The Association is exempt from the payment of taxes on income other than net unrelated business income. The Association received certain unrelated business income from advertising. No provision for federal or state income taxes is required as of December 31, 2010, as the Association had no taxable net unrelated business income.

**Accounting for
Uncertain Tax
Positions**

The Association requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. The Association does not believe its financial statements include, or reflect, any uncertain tax positions. As of December 31, 2010, the statute of limitations for tax years 2007 through 2009 remains open with the U.S. federal jurisdiction and the various states and local jurisdictions in which the Association files tax returns.

**Functional
Allocation of
Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, costs have been allocated among the programs and supporting services benefited.

ASSOCIATION OF SMALL FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Prior Year Information The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Reclassifications Certain 2009 amounts have been reclassified for comparative purposes.

NOTE B – CONCENTRATIONS

The Association maintains cash balances at financial institutions in the Washington, DC metropolitan area. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times during the year, the Association's cash balance exceeded the FDIC insurance amount. Management believes the risk in this situation to be minimal.

As of December 31, 2010, approximately 57% of the grants receivable was due from one donor. Approximately 40% of the total revenue was received from one donor for the year ended December 31, 2010.

NOTE C – FIXED ASSETS

Fixed assets consisted of the following as of December 31, 2010:

Description	Amount
Furniture and equipment	\$ 77,041
Website	109,000
	186,041
Less: accumulated depreciation	(90,678)
	\$ 95,363
Property and equipment, net	\$ 95,363

ASSOCIATION OF SMALL FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010

NOTE D – GRANTS RECEIVABLE

As of December 31, 2010, the Association had grants receivable consisting of unconditional promises to give from foundations to be used for particular programs or general support for a future period. The promised grants are considered fully collectible and are due as follows:

<i>June 30,</i>	Amount
2011	\$ 495,454
2012	25,000
Total grants receivable	\$ 520,454

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of December 31, 2010:

Description	Amount
Donated office space for future years	\$ 2,155,692
Information services and resources programs	208,511
Time-restricted	147,500
Grantmaking in Texas	113,000
Other	5,000
Total temporarily restricted net assets	\$ 2,629,703

Amounts released from temporarily restricted net assets during the year ended December 31, 2010 were:

Description	Amount
Information services and resources programs	\$ 439,400
Donated office space for future years	404,775
Future conferences	129,532
Leadership transition	77,552
Early childhood development	50,000
Grantmaking in Texas	39,000
Innovation fund	28,155
Total amounts released from restriction	\$ 1,168,414

ASSOCIATION OF SMALL FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010

NOTE F – DONATED OFFICE SPACE RECEIVABLE

On May 26, 2006, the Association entered into a five year agreement with a private foundation for its office space, including furnishings, in Washington, DC. The lease provides for no annual fixed rent. However, the Association is obligated to pay all taxes, costs, operating expenses and utilities. The net present value of the donated office space related to the lease was recorded as temporarily restricted revenue during the year ended December 31, 2006. The amount of the amortization of donated rent for the year ended December 31, 2010 of \$431,112 is recognized in the accompanying statement of functional expenses.

On July 17, 2010, the Association entered into a new five year agreement with the private foundation for its office space in Washington, D.C., for the period June, 2011 through May, 2016, under substantially the same terms as the original agreement. The net present value of the donated office space related to the lease, \$2,008,918 was recorded as temporarily restricted revenue during the year ended December 31, 2010. The donated office space receivable has been discounted to the net present value using a discount rate of 3%.

The donated office space receivable as of December 31, 2010 represents the net present value of the donated office space promised through 2016, which is to be received as follows:

<i>June 30,</i>	Amount
2011	\$ 398,256
2012	431,112
2013	431,112
2014	431,112
2015	431,112
2016	179,630
Total donated office space receivable	2,302,334
Less: discount to present value	(146,642)
Net donated office space receivable	\$ 2,155,692

The Association subleases a portion of its donated office space to various unrelated entities. The Association recognized approximately \$117,000 in rental income related to these subleases during the year ended December 31, 2010. A total of \$315,000 is due under non-cancellable subleases with terms through December 31, 2014.

ASSOCIATION OF SMALL FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2010

NOTE G – EMPLOYEE BENEFIT PLAN

The Association sponsors a qualified profit sharing pension plan and a 401(k) plan for all eligible employees. Employees are eligible to participate in the plans after one year of service and are fully vested immediately upon entering the plan. The Association contributes up to 21% of each employee's salary to the profit sharing plan on a predetermined formula based on the benefits package selected by the employee. For the year ended December 31, 2010, the Association made a contribution to the profit sharing pension plan on behalf of its employees of approximately \$190,000, which is included in salaries and benefits in the accompanying statement of functional expenses.

NOTE H – COMMITMENTS

The Association has entered into contracts with facilities in connection with future meetings and conferences. In the event of cancellation of these agreements by the Association, the Association would be responsible for certain fees. Management does not anticipate cancellation of these events. In addition, the Association has a non-cancellable contract with an organization for website hosting and support services through March 2013.

NOTE I – SUBSEQUENT EVENTS

Subsequent events were evaluated through May 20, 2011, which is the date the financial statements were available to be issued.

In January 2011, the Association elected a new Chief Executive Officer (CEO) and entered into an employment agreement with the CEO.