

ASSOCIATION OF SMALL FOUNDATIONS
AUDITED FINANCIAL STATEMENTS
December 31, 2011

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Drolet + Associates PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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, 2011, 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 2010 financial statements and, in our report dated May 20, 2010, we expressed an unqualified opinion on those financial 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, 2011, 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
June 7, 2012

ASSOCIATION OF SMALL FOUNDATIONS
STATEMENT OF FINANCIAL POSITION
December 31, 2011
(With Summarized Financial Information for December 31, 2010)

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,008,087	\$ 1,179,601
Grants receivable	327,563	495,454
Donated office space receivable	431,112	398,256
Investments	606,295	-0-
Prepaid expenses and other current assets	15,447	21,915
TOTAL CURRENT ASSETS	2,388,504	2,095,226
FIXED ASSETS, net	66,371	95,363
DONATED OFFICE SPACE RECEIVABLE, net of current portion	1,379,045	1,757,436
INVESTMENTS, net of current portion	252,213	247,389
GRANTS RECEIVABLE, net of current portion	-0-	25,000
TOTAL ASSETS	\$ 4,086,133	\$ 4,220,414
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 113,802	\$ 110,059
Deferred membership dues	756,323	644,774
TOTAL CURRENT LIABILITIES	870,125	754,833
NET ASSETS		
Unrestricted	1,034,365	835,878
Temporarily restricted	2,181,643	2,629,703
TOTAL NET ASSETS	3,216,008	3,465,581
TOTAL LIABILITIES AND NET ASSETS	\$ 4,086,133	\$ 4,220,414

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

ASSOCIATION OF SMALL FOUNDATIONS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011
(With Summarized Financial Information for the Year Ended December 31, 2010)

	Unrestricted	Temporarily Restricted	2011 Total	2010 Total
REVENUE				
Membership dues	\$ 1,534,203		\$ 1,534,203	\$ 1,337,091
Grants	683,586	\$ 386,110	1,069,696	1,196,084
Registration fees	170,383		170,383	508,206
Rental income	174,546		174,546	117,110
Publications and other revenue	111,582		111,582	110,068
Contribution - donated office space	52,721		52,721	2,035,255
Interest income	9,741		9,741	15,352
Net assets released from restrictions	834,170	(834,170)	-0-	-0-
TOTAL REVENUE	3,570,932	(448,060)	3,122,872	5,319,166
EXPENSES				
Program services	2,640,647		2,640,647	3,774,595
General and administrative	273,709		273,709	288,476
Fundraising	458,089		458,089	448,888
TOTAL EXPENSES	3,372,445	-0-	3,372,445	4,511,959
CHANGE IN NET ASSETS	198,487	(448,060)	(249,573)	807,207
NET ASSETS, BEGINNING OF YEAR	835,878	2,629,703	3,465,581	2,658,374
NET ASSETS, END OF YEAR	\$ 1,034,365	\$ 2,181,643	\$ 3,216,008	\$ 3,465,581

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, 2011

(With Summarized Financial Information for the Year Ended December 31, 2010)

	Networking and Connection	Learning	Member Committees	Educational Outreach	Total Program Services	General and Administrative	Fundraising	2011 Total	2010 Total
Salaries and benefits	\$ 900,878	\$ 241,763	\$ 49,961	\$ 211,116	\$ 1,403,718	\$ 55,235	\$ 311,798	\$ 1,770,751	\$ 2,058,959
Meetings	109,438	3,958	9,987	1,823	125,206	19	10	125,235	547,598
Amortization of donated rent	100,386	170,312	5,567	23,525	299,790	63,721	34,744	398,255	431,112
Consultants	37,501	86,247	46,081	28,595	198,424	927	51,824	251,175	377,165
Occupancy	67,148	113,922	3,724	15,736	200,530	42,623	23,240	266,393	286,479
Travel	47,853	19,564	45,843	12,249	125,509	150	6,778	132,437	224,086
Legal and accounting					-0-	72,967		72,967	120,635
Printing	13,582	48,863	1,651	18,115	82,211	669	3,050	85,930	108,744
Postage and delivery	15,871	11,425	1,089	10,708	39,093	871	2,855	42,819	73,008
Telephone and fax	13,830	3,932	1,634	2,931	22,327	6,908	4,457	33,692	37,678
Depreciation and amortization	17,563	4,714	974	4,116	27,367	11,149	6,079	44,595	38,446
Office equipment and maintenance	8,720	2,340	484	2,043	13,587	5,535	3,018	22,140	37,652
Website	1,464	24,707	40	19,283	45,494	453	247	46,194	49,290
Design		3,165	700	1,575	5,440			5,440	30,181
Merchant and bank charges	5,073	1,361	281	1,189	7,904	3,220	1,756	12,880	22,992
Dues and publications	4,911	2,071	220	929	8,131	2,515	1,393	12,039	9,758
Office supplies	8,483	2,433	379	2,617	13,912	3,928	2,142	19,982	20,666
Temporary help	1,485	400			1,885			1,885	11,865
Insurance	3,497	939	194	820	5,450	2,220	1,210	8,880	11,523
Conference registration fees	880	4,740		7,570	13,190		3,160	16,350	13,215
Staff meetings	768	206	43	180	1,197	488	266	1,951	-0-
Miscellaneous	182	48	10	42	282	111	62	455	907
Total expenses	\$ 1,359,513	\$ 747,110	\$ 168,862	\$ 365,162	\$ 2,640,647	\$ 273,709	\$ 458,089	\$ 3,372,445	\$ 4,511,959

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, 2011
(With Summarized Financial Information for the Year Ended December 31, 2010)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ (249,573)	\$ 807,207
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	44,595	38,446
Loss on investments	170	1,612
Loss on disposal of fixed assets	297	-0-
Change in present value discount for donated office space receivable	(52,721)	(26,337)
Decrease in grants receivable	192,891	143,185
Decrease (increase) in donated office space receivable	398,256	(1,577,806)
Decrease in prepaid expenses and other current assets	6,468	6,619
Increase (decrease) in accounts payable and accrued expenses	3,743	(8,914)
Increase in deferred membership dues	111,549	22,309
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	455,675	(593,679)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,500,920)	(1,148,142)
Proceeds from sales of investments	889,631	2,040,859
Purchases of fixed assets	(15,900)	(58,896)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(627,189)	833,821
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(171,514)	240,142
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,179,601	939,459
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,008,087	\$ 1,179,601

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

ASSOCIATION OF SMALL FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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 with original maturities of less than one year are classified as short-term investments. Investments are comprised of short-term brokered certificates of deposit, valued based on broker quotes, and a long-term bank certificate of deposit, stated at cost plus accrued interest, which approximates market value.

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. All grants receivable are assumed to be collectible; therefore, no allowance for doubtful accounts is necessary.

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.

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, 2011

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

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, 2011 through a formal lease agreement has been recorded as donated office space receivable in the accompanying statement of financial position.

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, 2011, as the Association had no taxable net unrelated business income.

ASSOCIATION OF SMALL FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2011

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

**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, 2011, the statute of limitations for tax years 2008 through 2010 remains open with the U.S. federal jurisdiction and the various states and local jurisdictions in which the Association files tax returns.

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 financial statements include certain prior year summarized comparative totals as of and for the year ended December 31, 2010. 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 financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Reclassifications Certain 2010 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, 2011, approximately 38% of the grants receivable was due from one donor and three donors accounted for 59% of grants receivable.

ASSOCIATION OF SMALL FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2011

NOTE C – FIXED ASSETS

Fixed assets consisted of the following as of December 31, 2011:

Description	Amount
Furniture and equipment	\$ 57,978
Website	109,000
	166,978
Less: accumulated depreciation	(100,607)
Property and equipment, net	\$ 66,371

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of December 31, 2011:

Description	Amount
Donated office space for future years	\$ 1,810,157
Information services and resources programs	115,677
Future conferences	87,500
Early childhood development	15,965
Time-restricted	26,500
Strategic planning	125,844
Total temporarily restricted net assets	\$ 2,181,643

Amounts released from temporarily restricted net assets during the year ended December 31, 2011 were:

Description	Amount
Information services and resources programs	\$ 172,834
Donated office space for future years	345,535
Time-restricted	122,500
Early childhood development	3,795
Grantmaking in Texas	130,100
Strategic planning	54,406
Other	5,000
Total amounts released from restriction	\$ 834,170

ASSOCIATION OF SMALL FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2011

NOTE E – 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, 2011, the Association made a contribution to the profit sharing pension plan on behalf of its employees of approximately \$171,000, which is included in salaries and benefits in the accompanying statement of functional expenses.

NOTE F – FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities).

The following presents investments carried at fair value as of December 31, 2011:

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 606,295		\$ 606,295	

NOTE G – 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.

ASSOCIATION OF SMALL FOUNDATIONS
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2011

NOTE G – DONATED OFFICE SPACE RECEIVABLE – (Continued)

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 was discounted to the net present value using a discount rate of 3%.

The amount of the amortization of donated rent for the year ended December 31, 2011 of \$398,256 is recognized in the accompanying statement of functional expenses.

The donated office space receivable as of December 31, 2011 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
2012	\$ 431,112
2013	431,112
2014	431,112
2015	431,112
2016	179,630
Total donated office space receivable	1,904,078
Less: discount to present value	(93,921)
Net donated office space receivable	\$ 1,810,157

The Association subleases a portion of its donated office space to various unrelated entities. The Association recognized approximately \$175,000 in rental income related to these subleases during the year ended December 31, 2011. A total of \$228,000 is due under non-cancellable subleases with terms through December 31, 2014.

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 June 7, 2012, which is the date the financial statements were available to be issued.